



UPP HOLDINGS LIMITED
Annual Report 2014

GENERATING ELECTRICAL POWER IN MYANMAR



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CORPORATE INFORMATION

BOARD OF DIRECTORS

Tong Kooi Ong
Executive Chairman and Chief Executive Officer

Koh Wan Kai
Executive Director, President and Chief Operating Officer

Gary Ho Kuat Foong
Lead Independent Director

Ng Shin Ein
Independent Director

Kalimullah Bin Masheerul Hassan
Independent Director

Ong Pang Liang
Non-Executive Director

COMPANY SECRETARY

Song Ruoh Jin

AUDIT AND RISK MANAGEMENT COMMITTEE

Gary Ho Kuat Foong (*Chairman*)

Ng Shin Ein

Ong Pang Liang

NOMINATING COMMITTEE

Kalimullah Bin Masheerul Hassan (*Chairman*)

Gary Ho Kuat Foong

Ong Pang Liang

REMUNERATION COMMITTEE

Ng Shin Ein (*Chairman*)

Kalimullah Bin Masheerul Hassan

Ong Pang Liang

REGISTERED OFFICE

1 Kim Seng Promenade
#13-10 Great World City West Tower

Singapore 237994

Tel: (65) 6836 5522

Fax: (65) 6836 5500

E-mail: admin@upp-group.com

Website: <http://www.upp-group.com>

SHARE REGISTRAR

M & C Services Private Limited

112 Robinson Road #05-01

Singapore 068902

AUDITORS

Nexia TS Public Accounting Corporation

100 Beach Road

Shaw Tower #30-00

Singapore 189702

Kristin YS Kim (*Director in-charge*)

BANKERS

CIMB Bank Berhad

DBS Bank Limited

The Bank of East Asia, Limited

The Hongkong and Shanghai Banking Corporation Limited

United Overseas Bank Limited

CHAIRMAN'S AND CEO'S STATEMENT

Dear fellow shareholders,

On behalf of the Board, it is my pleasure to present to you UPP's annual report for the financial year ended 31 December 2014 ("**FY2014**").

The year 2014 marks a milestone for the Group.

Our efforts to expand into Myanmar, to diversify and broaden our income base, have finally borne fruit.

The Group's net profit increased from S\$1.5 million for FY2013 to S\$9.7 million for FY2014. Operating activities generated net cash of S\$13.9 million during the year. And after investing S\$58.8 million (US\$46.5 million) for the power plant in Myanmar over the last two years, the Group still had net cash of S\$40.8 million as at year end 2014.

In particular, I am happy to report that our 50 megawatt (**MW**) power plant project in Yangon, Myanmar has been operating successfully, and has contributed substantially to the increase in the Group's profitability in FY2014.

Our power purchase agreement (**PPA**) was signed on 11 February 2014 with commercial operations commencing on the same date. The PPA is with Myanma Electric Power Enterprise (**MEPE**), of the Ministry of Electric Power, Republic of the Union of Myanmar.

Under the PPA, MEPE will undertake to purchase a minimum of 350 million kilowatt-hours (**kWh**) for a period of 30 years. I am happy to note that the plant has met the minimum off-take in its first full year of operations.

The power plant will provide the Group with relatively assured income over the duration of the concession, and complement earnings from the pulp and paper mill.

Meanwhile, I am also pleased to note that the pulp and paper operations in Malaysia performed well as we continued to focus on improving operational efficiency and product mix.

Despite the many challenges faced in recent years, such as higher electricity tariffs and the implementation of minimum wages, we have still managed to chalk up higher profits for the third consecutive year.

Demand for our recycled brown paper products has been encouraging, due to strong domestic demand for environmentally-friendly packaging products. At the same time, the Group has been very conscientious in its efforts to continually improve efficiency, quality and cost controls.

The Group's brown paper products are mostly used to produce corrugated carton boxes. Demand for corrugated carton boxes and the Group's paper products are largely driven by Malaysia's manufacturing sector as well as the recent growth in e-commerce packaging needs.

CHAIRMAN'S AND CEO'S STATEMENT

For this division, the Group will continue its effort to improve operational efficiency and cost controls in order to remain competitive and profitable.

While the economic outlook ahead is more challenging, we are confident of riding out the storm.

Demand for our two core businesses, electricity in Myanmar and pulp and paper in Malaysia, should be relatively defensive and our balance sheet is strong. However, there are also risks inherent when investing and operating in emerging markets.

We will continue to look for more investment opportunities in Myanmar and the region, to increase returns for our shareholders. At the same time, we will continue to be prudent to mitigate risks.

OPERATIONS AND FINANCIAL RESULTS REVIEW

For the year under review, the Group achieved revenue of S\$116.9 million, an increase of 143% from 2013. This was mainly due to contributions from the new power plant business in Myanmar, which commenced operations on 11 February 2014 and better paper mill business during the current financial year.

Overall, the Group saw a 849% year-on-year increase in net profit attributable to shareholder to S\$9.0 million for FY2014.

The Group's cash flow and financial position remained healthy. Operating activities generated net cash of S\$13.9 million during the year.

As at 31 December 2014, the Group has a cash balance of S\$40.8 million after payment of the remaining balance of 75% of the construction costs approximately S\$44.1 million to the turnkey contractor for building the gas-fired electricity generating power plant during the financial year. The healthy cash position underpinning our financial strength will enable the Group to capitalise on opportunities that may arise in the coming year.

Our consolidated shareholders' equity at 31 December 2014 amounted to S\$176.7 million, an increase of S\$9.2 million or 6% from the previous year. This mainly due to the significantly better financial results achieved during the financial year.

Our Board has recommended a first and final one-tier tax exempt dividend of 0.5 cents per share for the financial year ended 31 December 2014.

The year before, total dividends paid was 0.15 cents per share. The larger dividend declared for FY2014 reflects the stronger income generating capacity of the Group now. Even at 0.5 cents per share, our dividend payout ratio remains conservative at 46%.

PULP AND PAPER MILL

Revenue at the pulp and paper mill was S\$47.8 million in 2014 as compared with S\$46.8 million in 2013. At pre-tax level, the division registered a profit of S\$4.9 million in 2014 as compared with S\$3.8 million in 2013. The higher profitability in the current year was mainly due to the Group's continuing effort in improving production efficiencies and effective cost control.

CHAIRMAN'S AND CEO'S STATEMENT

YWAMA POWER PLANT

Revenue from the power plant business was S\$68.3 million in 2014, primarily due to contribution from the construction of gas-fired electricity generating power plant under the service concession arrangement. Included in this amount was the power plant's construction cost of S\$58.8 million (US\$46.5 million) which was recognised as revenue in accordance with the INT FRS 112 Accounting Standards for Service Concession Arrangements. At pre-tax level, the division registered a profit of S\$6.3 million in 2014.

Earnings from the power plant project will be largely assured by the Power Purchase Agreement, which stipulates electricity tariffs and guaranteed take-up rates.

CORPORATE GOVERNANCE

As a publicly listed company, strong corporate governance has been an important focus for the Board. We believe that good corporate governance establishes and maintains an ethical environment within the Group, which serves the interests of all shareholders.

We observe high standards of corporate governance which are in line with the principles and guidelines of the Code of Corporate Governance 2012, and its recommendations, and ensure we are in compliance with all regulatory requirements.

ACKNOWLEDGEMENT

We wish to thank our customers, business partners, service providers, Myanma Electric Power Enterprise, the Ministry of Electric Power, Myanmar and shareholders for their continued trust, steadfast support and confidence in the Group.

In conclusion, I like to express my appreciation to all my fellow colleagues – the directors, management and all staff – for their support, contribution and wise counsel.

Thank you,

TONG KOOI ONG

Chairman of the Board and CEO

***“Success is not final, failure is not fatal.
It is the courage to continue that counts.”***

Winston Churchill

BOARD OF DIRECTORS

TONG KOOI ONG

*Executive Chairman and Chief Executive Officer
Appointed to the Board on 15 March 2012*

Mr. Tong is a businessman with interests in media, property development and other businesses in Malaysia, Singapore and Canada. He is on the board of M+S Pte Ltd, a joint venture between Khazanah Nasional Berhad and Temasek Holdings (Private) Ltd. He is also the Chairman of the Board of Taiga Building Products Limited, a distributor of building products, listed on the Toronto Stock Exchange, with annual sales of over C\$1.0 billion and Chairman of 3Energy Limited, formerly HSR Global Limited is a Singapore-based investment holding company. His media interests are in The Edge Media Group Pte Ltd, which publishes *The Edge Singapore*, *The Edge Malaysia*, *The Edge Review*, *The Edge Markets* and other print and digital publications. He holds a Bachelor of Arts in Business Administration and a Master of Arts in Economics and Finance from Simon Fraser University, Canada. In 2002, he was bestowed his Doctor of Laws (Honoris Causa) from the same university.

KOH WAN KAI

*Executive Director, President and Chief Operating Officer
Appointed to the Board on 1 April 2009*

Mr. Koh was appointed President of the Company on 1 April 2008. He is currently the President and Chief Operating Officer with responsibility for the Group's business operations. He started his career in an international accounting firm as an auditor and business consultant. He has more than 20 years experience in managerial positions spanning various industries. Prior to joining the Company, he was the Chief Financial Officer of SGX listed Rowsley Ltd.. Mr. Koh holds a Bachelor of Accountancy from the National University of Singapore. He is a Fellow member of the Institute of Singapore Chartered Accountants.

GARY HO KUAT FOONG

*Lead Independent Director
Appointed to the Board on 31 October 2006*

Mr. Ho has over 20 years' experience in corporate management and finance having been a Director of both publicly listed and private companies in Singapore, Malaysia and Australia. He holds two Bachelor degrees in Commerce and Science from the University of Western Australia. He is also a member of the Institute of Singapore Chartered Accountants and CPA Australia.

NG SHIN EIN

*Independent Director
Appointed to the Board on 20 April 2013*

Ms. Ng Shin Ein is the Managing Director of Blue Ocean Associates Pte Ltd, a pan-Asian private investment firm investing in companies regionally. Prior to this, Ms. Ng was with the Singapore Exchange, where she was responsible for developing Singapore's capital market by bringing companies to list in Singapore. Additionally, she was part of the Singapore Exchange's IPO Approval Committee.

Admitted as an advocate and solicitor of the Singapore Supreme Court, Ms. Ng started as a corporate lawyer in Messrs Lee & Lee for a number of years. While in legal practice, she advised on joint ventures, mergers and acquisitions and fundraising exercises.

Ms. Ng sits on the boards of NTUC Fairprice Cooperative Limited, First Resources Limited and Eu Yan Sang International Limited. Additionally, she is also an adjunct research fellow with the Business School of the National University of Singapore where she focuses on her areas of interest, philanthropy and social enterprises.

BOARD OF DIRECTORS

KALIMULLAH BIN MASHEERUL HASSAN

Independent Director

Appointed to the Board on 20 April 2013

Dato' Seri Kalimullah Hassan, a Malaysian, age 57, is a former journalist and became a businessman in 1995. He has served on various Government agencies, including as Chairman of the National News Agency, Bernama, the National Unity Advisory Panel, the Multimedia Development Corporation (MDeC) and the National Information Technology Council (NITC). He has also served on the boards of various public listed companies.

He started his own boutique financial services company and investment bank, ECM Libra Financial Services Group Berhad, with two partners, Chua Ming Huat and Lim Kian Onn and served as its Chief Executive Officer (2002-2004) and (2006-2010). The three partners also set up an education foundation, which has won the Prime Minister's Award for Corporate Social Responsibility twice in the last six years. Dato' Seri Kalimullah stepped down as CEO of ECM Libra in 2010 and focuses his time in co-managing the foundation and carrying out charity work amongst the poor.

He remains as Non-Executive Chairman of ECM Libra Financial Group Berhad, Chairman of the ECM Libra Foundation, and is an adjunct professor at LimKokWing University. He is also a member of the Board of Governors of his alma mater, the Methodist Boys School (Penang) and is a Director and major shareholder in long-haul budget airline AirAsia X and the international budget hotel group, Tune Hotels.

ONG PANG LIANG

Non-Executive Director

Appointed to the Board on 1 August 2010

Mr. Ong relinquished his executive role in the Company and remained as a Non-Executive Director since 20 April 2012. He has over 25 years of experience in banking and finance. He joined the Company from Rowsley Ltd. where he was Chief Financial Officer. His banking career in various international banks covered responsibilities for business units in currency trading, treasury operations and corporate banking. He was a Managing Director at Bank of America, holding positions of Head of Foreign Exchange in Singapore and also in China as General Manager of Bank of America Shanghai. Mr. Ong holds a degree in Business Administration from the National University of Singapore.

REPORT ON CORPORATE GOVERNANCE

UPP Holdings Limited (“**UPP**” or the “**Company**”) is committed to high standards of corporate governance within the UPP group of companies (the “**Group**”) and adopts the corporate governance practices contained in the Code of Corporate Governance 2012 (the “**Code**”). In areas where the Group’s practice deviates from the Code, the rationales are provided. We believe that good corporate governance establishes and maintains an ethical environment within the Group, which serves the interests of all shareholders.

BOARD MATTERS

Principle 1: Board’s Conduct of Its Affairs

The Company is headed by the Board of Directors (the “**Board**”) which is responsible for the overall management of the Company. The Board works closely with the management of the Company (the “**Management**”) and Management remains accountable to the Board.

The Company has formulated guidelines setting forth matters reserved for the Board’s decision. The matters reserved for the Board’s decision are as follows:

- (a) material acquisitions and disposals of assets/investments;
- (b) corporate or financial restructuring;
- (c) financial/funding arrangements;
- (d) material capital expenditures;
- (e) share issuances;
- (f) dividend payments to shareholders; and
- (g) other transactions of a material nature requiring announcement under the Listing Manual (“**Listing Manual**”) of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

Management was also given clear directions on matters (including setting thresholds for certain operational matters relating to subsidiaries) that require the Board’s approval.

In accordance with the Code, the Board has, without abdicating its responsibility, established three (3) Board Committees namely, the Audit and Risk Management Committee (“**ARMC**”), the Nominating Committee (“**NC**”) and the Remuneration Committee (“**RC**”), each of which has been delegated with specific authority. Each Board Committee is chaired by an Independent Director and has its own terms of reference to address their respective areas of focus.

During the financial year ended 31 December 2014 (“**FY2014**”), the Board conducted regular scheduled meetings on a quarterly basis to coincide with the announcement of the Group’s quarterly and full year financial results and to update the Board on significant business activities and overall business environment.

REPORT ON CORPORATE GOVERNANCE

Apart from board meetings, important or urgent matters concerning the Group are also presented for the Board's decision by way of written resolutions, fax, electronic mail and telephone conferencing. The Company's Articles of Association (the "**Articles**") provide for meetings to be held via telephone, radio, conference television or similar communication equipment or any other form of audio or audio-visual communication by which all persons participating in the meeting are able to hear and be heard by all other participants, for the despatch of business, adjourn and otherwise regulate their meetings as they think fit. Details of the number of Board meetings held in the year and attendance of each Board member at those meetings and meetings of the various board committees (the "**Board Committees**") are provided on page 22 of this Annual Report.

Upon the appointment of any new Director, the Company will provide a formal letter to the Director, setting out the Director's duties and obligations. The Company will conduct briefings to ensure that any incoming and/or new Directors become familiar with the Group's business and governance practices.

The Company has adopted a policy which welcomes Directors to request for further explanations, briefings or informal discussions on any aspect of the Company's operations or businesses from the Management. The Directors also sit on the boards of other listed companies, and are therefore not only well aware of their duties and responsibilities, but how to discharge such duties. All Board members are also encouraged to attend regular training, at the Group's expense, particularly on relevant new laws, regulations and changing commercial risks from time to time. Changes to regulations and accounting standards are monitored closely by the Management. To keep pace with regulatory changes, where these changes have an important bearing on UPP's or Directors' disclosure obligations, Directors are briefed either during Board meetings or at specially-convened sessions conducted by professionals. In particular, Directors are encouraged to attend relevant courses conducted by the Singapore Institute of Directors ("**SID**"), SGX-ST and consultants.

Principle 2: Board Composition and Guidance

UPP is headed by an effective Board to lead, control and direct UPP and the Board has a pivotal role in charting the strategic course and direction of the Group. The Board comprises six (6) Directors as at 31 December 2014, namely, Mr. Tong Kooi Ong, Mr. Koh Wan Kai, Mr. Gary Ho Kuat Foong, Ms. Ng Shin Ein, Dato' Seri Kalimullah Bin Masheerul Hassan and Mr. Ong Pang Liang. It is chaired by Mr. Tong Kooi Ong who is also the Chief Executive Officer ("**CEO**") of the Group. He is responsible for the leadership and objective functioning of the Board.

As of 31 December 2014, the Board comprises the following members:

Mr. Tong Kooi Ong	Executive Chairman and Chief Executive Officer
Mr. Koh Wan Kai	Executive Director, President and Chief Operating Officer
Mr. Gary Ho Kuat Foong	Lead Independent Director
Ms. Ng Shin Ein	Independent Director
Dato' Seri Kalimullah Bin Masheerul Hassan	Independent Director
Mr. Ong Pang Liang	Non-Executive Director

As the Chairman of the Board and the CEO are the same person, the Independent Directors make up half (1/2) of the Board as at 31 December 2014.

REPORT ON CORPORATE GOVERNANCE

All directors are required to disclose any relationships or appointments which would impair their independence to the Board timely. Taking into account the views of the NC, the Board has determined that the Independent Directors are independent. The criterion for independence is based on the definition given in the Code.

None of the directors have served the Company for a period exceeding nine years. In the event that any director serves the Company beyond nine years, the NC would review and assess the independence of the relevant directors.

The Board is of the view that the current Board size facilitates effective decision-making and is appropriate, taking into consideration the nature and scope of the Group's operation, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and board committees.

The Board comprises Directors who as a group provide an appropriate balance and diversity of skills, experience, gender and knowledge of the Group. They also provide core competencies such as accounting or finance, business or management experience, industry knowledge, strategic planning experience and customer-based experience or knowledge. A brief description of the background of each director is presented in the "**Board of Directors**" section of this Annual Report.

Non-executive Directors are encouraged to meet regularly without the presence of Management.

Principle 3: Chairman and Chief Executive Officer

Mr. Tong Kooi Ong, the Chairman of the Board, is also the CEO. For FY2014, the role of the Chairman is not separate from that of the CEO as the Board believes that there is an appropriate balance of power, adequate accountability and capacity of the Board for independent decision making as reflected in the internal controls established with the Group.

Mr. Gary Ho Kuat Foong is the Lead Independent Director. The Lead Independent Director's role is to be available to shareholders when they have concerns, and for which contact through normal channels of the Chairman or the CEO has failed to resolve or is inappropriate. All the Independent Directors including the Lead Independent Director, meet at least annually without the presence of the other executive and non-independent Directors to discuss matters of significance which are thereon reported to the Chairman accordingly.

The Chairman is assisted by the Management in the daily operations and administration of the Group's business activities and in the effective implementation of the Group's strategies. The Chairman also oversees the workings of the Board, ensuring that the Board is able to perform its duties and that there is a flow of information between the Board and the Management. The Chairman reviews most of the board papers before they are presented to the Board. The Management staff who have prepared the papers, or who may provide additional insights, are invited to present the papers or attend the Board meetings.

As a majority of the ARMC, NC and RC consist of Independent Directors, the Board believes that there are sufficient and independent elements and adequate safeguards without undue influence, from the Chairman and the CEO, to allow for effective Board oversight.

REPORT ON CORPORATE GOVERNANCE

Principle 4: Board Membership

The NC comprises three (3) Directors, a majority of whom, including the Chairman, are Independent Directors. Mr. Gary Ho Kuat Foong, the Lead Independent Director, is a member of the NC.

As of 31 December 2014, the NC members were as follows:

Dato' Seri Kalimullah Bin Masheerul Hassan	(Chairman)
Mr. Gary Ho Kuat Foong	(Member)
Mr. Ong Pang Liang	(Member)

The NC has written terms of reference endorsed by the Board that sets out its duties and responsibilities. The NC's key responsibilities are as follows:-

- (a) developing and maintaining a formal and transparent process for the appointment and re-appointment of Directors to the Board and all things incidental, including:
 - (i) making recommendations to the Board on all appointments to the Board;
 - (ii) re-nominating Directors at regular intervals; and
 - (iii) determining annually, and as and when circumstances require, whether or not a Director is independent.
- (b) assessing the effectiveness of the Board as a whole and its board committees, and the contribution by the Chairman and each Director to the effectiveness of the Board;
- (c) deciding how the performance of the Board may be evaluated and to propose objective performance criteria; and
- (d) reviewing of the development and succession plans for senior management.

When considering a new Board member, the NC reviews the curriculum vitae of the potential candidate and considers his/her experience and likely contribution to the Board. Meetings with the potential candidate will be conducted before the NC makes its recommendation to the Board. The Board then makes the final determination for the appointment.

Important issues to be considered as part of the process for the selection, appointment and re-appointment of directors include composition and progressive renewal of the Board and each director's competencies, commitment, contribution and performance (e.g. attendance, preparedness, participation and candour) including, if applicable, as an independent director.

New Directors are at present appointed by way of a Board resolution after the NC approves their appointment. Existing Directors who retire by rotation are at present re-appointed by way of a shareholders' resolution after the NC approves their re-appointment. All Directors are required to submit themselves for re-nomination and re-appointment at regular intervals and at least once every three years. The Company's Articles also state that the Managing Director while holding that office, shall not be subject to retirement. This means that save for the Managing Director (who has been appointed for a fixed term of five (5) years), no Director stays in office for more than three (3) years without being re-elected by shareholders.

REPORT ON CORPORATE GOVERNANCE

The NC has also reviewed the independence of the Directors with reference to the guidelines set out in the Code, and has determined Mr. Gary Ho Kuat Foong, Ms. Ng Shin Ein and Dato' Seri Kalimullah Bin Masheerul Hassan to be independent.

The NC has also determined that the Directors have been adequately carrying out their duties as directors, taking into consideration the number of listed company board representations and other principal commitments of each Director. The Board believes that each Director has to personally determine the demands of his or her competing directorships and obligations and assess how much time is available to serve on the Board effectively, and this determination would be based on various factors and not only the number of listed company board representations that the Director has. Further, the NC from time to time assesses the independence of each Director, the performance of the Board as a whole, and the contribution of each Director to the effectiveness of the Board. Accordingly, the Board has not set a maximum number of board representations a Director may hold. For FY2014, the NC was satisfied that the Directors who have multiple board representations have devoted sufficient time and attention to the affairs of the Group to discharge their duties as Directors of the Company.

No alternate directors have been appointed by the Board.

Each meeting of the NC was properly minuted and upon confirmation of such minutes by the Chairman, a copy of the confirmed minutes was duly circulated to all members and the Board.

The information on each Director's academic and professional qualifications, shareholdings, relationships (if any), directorship and other principal commitments is presented in the "**Board of Directors**" and "**Directors' Report**" section of this Annual Report.

Principle 5: Board Performance

The NC is responsible for, *inter alia*, assessing the effectiveness of the Board as a whole and its board committees, and the contribution by the Chairman and each Director to the effectiveness of the Board. The NC has established processes and objective performance criteria for evaluating the effectiveness of the Board as a whole and its committees, and the contribution by each individual Director to the effectiveness of the Board.

Each Board member is required to complete a Board appraisal assessment form (the "**Assessment Form**") on a yearly basis. Each member of the NC, ARMC and RC is further required to complete additional sections in the Assessment Form for the appraisal and assessment of each respective committee. On the basis of returns submitted, a consolidated report will be presented to the NC for consideration and adoption.

In evaluating the performance of the Board, the Board Committees and each director, the NC considers a set of quantitative and qualitative performance criteria. Such performance criteria for the board evaluation are in respect of board size and composition, board processes, board information and accountability and board performance in relation to discharging its principal functions and responsibilities for financial targets.

REPORT ON CORPORATE GOVERNANCE

Principle 6: Access to Information

The Management provides the Board members with complete, adequate and timely information prior to Board meetings and on an ongoing basis. Board Members also have separate and independent access to the Management to enable them to make informed decisions to discharge their duties and responsibilities. Detailed Board papers are prepared for each meeting of the Board and are normally circulated in advance of each meeting. The Board papers include sufficient information from the Management on financial, business and corporate issues to enable the Directors to be properly briefed on issues to be considered at Board meetings. In respect of budgets, where there is a material variance between the projections and actual results, the Management will disclose and explain this to the Board.

Directors are also entitled to request from Management and are provided with such additional information by the Management as needed to make informed decisions.

The Company Secretary attends all Board meetings and is responsible to ensure that established procedures and all relevant statutes and regulations which are applicable to the Company are complied with. The appointment and removal of the Company Secretary is a matter for the Board as a whole. All Directors have separate, direct and independent access to the advice and services of the Company Secretary.

The Board also has in place procedures for Directors to obtain independent professional advice on matters affecting the Group, if necessary, at the Company's expense.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

The RC comprises three (3) Directors, the majority of whom, including the Chairman, are Independent Directors. All the members of the RC are Non-Executive Directors.

As of 31 December 2014, the RC members were as follows:

Ms. Ng Shin Ein	(Chairman)
Dato' Seri Kalimullah Bin Masheerul Hassan	(Member)
Mr. Ong Pang Liang	(Member)

The RC has its terms of reference defining its role which include the following:

- (a) ensuring a formal and transparent procedure for developing policy on key management personnel remuneration and fixing the remuneration packages of individual Directors;
- (b) reviewing and recommending to the Board a general framework of remuneration for the Board and key management personnel, and also reviewing and recommending to the Board the specific remuneration packages for each Director as well as for the key management personnel;

REPORT ON CORPORATE GOVERNANCE

- (c) reviewing the Company's obligations arising in the event of termination of the executive directors and key management personnel's contracts of service to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous;
- (d) considering whether Directors and key management personnel should be eligible for benefits under long-term incentive schemes, including share schemes;
- (e) considering the use of contractual provisions to allow the Company to reclaim incentive components of remunerations from executive directors and key management personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company;
- (f) preparing a remuneration report annually providing clear disclosure of the Company's remuneration policy (including the link between remuneration paid to directors and key management personnel, and performance), level and mix of remuneration, and the procedure for setting remuneration, for recommendation to the Board;
- (g) reporting to the Board its findings from time to time on matters arising and requiring the attention of the Committee; and
- (h) undertaking such other reviews, projects, functions, duties and responsibilities as may be requested by the Board.

If necessary, the RC will seek expert advice from external remuneration consultants in determining the Group's remuneration policy above. The remuneration policy recommended by the RC is submitted for approval by the Board.

The RC reviews the reasonableness of the contracts of service of executive directors and key management personnel. Where necessary the RC obtains advice from external remuneration consultants for the Group's benchmarking of such contracts.

No remuneration consultants have been appointed for FY2014.

Having reviewed and considered the remuneration of the executive directors and the key management personnel, including the variable and discretionary component, which are moderate, the RC is of the view that there is no requirement to institute contractual provisions to allow the Company to reclaim incentive components of their remuneration paid in prior years in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss.

In addition, the executive directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the executive directors in the event of such breach of fiduciary duties.

Principle 8: Level and Mix of Remuneration

In setting remuneration packages, the aim of the RC is to ensure that the level and structure of remuneration is aligned with the long-term interest and risk policies of the Company, and is 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. The RC takes into account the performance of the Group, as well as individual Directors and key management personnel, aligning their interests with those of shareholders to maximize long-term shareholder value, and linking rewards to corporate and individual performance. The RC also takes into consideration industry practices and norms in compensation.

REPORT ON CORPORATE GOVERNANCE

Directors are paid Directors' fees, determined by the Board based on the effort, time spent and responsibilities of the Directors. In ensuring a formal and transparent procedure for developing policy on executive remuneration and fixing the remuneration packages of individual Directors, the RC aims to ensure that non-executive Directors are not overcompensated to the extent that their independence may be compromised. Directors' fees for Directors are subject to the approval of shareholders at the Annual General Meeting ("AGM").

Principle 9: Disclosure on Remuneration

The remuneration of Directors and key management personnel of the Group for FY2014 is set out below:

(a) Directors	Fees (\$)	Salary (\$)	Bonus (\$)	Benefits (\$)	Total (\$)
Mr. Tong Kooi Ong	–	500,000	229,166	25,677	754,843
Mr. Koh Wan Kai	–	240,000	110,000	6,332	356,332
Mr. Gary Ho Kuat Foong	47,500	–	–	–	47,500
Ms. Ng Shin Ein	45,000	–	–	–	45,000
Dato' Seri Kalimullah Bin Masheerul Hassan	42,500	–	–	–	42,500
Mr. Ong Pang Liang	45,000	–	–	–	45,000

(b) Key Management Personnel of the Group	Fees (%)	Salary (%)	Bonus (%)	Benefits (%)	Total (%)
Between S\$250,000 to S\$500,000					
Mr. Khoo Hsien Ming Kevin	–	67	33	–	100
Below S\$250,000					
Mr. Edward Lee Eng Chew	–	71	29	–	100
Ms. Tai Lai Yeen	–	77	23	–	100

Total remuneration paid to the key management personnel (who are not Directors or the CEO) for the financial year ended 31 December 2014 was approximately S\$547,000.

The RC has considered the disclosure of the remuneration of the key management personnel and have decided to disclose these in bands of S\$250,000 given the competitive environment the Group operates in and that the disclosure of the exact remuneration may facilitate the solicitation of the key management personnel.

Given the organisation structure of the Group, the Group does not have any other key management personnel other than the abovementioned three persons.

The RC met once during the year to decide on Directors' fees, review the remuneration packages of the executive Directors, assess the performance of senior management and determine their compensation packages (including bonus awards) for FY2014. The RC's recommendations covered all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits in kind.

REPORT ON CORPORATE GOVERNANCE

The remuneration of employees who are immediate family members of a director or the CEO, and whose remuneration exceeds S\$50,000 during FY2014 is set out below:

Between S\$50,000 to S\$100,000

Name	Designation	Relationship
Ian Tong	Investment Analyst	Son of Mr. Tong Kooi Ong (Executive Chairman and CEO)

The Group's compensation framework comprises fixed pay and short-term and long-term incentives and is aimed to be aligned with the long-term interest and risk policies of the Group. The Group subscribes to linking remuneration to the performance of the Group, as well as individual Directors and key management personnel, based on an annual appraisal of employees and using indicators such as core values, competencies, key result areas, performance rating, and potential of the employees. Long-term incentive schemes are put in place to motivate and reward employees and align their interests with those of Shareholders to maximise long-term Shareholder value. Industry practices and norms are also taken into consideration.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

The Board undertakes the responsibility of, *inter alia*, (a) approving annual budget and business plan, (b) setting overall strategies and supervision of the Group's business and affairs, and (c) reviewing the financial performance of the Group.

Management reports the operational and financial performance of the Group to the Board by keeping the Board informed and updated with the provision of financial and management reports, on a monthly basis and as the Board may require from time to time to enable the Board to make a balanced and informed assessment of the Group's prospects.

Aside from adopting corporate governance practices in line with the spirit of the Code, the Company also observes obligations of continuing disclosure under the Listing Manual. The Company undertakes to circulate timely, adequate and non-selective disclosure of information. The Board also issues quarterly financial statements as reviewed by the ARMC to provide shareholders with comprehensive information and a balanced view on the Group's performance, position and prospects.

Principle 11: Risk Management and Internal Controls

The Board determines the Group's levels of risk tolerance and risk policies, and oversees Management in the design, implementation and monitoring of the risk management and internal control systems.

The Board also reviews the adequacy and effectiveness of the Group's risk management and internal control systems, including financial, operational, compliance and information technology controls annually. Such review is carried out internally.

REPORT ON CORPORATE GOVERNANCE

For the financial year under review, the Board is of the view that the Group's internal controls (including financial, operational, compliance and information technology controls, and risk management systems) maintained by the Management that was in place throughout the financial year and up to the date of this Annual Report provides reasonable, but not absolute, assurance against material financial misstatements or loss, including the safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulation and best practice, and the identification and containment of business risk.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by Management, the Board and the ARMC are of the opinion that the Group's internal controls including financial, operational, compliance and information technology controls and risk management systems were adequate as at 31 December 2014.

The Board, together with the ARMC and the Management, will continue to enhance and improve the existing internal control framework to identify and address critical and significant risks relating to financial, operational, compliance and information technology. The system of internal controls established by the Group provides reasonable, but not absolute, assurance that the Group's assets and investments are safeguarded. The likelihood of achieving the internal control objectives is affected by limitations inherent in all internal control and risk management systems. The Board notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgment in decision-making, human error, losses, fraud or other irregularities.

The Board has received assurance from the CEO and the Chief Operating Officer that: (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) regarding the effectiveness of the Group's risk management and internal control systems.

The ARMC has been tasked to assist the Board in carrying out its responsibility of overseeing the Group's risk management framework and policies adequately.

Principle 12: Audit and Risk Management Committee

The ARMC comprises three (3) Directors, the majority of whom, including the Chairman, are Independent Directors. All the members of the ARMC are Non-Executive Directors. The Chairman and one of its members have recent and relevant accounting or related financial management expertise and one of them is a Chartered Accountant of Singapore (CA (Singapore)).

As of 31 December 2014, the ARMC members were as follows:

Mr. Gary Ho Kwat Foong	(Chairman)
Ms. Ng Shin Ein	(Member)
Mr. Ong Pang Liang	(Member)

REPORT ON CORPORATE GOVERNANCE

The ARMC has written terms of reference defining its role which include the following:

- (a) review the scope and results of audit of the external audit and the independence (annually), its cost effectiveness and the objectivity of the external auditors;
- (b) where the auditors also supply a substantial volume of non-audit services to the Company, the Committee shall keep the nature and extent of such services under review, seeking to maintain objectivity;
- (c) meet with the external auditors and internal auditors without the presence of the Company's Management at least once a year:
 - discuss problems and concerns, if any, arising from the internal and external audits, and any matters which the auditors may wish to discuss; and
 - review the assistance given by Management to the auditors;
- (d) determine the Company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems;
- (e) review, comment and report to the Board at least annually, the adequacy and effectiveness of the Company's risk management and internal controls system;
- (f) ensure that the internal audit function is adequately resourced (staffed with persons with the relevant qualifications and experience), independent of the activities it audits and has appropriate standing within the Company;
- (g) review, at least annually, the adequacy and effectiveness of the internal audit function;
- (h) review with the external auditors:
 - the audit plan, including the nature and scope of the audit before the audit commences;
 - their evaluation of the system of internal accounting controls;
 - their audit report; and
 - their management letter and Management's response;
- (i) to ensure co-ordination where more than one audit firm is involved;
- (j) to review the quarterly and annual financial statements before submission to the Board for approval, focusing in particular, on:
 - changes in accounting policies and practices;
 - major risk areas;
 - significant adjustments resulting from the audit;
 - the going concern statement;
 - compliance with accounting standards; and
 - compliance with stock exchange and statutory/regulatory/requirements;
- (k) review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and any announcements relating to the Company's financial performance;
- (l) review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement or any Singapore law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response;
- (m) review the policy and arrangements by which staff of the Company and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters;
- (n) review interested person transactions, if any, as defined under the requirements of the Listing Manual;

REPORT ON CORPORATE GOVERNANCE

- (o) report to the Board its findings from time to time on matters arising and requiring the attention of the Committee;
- (p) undertake such other reviews and projects as may be requested by the Board;
- (q) making recommendations to the Board on the proposals to the shareholders on the appointment, re-appointment and removal of the external auditors, and approving the remuneration and terms of engagement of the external auditors; and
- (r) disclose the following information in the Company's annual report:-
 - names of the members of the Committee;
 - details of the Committee's activities;
 - number of Committee meetings held in that year; and
 - the attendance of individual directors at such meetings.

The ARMC has the authority to conduct or authorise investigations into any matter within its terms of reference, full access to and cooperation of the Management, and full discretion to invite any Director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its function properly. Management is invited to attend all meetings of the ARMC.

The ARMC also conducted a review of the Group's interested person transactions.

In performing its functions, the ARMC met with the external auditors and the internal auditors, each without the presence of Management. The external auditor has unrestricted access to the ARMC. Reasonable resources were made available to the ARMC to enable it to discharge its functions properly.

The external auditors periodically provide a short briefing to members of the ARMC in relation to updates on changes in accounting standards and treatment.

The statement of the external auditors of the Company about their reporting responsibilities for the financial statements is set out in the "**Independent Auditor's Report**" which is found in this Annual report. During the year under review, the remuneration paid/payable to the Group's external auditors, Nexia TS (including auditor of subsidiaries which is the network of member firms of Nexia International), is set out below.

Service Category	Fees Paid/Payable (S\$'000)
Audit Services	85
Non-Audit Services	17
Total Fees	102

The ARMC, having reviewed all non-audit services provided by the external auditors of the Group, Nexia TS Public Accounting Corporation ("**Nexia TS**"), is satisfied that the nature and extent of such services would not prejudice the independence and objectivity of the external auditors and recommends to the Board, the nomination of the external auditors for re-appointment.

REPORT ON CORPORATE GOVERNANCE

The Group's external auditors, Nexia TS, is an accounting firm registered with the Accounting and Corporate Regulatory Authority. The ARMC is satisfied that Nexia TS and the audit engagement partner assigned to the audit have adequate resources and experience to meet its audit obligations. In this connection, the Group confirms that it is in compliance with Rules 712 and 715 of the Listing Manual.

The Group has introduced a whistle-blowing framework, where employees of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting and other matters. The ARMC has ensured that arrangements are in place for concerns to be raised and independently investigated, and for appropriate follow-up action to be taken. Details of the whistle-blowing policies and arrangement were made available to all employees. The Group also has a whistle-blowing policy which can be retrieved from its website, and seeks to continuously improve on and increase the effectiveness of its whistle-blowing measures.

None of the members nor the Chairman of the ARMC are former partners or directors of the Group's auditing firm.

Principle 13: Internal Audit

The Group recognises the importance of the internal audit function as an integral part of an effective system of good corporate governance. The internal audit function is independent of Management. The internal auditor has a direct and primary reporting line to the Chairman of the ARMC, with administrative reporting to the CEO and Executive Director.

The internal audit function assists ARMC and the Board in monitoring risks and internal controls of the Group. The internal audit function is staffed with person with the relevant qualifications and experience, is adequately resourced and has appropriate standing within the Company. The internal audit staff are provided regular training and development opportunities to ensure that their technical knowledge and audit skills are maintained.

The internal audit schedules and scope of internal audit work each year are determined in consultation with, but independent of, Management and are submitted to the ARMC for approval.

Where outsourced internal audit services are required to supplement the internal audit work for the financial year, the appointment of the auditing firm to perform such services is approved by the ARMC. The internal audit charter ensures internal audit department has full access to all documents, records, properties and personnel of the Group.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

The Group is committed to providing shareholders with adequate, timely and sufficient information pertaining to changes in the Group's business which could have a material impact on the share price or value.

REPORT ON CORPORATE GOVERNANCE

The AGM is the principal forum for dialogue with shareholders. The Board welcomes questions and comments relating to the Group's business or performance from shareholders at AGMs. Shareholders are given an opportunity to air their views and direct questions to the Board on matters affecting the Group. The Chairman of the Board and the respective Chairman of the ARMC, NC and RC, all other Directors, Management and representatives of the external audit firm are normally present at the AGM to address questions from shareholders. Shareholders will be informed of the rules, including voting procedures that govern general meetings of shareholders. Currently, according to the Articles, at any general meeting, a resolution put to the vote of the meeting shall be decided on a show of hands, unless before or on the declaration of the results of the show of hands, a poll is demanded in the manner as set out in the Articles which enables the Company to dispense with the time and costs of a poll unless a poll is demanded. Where a resolution has been put to vote by poll, the Company will make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. The Company has not amended its Articles to provide for absentia voting methods which call for elaborate and costly implementation of a fool-proof system, the need for which does not presently arise. Minutes of general meetings are prepared and available to shareholders upon their request in accordance with applicable laws.

The Company also encourages active shareholder participation at its general meetings. Notices of meetings are published in the major newspaper together with explanatory notes or a circular on items of special business, at least fourteen (14) clear days before the meeting. Reports or circulars of the general meetings are despatched to all shareholders by post.

The Board is aware of its obligations to shareholders and has devised investor relations policies to provide regular, effective and fair communication and convey pertinent information to shareholders. In line with continuous disclosure obligations of the Company pursuant to the Listing Manual, the Board's policy is that all shareholders should be equally and timely informed of all major developments and events that impact the Group. Information is communicated to shareholders through public announcements via SGXNET, news releases where appropriate and annual reports/circulars that are sent to all shareholders and notices of general meeting are advertised. The Group does not practice selective disclosure of material information. Material information is excluded from briefings with investors or analysts, unless it has been publicly released via SGXNET before, or concurrently with, such meetings. Where there is inadvertent disclosure made to a selected group, the Group makes the same disclosure publicly to all others as soon as practicable.

For FY2014, the Company will be paying dividends of 0.50 cents per share.

CODE OF BUSINESS CONDUCT

The Group has adopted a Code of Business Conduct to regulate the standards of ethical conduct of the Group, which provides that its Directors, officers and employees are required to observe and maintain high standards of integrity in compliance with the law, regulations and Group policies.

REPORT ON CORPORATE GOVERNANCE

DEALING IN SECURITIES

In line with Rule 1207(19) of the Listing Manual, the Group has issued a policy on share dealings by Directors and key officers of the Group, setting out the implications of insider trading and recommendations of the best practices set out in Rule 1207(19). The Group adopts a code of conduct to provide guidance to its Directors and officers with regard to dealing in the Company's shares, which includes an annual declaration by the Company's Directors and officers with regard to securities trading and disclosure by the Company's Directors and officers when they deal in the Company's shares. In addition, the policy also states that an officer should not deal in the Company's securities on short-term considerations.

The Group also issues periodic circulars to its Directors, officers and employees reminding them that there must be no dealings in the Company's shares during the period commencing two (2) weeks before the announcement of the Group's quarterly financial results, as the case may be, and if they are in possession of unpublished material price-sensitive information. In the case of the Group's full year financial results announcement, the applicable period is one (1) month before the announcement of financial results.

In the opinion of the Directors, UPP is in compliance with the best practices set out in Rule 1207(19).

CORPORATE INFORMATION

Particulars of Directors as of 31 December 2014

Name of Directors	Board Committee as Chairman or Member	Directorship: Date first appointed Date last re-elected	Board appointment	Directorship in other listed companies in Singapore (present)	Directorship in other listed companies in Singapore (held over preceding 3 years)
Mr. Tong Kooi Ong	–	15 March 2012 20 April 2012	Executive Chairman	3Cnergy Ltd	–
Mr. Koh Wan Kai	–	1 April 2009 25 April 2014	Executive	–	–
Mr. Gary Ho Kwat Foong	Chairman: Audit and Risk Management Committee Member: Nominating Committee	31 October 2006 19 April 2013	Lead Independent	–	–
Ms. Ng Shin Ein	Chairman: Remuneration Committee Member: Audit and Risk Management Committee	20 April 2013 25 April 2014	Independent	Yanlord Land Group Limited First Resources Ltd Eu Yan Sang International Ltd Sabana Shariah Compliant Industrial Real Estate Trust	–
Dato' Seri Kalimullah Bin Masheerul Hassan	Chairman: Nominating Committee Member: Remuneration Committee	20 April 2013 25 April 2014	Independent	–	–
Mr. Ong Pang Liang	Member: Audit and Risk Management Committee Remuneration Committee Nominating Committee	1 August 2010 20 April 2012	Non-Executive	–	–

REPORT ON CORPORATE GOVERNANCE

Attendance at Board and Committee Meetings for the financial year ended 31 December 2014

Directors	Board		Audit and Risk Management Committee		Remuneration Committee		Nominating Committee	
	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Mr. Tong Kooi Ong	4	3	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Koh Wan Kai	4	4	N.A.	N.A.	N.A.	N.A.	N.A.	N.A.
Mr. Gary Ho Kwat Foong	4	4	4	4	N.A.	N.A.	1	1
Ms. Ng Shin Ein	4	4	4	4	1	1	N.A.	N.A.
Dato' Seri Kalimullah Bin Masheerul Hassan	4	4	N.A.	N.A.	1	1	1	1
Mr. Ong Pang Liang	4	4	4	4	1	1	1	1

Particulars of Key Management Personnel of the Group as at 31 December 2014

Khoo Hsien Ming Kevin

Mr. Khoo is the President (Investments) of UPP Capital (M) Sdn. Bhd. and is responsible for identifying and evaluating new investment opportunities for the Group. He is also the Managing Director of UPP Power (Myanmar) Ltd and is responsible for the Group's power plant operations in Myanmar. Prior to joining UPP Capital, Mr. Khoo was the group Editor-in-Chief of The Edge Communications Sdn Bhd, a Malaysian media company. Mr. Khoo has extensive management and operations experience in Malaysia, particularly in equities research, media and banking. He holds a Bachelor of Commerce Degree from The University of Melbourne.

Edward Lee Eng Chew

Mr. Lee is the Executive Vice President (Corporate and Legal Service) of UPP Capital (M) Sdn. Bhd. and is responsible for the corporate and legal affairs of the Group. Prior to joining UPP Capital, Mr. Lee was the Head of the Legal Department of Sunrise Berhad, a Malaysian property developer listed on Bursa Malaysia. Mr. Lee has extensive legal expertise in property, media, and financial services sectors. He holds a Bachelor of Economics (Accounting) and Bachelor of Laws from Monash University, Melbourne.

Tai Lai Yeen

Ms. Tai is the Group Finance Manager and is responsible for accounting, financial, taxation as well as internal control functions of the Group. Prior to joining the Group in December 2010, Ms. Tai was an Assurance Manager of an international firm of certified public accountants and she has extensive experience in the accounting and auditing profession. Ms. Tai holds a degree in Accountancy from the University of Putra Malaysia. She is a member of the Institute of Singapore Chartered Accountants.

INTERESTED PERSON TRANSACTIONS POLICY

The Company has adopted an internal policy in respect of any transaction with interested persons and has set out the procedures for review and approval of the Company's interested person transactions.

There were no interested person transactions for FY2014.

REPORT ON CORPORATE GOVERNANCE

UPDATE ON USE OF PROCEEDS

Warrant Proceeds (OIS dated 8 February 2010)

As announced on 28 February 2014, the Company has utilised the balance of approximately S\$12.8 million to satisfy part of the consideration amounting to S\$36.8 million (“**Part II Consideration**”) which is due and payable under the turnkey agreement dated 2 August 2013 between UPP Power (Myanmar) Limited and MSP Tractors Pte Ltd and Myan Shwe Pyi Tractors Limited (the “**Turnkey Agreement**”). Following this utilisation, the proceeds from the exercise of warrants have been fully disbursed.

The Company confirms that the above amount of proceeds from the warrants was used as previously disclosed.

Shares Placement (completion of allotment on 16 May 2012)

As regards the subscriptions for up to an aggregate of 109,931,000 new ordinary shares in the capital of the Company (the “**Shares Placement**”), the amount of approximately S\$31.3 million of the Shares Placement proceeds was utilised as follows:

- (a) As announced on 28 February 2014, the Company has utilised an amount of S\$24.0 million of the net proceeds of S\$40.3 million raised from the Shares Placement (the “**Net Shares Placement Proceeds**”) to satisfy the balance amount of the Part II Consideration.

The Company confirms that the above amounts of proceeds from the Shares Placement were used as previously disclosed.

- (b) As announced on 26 March 2014, the Company has utilised an amount of approximately S\$7.3 million of the Net Shares Placement Proceeds to satisfy the balance of the consideration which is due and payable under the Turnkey Agreement (the “**Turnkey Amount**”).

The Company notes that the use of the Net Shares Placement Proceeds for the Turnkey Amount represents a change in the intended allocation of the Net Shares Placement Proceeds as stated in its announcement dated 4 May 2012.

The unutilised balance of the Net Shares Placement Proceeds is approximately S\$9.0 million.

CORPORATE SOCIAL RESPONSIBILITY

The Group is committed to conduct its business activities in an ethically, socially and environmentally sustainable manner.

We ensure that our business operations and processes are managed in a way that minimizes its impact on our environment. The Group recognises the importance of and committed in ensuring a healthy and safe work environment for the well being of our employees. Employees are also expected to maintain the highest standards of integrity and trust in all business relationships and dealings. The Group places great emphasis on accountability, transparency, ethical business conduct and good corporate governance.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The directors present their report to the members together with the audited financial statements of the Group for the financial year ended 31 December 2014 and the balance sheet of the Company as at 31 December 2014.

Directors

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

Tong Kooi Ong	(Executive Chairman)
Koh Wan Kai	(Executive Director)
Gary Ho Kwat Foong	
Ng Shin Ein	
Kalimullah Bin Masheerul Hassan	
Ong Pang Liang	

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed under "Share options" on pages 25 and 26 of this report.

Directors' interests in shares or debentures

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee		Holdings in which director is deemed to have an interest	
	At 31.12.2014	At 1.1.2014	At 31.12.2014	At 1.1.2014
Company				
(No. of ordinary shares)				
Tong Kooi Ong	213,561,000	213,561,000	–	–
Ong Pang Liang	5,000,000	5,000,000	–	–
Kalimullah Bin Masheerul Hassan	–	–	25,000,000	25,000,000

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Mr Tong Kooi Ong, who by virtue of his interest of not less than 20% of the issued capital of the Company, is deemed to have an interest in the whole of the share capital of the Company's wholly owned subsidiaries and in the shares held by the Company in the following subsidiaries that are not wholly owned by the Group:

	At 31.12.2014	At 1.1.2014
UPP Pulp & Paper (M) Sdn. Bhd.		
– No. of ordinary shares	145,858,112	75,858,112
UPP Recycled Fibre (M) Sdn. Bhd.		
– No. of ordinary shares	408,163	408,163
UPP-MSP Engineering Limited		
– No. of ordinary shares	50,000	50,000

The directors' interests in the ordinary shares and convertible securities of the Company as at 21 January 2015 were the same as those as at 31 December 2014.

Directors' contractual benefits

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report.

Share options

Employee Share Option Scheme

The UPP Employee Share Option Scheme (the "**Option Scheme**") for any director (including a Non-Executive Director) or confirmed employee of the Group selected by the Committee (the "**Participant**") was approved by members of the Company at an Extraordinary General Meeting on 21 April 2011.

The purpose of the Option Scheme is to provide an opportunity for employees of the Group who have contributed significantly to the growth and performance of the Group, as well as directors, to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to past contributions and services. Additionally, the Option Scheme will help the Group to attract and retain the services of appropriate, qualified and experienced employees who would be able to contribute to the Group's business and operations.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Under the Option Scheme, subject to the absolute discretion of the Committee, options to subscribe for the ordinary shares of the Company are granted to Participants who have attained the age of 21 years on or prior to the relevant Date of Grant, are not undischarged bankrupts, have not entered into a composition with their respective creditors, and, where applicable, who have, as of the Date of Grant, been in the employment of the Group for a period of at least 12 months, or such shorter period as the Committee may determine, and Non-Executive Directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group. The exercise price of the options is determined at the Market Price as quoted on the Singapore Exchange, or at a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount which may be given in respect of any Option shall not exceed 20% of the Market Price. Once the options are granted, they are exercisable within five years from the Date of Grant of the options. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the Option Scheme, shall not exceed 15% of the issued share capital of the Company on the day preceding that date.

There were no options granted during the financial year, including options to controlling shareholders of the Company or their associates (as defined in the Listing manual of Singapore Exchange Securities Trading Limited), to subscribe for unissued shares of the Company.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

Audit and Risk Management Committee (“ARMC”)

The members of the ARMC at the end of the financial year were as follows:

Gary Ho Kuat Foong (Chairman)

Ng Shin Ein

Ong Pang Liang

All members of the ARMC are independent and non-executive directors except for Mr Ong Pang Liang who was previously an Executive Director of the Company up to 20 April 2012.

DIRECTORS' REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

The ARMC carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the ARMC reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2014 before their submission to the Board of Directors, as well as the independent auditor's report on the balance sheet of the Company and the consolidated financial statements of the Group.

The ARMC has recommended to the Board that the independent auditor, Nexia TS Public Accounting Corporation, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

Independent auditor

The independent auditor, Nexia TS Public Accounting Corporation, has expressed its willingness to accept re-appointment.

On behalf of the directors



Tong Kooi Ong
Director



Koh Wan Kai
Director

20 March 2015

STATEMENT BY DIRECTORS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

In the opinion of the directors,

- (a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 31 to 88 are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014 and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the directors



Tong Kooi Ong
Director



Koh Wan Kai
Director

20 March 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UPP HOLDINGS LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of UPP Holdings Limited (the “**Company**”) and its subsidiaries (the “**Group**”) set out on pages 31 to 88, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2014, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

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.

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF UPP HOLDINGS LIMITED

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014, and of the results, changes in equity and cash flows of the Group for the financial 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.

Nexia TS Public Accounting Corporation
Public Accountants and Chartered Accountants
Director in-charge: Kristin YS Kim
Appointed since financial year ended 31 December 2012

Singapore
20 March 2015

BALANCE SHEETS

AS AT 31 DECEMBER 2014

	Note	Group		Company	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
ASSETS					
Current assets					
Cash and cash equivalents	4	40,824	71,131	35,214	68,513
Trade and other receivables	5	12,349	27,474	60,903	49,773
Service concession receivables	6	15,720	–	–	–
Available-for-sale financial assets	7	–	3,531	–	3,531
Inventories	8	9,160	9,533	–	–
		78,053	111,669	96,117	121,817
Property held-for-sale	12	7,742	–	–	–
		85,795	111,669	96,117	121,817
Non-current assets					
Property, plant and equipment	9	59,130	62,559	257	333
Investment property	10	–	7,859	–	–
Investments in subsidiaries	11	–	–	15,694	15,469
Service concession receivables	6	44,101	–	–	–
Other receivables	5	–	–	28,897	–
		103,231	70,418	44,848	15,802
Total assets		189,026	182,087	140,965	137,619
LIABILITIES					
Current liabilities					
Trade and other payables	13	5,713	4,587	462	328
Borrowings	14	–	2,483	–	–
		5,713	7,070	462	328
Non-current liabilities					
Deferred income tax liabilities	15	685	653	–	–
Total liabilities		6,398	7,723	462	328
NET ASSETS		182,628	174,364	140,503	137,291
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	16	140,578	140,578	140,578	140,578
Retained profits/(accumulated losses)		46,553	36,629	(149)	(3,147)
Other reserves	17	(10,386)	(9,704)	74	(140)
		176,745	167,503	140,503	137,291
Non-controlling interests		5,883	6,861	–	–
Total equity		182,628	174,364	140,503	137,291

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group 2014 \$'000	Group 2013 \$'000
Revenue	19	116,901	48,087
Cost of sales		(101,414)	(40,001)
Gross profit		15,487	8,086
Other income, net	20	1,753	301
Expenses			
– Selling and distribution		(2,139)	(2,139)
– Administrative		(5,359)	(4,570)
– Finance	23	(48)	(189)
Profit before income tax		9,694	1,489
Income tax expense	24	(36)	(21)
Net profit		9,658	1,468
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Available-for-sale financial assets			
– Fair value losses	7	(31)	(98)
– Reclassification		245	155
Currency translation differences arising from consolidation		(353)	(2,800)
Other comprehensive loss, net of tax		(139)	(2,743)
Total comprehensive income/(loss)		9,519	(1,275)
Profit attributable to:			
Equity holders of the Company		8,978	946
Non-controlling interests		680	522
		9,658	1,468
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		9,000	(1,421)
Non-controlling interests		519	146
		9,519	(1,275)
Earnings per share for profit attributable to equity holders of the Company (cents per share)			
– Basic	25	1.07	0.11
– Diluted	25	1.07	0.11

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	← Attributable to equity holders of the Company →							Non- controlling interests	Total equity
	Note	Share capital \$'000	Retained profits ⁽¹⁾ \$'000	Capital reserve \$'000	Currency translation reserve \$'000	Fair value reserve \$'000	Total other reserves \$'000		
2014									
Beginning of financial year		140,578	36,629	712	(10,202)	(214)	(9,704)	6,861	174,364
Total comprehensive income for the year		–	8,978	–	(192)	214	22	519	9,519
Dividend relating to 2013 paid	18	–	(1,255)	–	–	–	–	–	(1,255)
Deemed acquisition of non-controlling interest	11	–	2,201	–	(704)	–	(704)	(1,497)	–
End of financial year		140,578	46,553	712	(11,098)	–	(10,386)	5,883	182,628

	← Attributable to equity holders of the Company →							Non- controlling interests	Total equity
	Note	Share capital \$'000	Retained profits ⁽¹⁾ \$'000	Capital reserve \$'000	Currency translation reserve \$'000	Fair value reserve \$'000	Total other reserves \$'000		
2013									
Beginning of financial year		136,511	36,938	712	(7,778)	(271)	(7,337)	6,715	172,827
Total comprehensive income/(loss) for the year		–	946	–	(2,424)	57	(2,367)	146	(1,275)
Warrants conversion	16	4,067	–	–	–	–	–	–	4,067
Dividend relating to 2012 paid	18	–	(1,255)	–	–	–	–	–	(1,255)
End of financial year		140,578	36,629	712	(10,202)	(214)	(9,704)	6,861	174,364

⁽¹⁾ Retained profits of the Group are distributable.

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 \$'000	Group 2013 \$'000
Cash flows from operating activities			
Net profit		9,658	1,468
Adjustments for:			
– Income tax expense		36	21
– Depreciation of property, plant and equipment	9	2,845	2,972
– Depreciation of investment property	10	117	210
– Net loss on redemption of available-for-sale financial assets	20	245	155
– Gain on disposal of property, plant and equipment	20	(19)	(11)
– Allowance for impairment of trade receivables	20	124	223
– Finance income	19	(5,980)	–
– Interest income	20	(284)	(521)
– Interest expense	23	48	189
– Unrealised currency translation gains		(1,789)	(661)
Operating cash flow before working capital changes		5,001	4,045
Changes in working capital			
– Trade and other receivables		7,711	(592)
– Inventories		373	(576)
– Trade and other payables		742	(710)
Cash generated from operations		13,827	2,167
Interest received		193	464
Interest paid		(48)	(189)
Income tax paid		(4)	(4)
Net cash provided by operating activities		13,968	2,438
Cash flows from investing activities			
Additions to property, plant and equipment		(267)	(802)
Disposal of property, plant and equipment		19	24
Redemption of available-for-sale financial assets		3,500	3,000
Service concession receivables		(44,093)	–
Deposit for purchase of plant and equipment		–	(14,573)
Net cash used in investing activities		(40,841)	(12,351)
Cash flows from financing activities			
Repayment of borrowings		(2,483)	(2,092)
Net proceeds from issuance of shares of the Company	16	–	4,067
Dividends paid to equity holders of the Company	18	(1,255)	(1,255)
Release of pledged fixed deposits		394	–
Net cash (used in)/generated from financing activities		(3,344)	720
Net decrease in cash and cash equivalents		(30,217)	(9,193)
Cash and cash equivalents			
Beginning of financial year		70,740	79,884
Effects of currency translation on cash and cash equivalents		301	49
End of financial year	4	40,824	70,740

The accompanying notes form an integral part of these financial statements

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

The financial statements for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on 20 March 2015.

1 GENERAL INFORMATION

UPP Holdings Limited (the “**Company**”) is listed on the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) and incorporated and domiciled in Singapore. The address of its registered office is 1 Kim Seng Promenade, #13-10 Great World City West Tower, Singapore 237994.

The principal activities of the Company are trading of paper products, investment holding and providing management services. The principal activities of the subsidiaries are stated in Note 11 to the financial statements.

2 SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards (“**FRS**”) under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group’s accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2014

On 1 January 2014, the Group adopted the new or amended FRS and Interpretations of FRS (“**INT FRS**”) that are mandatory for application for the financial year. Changes to the Group’s accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years, except for the following:

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of Preparation (Continued)

Interpretations and amendments to published standards effective in 2014 (Continued)

FRS 112 Disclosures of Interests in Other Entities

The Group has adopted the above new FRS on 1 January 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It sets out the required disclosures for entities reporting under the new FRS 110 Consolidated Financial Statements and FRS 111 Joint Arrangements, and replaces the disclosure requirements currently found in FRS 27 (revised 2011) Separate Financial Statements and FRS 28 (revised 2011) Investments in Associates and Joint Ventures.

The Group has applied FRS 112 retrospectively in accordance with the transitional provisions (as amended subsequent to the issuance of FRS 112 in September 2011) in FRS 112 and amended for consolidation exceptions for 'investment entity' from 1 January 2014. The Group has incorporated the additional required disclosures into the financial statements.

2.2 Revenue recognition

Revenue comprises the fair value of the consideration received or receivable for the sale of goods and rendering of services in the ordinary course of the Group's activities. Revenue is presented, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue and related cost can be reliably measured, it is probable that the collectability of related receivables is reasonably assured and when the specific criteria for each of the Group's activities are met as follows:

(i) *Sale of goods*

Revenue is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customers which generally coincides with delivery and acceptance of the goods sold. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(ii) *Construction revenue*

Please refer to the paragraph "Service concession arrangement" for the accounting policy for revenue from construction contracts (Note 2.8).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition (Continued)

(iii) *Operating and maintenance income*

Operating and maintenance income relates to the income derived from managing and operation of infrastructure under service concession arrangement.

Operating and maintenance income are recognised when services are rendered.

(iv) *Finance income*

Finance income from service concession arrangement is recognised when it is probable that the economic benefits will flow to the Group and the amount of income can be measured reliably. Finance income is accrued on a time basis, by reference to the principal outstanding and at the applicable effective interest rate, which is the rate that exactly discounts the estimated future cash receipts through the expected life of the financial asset to that asset's net carrying amount on initial recognition.

(v) *Interest income*

Interest income is recognised using the effective interest method.

(vi) *Dividend income*

Dividend income is recognised when the right to receive payment is established.

(vii) *Rental income*

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight-line basis over the lease term.

2.3 Group accounting

(a) *Subsidiaries*

(i) *Consolidation*

Subsidiaries are entities (including special purposes entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are de-consolidated from the date on which control ceases.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(a) Subsidiaries (Continued)

(i) Consolidation (Continued)

In preparing the consolidated financial statements, transactions, balances and unrealised gains on transactions between group entities are eliminated. Unrealised losses are also eliminated but are considered an impairment indicator of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests comprise the portion of a subsidiary's net results of operations and its net assets, which is attributable to the interests that are not owned directly or indirectly by the equity holders of the Company. They are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and balance sheet. Total comprehensive income is attributed to the non-controlling interests based on their respective interests in a subsidiary, even if this results in the non-controlling interests having a deficit balance.

(ii) Acquisitions

The acquisition method of accounting is used to account for business combinations by the Group.

The consideration transferred for the acquisition of a subsidiary or business comprises of the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred also includes any contingent consideration arrangement and any pre-existing equity interest in the subsidiary measured at their fair values at the acquisition date.

Acquisition-related costs are expensed as incurred.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date.

On an acquisition-by-acquisition basis, the Group recognises any non-controlling interest in the acquiree at the date of acquisition either at fair value or at the non-controlling interest's proportionate share of the acquiree's net identifiable assets.

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable assets acquired is recorded as goodwill.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (Continued)

(a) *Subsidiaries* (Continued)

(iii) *Disposals*

When a change in the Group's ownership interest in a subsidiary results in a loss of control over the subsidiary, the assets and liabilities of the subsidiary including any goodwill are derecognised. Amounts previously recognised in other comprehensive income in respect of that entity are also reclassified to profit or loss or transferred directly to retained earnings if required by a specific Standard.

Any retained equity interest in the entity is remeasured at fair value. The difference between the carrying amount of the retained interest at the date when control is lost and its fair value is recognised in profit or loss.

Please refer to the paragraph "Investments in subsidiaries" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) *Transactions with non-controlling interests*

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control over the subsidiary are accounted for as transactions with equity owners of the Company. Any difference between the change in the carrying amounts of the non-controlling interest and the fair value of the consideration paid or received is recognised within equity attributable to the equity holders of the Company.

2.4 Property, plant and equipment

(a) *Measurement*

(i) *Land and buildings*

Land and buildings are initially recognised at cost. Freehold land is subsequently carried at cost less accumulated impairment losses. Buildings and leasehold land are subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

(ii) *Other property, plant and equipment*

All other items of property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 Property, plant and equipment (Continued)

(a) *Measurement* (Continued)

(iii) *Components of costs*

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) *Depreciation*

Freehold land is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	<u>Useful lives</u>
Leasehold land	90 to 99 years
Building	50 years
Plant and machinery	3 to 40 years
Furniture, fixtures and office equipment	3 to 10 years
Motor vehicles	5 years

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are recognised in profit or loss when the changes arise.

(c) *Subsequent expenditure*

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) *Disposal*

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other income, net".

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Investment properties

Investment properties include properties that are held for long-term rental yields and/or for capital appreciation. Investment properties include properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 50 years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each balance sheet date. The effects of any revision are included in profit or loss when the changes arise.

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are recognised in profit or loss. The cost of maintenance, repairs and minor improvement is recognised in profit or loss when incurred.

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.6 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method.

2.7 Investments in subsidiaries

Investments in subsidiaries are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.8 Service concession arrangement

(a) *Consideration given by the grantor*

A financial asset (receivable under service concession arrangement) is recognised to the extent that the Group has an unconditional right to receive cash or another financial asset from or at the direction of the grantor for the construction services. The Group has an unconditional right to receive cash if the grantor contractually guarantees to pay the Group (a) specified or determinable amounts or (b) the shortfall, if any, between amounts to be paid by the grantor based on the usage of the service and specified or determinable amounts, even if the payment is contingent on the Group ensuring that the infrastructure meets specified quality of efficiency requirements. The financial asset (receivable under service concession arrangement) is accounted for in accordance with the policy set out in Note 2.10 below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Service concession arrangement (Continued)

(b) *Construction of service concession related infrastructure*

Revenue and costs relating to construction phase of a concession arrangement is accounted for in accordance with FRS 11 Construction Contracts. The Group recognised the construction revenue with reference to the fair value of the construction service delivered in the construction phase.

Where the outcome of a construction contract including construction or upgrade services of the infrastructure under a service concession arrangement can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable. Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

(c) *Operating services*

Revenue relating to operating services is accounted for in accordance with the policy for “Revenue recognition (operating and maintenance income)” as described in Note 2.2 above.

(d) *Contractual obligations to restore the infrastructure to a specified level of serviceability*

When the Group has contractual obligations that it must fulfil as a condition for operating the infrastructure, that is (a) to maintain the infrastructure to a specified level of serviceability and/or (b) to restore the infrastructure to a specified condition before they are handed over to the grantor at the end of the service concession arrangement, these contractual obligations to maintain or restore the infrastructure are recognised and measured in accordance with the policy set out for “Provisions” below.

Repair and maintenance and other expenses that are routine in nature are expensed and recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 Impairment of non-financial assets

Property, plant and equipment

Investments in subsidiaries

Investment properties

Property, plant and equipment, investments in subsidiaries and investment properties are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

For the purpose of impairment testing, the recoverable amount (i.e. the higher of the fair value less cost to sell and the value-in-use) is determined on an individual asset basis unless the asset does not generate cash inflows that are largely independent of those from other assets. If this is the case, the recoverable amount is determined for the cash-generating units (“**CGU**”) to which the asset belongs.

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An impairment loss for an asset is reversed only if, there has been a change in the estimates used to determine the asset’s recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the assets is carried at revalued amount, in which case, such reversal is treated as a revaluation increase.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets

(a) *Classification*

The Group classifies its financial assets as loans and receivables and available-for-sale. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

(i) *Loans and receivables*

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as “trade and other receivables” (Note 5), “cash and cash equivalents” (Note 4) and “service concession receivables” (Note 6) on the balance sheet.

(ii) *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are presented as non-current assets unless the investment matures or management intends to dispose of the assets within 12 months after the balance sheet date.

(b) *Recognition and derecognition*

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the sale proceeds is recognised in profit or loss. Any amount previously recognised in other comprehensive income relating to that asset is reclassified to profit or loss.

(c) *Initial measurement*

Financial assets are initially recognised at fair value plus transaction costs.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(d) *Subsequent measurement*

Available-for-sale financial assets are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Interest and dividend income on available-for-sale financial assets are recognised separately in income. Changes in the fair values of available-for-sale debt securities (i.e. monetary items) denominated in foreign currencies are analysed into currency translation differences on the amortised cost of the securities and other changes; the currency translation differences are recognised in profit or loss and the other changes are recognised in other comprehensive income and accumulated in the fair value reserve. Changes in fair values of available-for-sale equity securities (i.e. non-monetary items) are recognised in other comprehensive income and accumulated in the fair value reserve, together with the related currency translation differences.

(e) *Impairment*

The Group assesses at each balance sheet date whether there is objective evidence that a financial asset or a group of financial assets is impaired and recognises an allowance for impairment when such evidence exists.

(i) *Loans and receivables*

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

The carrying amount of these assets is reduced through the use of an impairment allowance account which is calculated as the difference between the carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. When the asset becomes uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are recognised against the same line item in profit or loss.

The impairment allowance is reduced through profit or loss in a subsequent period when the amount of impairment loss decreases and the related decrease can be objectively measured. The carrying amount of the asset previously impaired is increased to the extent that the new carrying amount does not exceed the amortised cost had no impairment been recognised in prior periods.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (Continued)

(e) *Impairment* (Continued)

(ii) *Available-for-sale financial assets*

In addition to the objective evidence of impairment described in Note 2.10(e)(i), a significant or prolonged decline in the fair value of an equity security below its cost is considered as an indicator that the available-for-sale financial asset is impaired.

If any evidence of impairment exists, the cumulative loss that was previously recognised in other comprehensive income is reclassified to profit or loss. The cumulative loss is measured as the difference between the acquisition cost (net of any principal repayments and amortisation) and the current fair value, less any impairment loss previously recognised as an expense. The impairment losses recognised as an expense on equity securities are not reversed through profit or loss.

2.11 Offsetting financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

Borrowings are initially recognised at fair value (net of transaction costs) and subsequently carried at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

2.13 Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities.

Trade and other payables are initially recognised at fair value, and subsequently carried at amortised cost using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Fair value estimation of financial assets and liabilities

The fair values of financial instruments traded in active markets (such as exchange-traded and over-the-counter securities and derivatives) are based on quoted market prices at the balance sheet date. The quoted market prices used for financial assets are the current bid prices; the appropriate quoted market prices used for financial liabilities are the current asking prices.

The fair values of financial instruments that are not traded in an active market are determined by using valuation techniques. The Group uses a variety of methods and makes assumptions based on market conditions that are existing at each balance sheet date. Where appropriate, quoted market prices or dealer quotes for similar instruments are used. Valuation techniques, such as discounted cash flow analysis, are also used to determine the fair values of the financial instruments.

The carrying amounts of current financial assets and liabilities carried at amortised cost approximate their fair values.

2.15 Leases

(a) *When the Group is the lessee*

The Group leases certain properties under operating leases from non-related party.

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) *When the Group is the lessor*

The Group leases investment property under operating leases to non-related party.

Leases of investment property where the Group retains substantially all risks and reward incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to lessees) is recognised in profit or loss on a straight-line basis over the lease term.

Initial direct costs incurred by the Group in negotiating and arranging operating lease are added to the carrying amount of the leased asset and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Inventories

Inventories are carried at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and conditions are accounted for as follows:

Raw materials – purchase costs on a weighted average basis; and

Finished goods and work in progress – cost of direct materials and labour and proportion of manufacturing overheads based on operating capacity.

Where necessary, allowance is provided for damaged, obsolete and slow moving items to adjust the carrying value of inventories to the lower of cost and net realisable value.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

2.17 Income taxes

Current income tax for current and prior periods is recognised at the amount expected to be paid to or recovered from the tax authorities, using the tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date.

Deferred income tax is recognised for all temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements except when the deferred income tax arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and affects neither accounting nor taxable profit or loss at the time of the transaction.

A deferred income tax liability is recognised on temporary differences arising on investments in subsidiaries, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

A deferred income tax asset is recognised to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences and tax losses can be utilised.

Deferred income tax is measured:

- (i) at the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the balance sheet date; and
- (ii) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Income taxes (Continued)

Current and deferred income taxes are recognised as income or expense in profit or loss, except to the extent that the tax arises from a business combination or a transaction which is recognised directly in equity. Deferred tax arising from a business combination is adjusted against goodwill on acquisition.

The Group accounts for investment tax credits (for example, investment and reinvestment allowance) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.18 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax discount rate that reflects the current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.19 Employee compensation

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset.

(a) *Defined contribution plans*

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Employee compensation (Continued)

(b) *Share-based compensation*

The Group operates an equity-settled, share-based compensation plan. The value of the employee services received in exchange for the grant of options is recognised as an expense with a corresponding increase in the share option reserve over the vesting period. The total amount to be recognised over the vesting period is determined by reference to the fair value of the options granted on the date of the grant. Non-market vesting conditions are included in the estimation of the number of shares under options that are expected to become exercisable on the vesting date. At each balance sheet date, the Group revises its estimates of the number of shares under options that are expected to become exercisable on the vesting date and recognises the impact of the revision of the estimates in profit or loss, with a corresponding adjustment to the share option reserve over the remaining vesting period.

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to share capital account, when new ordinary shares are issued, or to the “treasury shares” account, when treasury shares are re-issued to the employees.

(c) *Short-term compensated absences*

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

2.20 Financial guarantees

The Company has issued corporate guarantees to banks for borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the term of their borrowings.

Financial guarantees are initially recognised at their fair values plus transaction costs in the Company's balance sheet.

Financial guarantees are subsequently amortised to profit or loss over the period of the subsidiaries' borrowings, unless it is probable that the Company will reimburse the banks for an amount higher than the unamortised amount. In this case, the financial guarantees shall be carried at the expected amount payable to the banks in the Company's balance sheet.

Intra-group transactions are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Currency translation

(a) *Functional and presentation currency*

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“**functional currency**”). The financial statements are presented in Singapore Dollar (“**SGD**”), which is the functional currency of the Company.

(b) *Transactions and balances*

Transactions in a currency other than the functional currency (“**foreign currency**”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses impacting profit or loss are presented in the income statement within “Other income – net”.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

(c) *Translation of Group’s entities financial statements*

The results and financial position of all the Group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- (i) Assets and liabilities are translated at the closing exchange rates at the reporting date;
- (ii) Income and expenses are translated at average exchange rates (unless the average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Currency translation (Continued)

(c) *Translation of Group's entities financial statements (Continued)*

- (iii) All resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and translated at the closing rates at the reporting date.

2.22 Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the executive committee whose members are responsible for allocating resources and assessing performance of the operating segments.

2.23 Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value.

For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and cash equivalents.

2.24 Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account.

2.25 Dividends to Company's shareholders

Dividends to Company's shareholders are recognised when the dividends are approved for payment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Government grants

Grants from the government are recognised as a receivable at their fair value when there is reasonable assurance that the grant will be received and the Company will comply with all the attached conditions.

Government grants receivable are recognised as income over the periods necessary to match them with the related costs which they are intended to compensate, on a systematic basis. Government grants relating to expenses are shown separately as other income.

Government grants relating to assets are deducted against the carrying amount of the assets.

2.27 Non-current assets held-for-sale

Non-current assets are classified as held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

3.1 Critical accounting estimates and assumptions

The key assumptions concerning the future and other key sources of estimation or uncertainty at the balance sheet date, 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.

(a) *Service concession arrangement*

Where the Group performs more than one service under the concession arrangement, the consideration for the services provided under the concession arrangement is allocated to the components by reference to their relative fair values.

Estimation is exercised in determining the fair values of the receivables under service concession arrangement as well as impairment of the receivables under service concession arrangement subsequent to initial recognition. Discount rates, estimates of future cash flows and other factors are used in the determination of the amortised cost of financial asset and corresponding finance income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.1 Critical accounting estimates and assumptions (Continued)

(a) *Service concession arrangement* (Continued)

The assumptions used and estimates made can materially affect the fair value estimates. The carrying amount of the Group's receivables arising from service concession arrangement at the end of the reporting period is disclosed in Notes 6 to the financial statements.

During the financial year, the Group has also recognised operating and maintenance revenue from service concession arrangement amounting to \$3,525,000 (2013: NIL) as disclosed in Note 19 to the financial statements.

(b) *Depreciation of property, plant and equipment*

The cost of plant and equipment for the manufacturing activities is depreciated on a straight-line basis over the plant and machinery's estimated economic useful lives. Management estimates the useful lives of these plant and machinery to be within 3 to 40 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of the Group's plant and machinery as at 31 December 2014 was \$38,924,000 (2013: \$41,383,000).

If the actual useful lives of these plant and machinery differ by 1 year (2013: 1 year) from management estimates, the carrying amount of the plant and machinery will be increased by \$85,000 (2013: \$84,000) or decreased by \$96,000 (2013: \$96,000) and correspondingly to profit or loss.

(c) *Allowance for impairment of receivables*

The Group makes allowances for impairment of receivables based on an assessment of recoverability of trade and other receivables. Allowances are adopted to trade and other receivables where events or changes in circumstances indicate that the balances may not be collectible. The identification of impairment of receivables requires the use of judgements and estimates, where the expectation is different from the original estimate, such difference will impact the carrying value of trade and other receivables and allowance for impairment expenses in the period in which such estimate has been changed. As at 31 December 2014, the total allowances for impairment of receivables of the Group are \$528,000 (2013: \$415,000).

If the impairment of receivables differs by 10% from management's estimates, the allowance for impairment of the Group would have been lower/higher by \$52,800 (2013: \$41,500).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.2 Critical judgements in applying the entity's accounting policies

(a) *Deferred income tax assets*

The Group recognises deferred income tax assets on carried forward capital allowances, and investment and reinvestment allowances to the extent that there are sufficient estimated future taxable profits and/or taxable temporary differences against which these allowances can be utilised and that the Group is able to satisfy the continuing ownership test. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

The total carrying amount of recognised capital allowances, investment and reinvestment allowances and other temporary differences of the Group amounted to \$39,907,000 (2013: \$42,649,000) and the unrecognised tax losses, capital allowances, and investment and reinvestment allowances of the Group and unrecognised tax losses of the Company were \$25,406,000 (2013: \$30,435,000) and \$979,000 (2013: \$172,000) respectively. If the tax authority regards the group entities as not satisfying the continuing ownership test, the deferred income tax asset will have to be written off as income tax expense.

4 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Cash at bank and on hand	5,164	13,557	1,688	11,337
Short-term bank deposits	35,660	57,574	33,526	57,176
	40,824	71,131	35,214	68,513

Cash and bank balances denominated in foreign currency other than the functional currencies of the Group's entities at balance sheet date are as follows:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
United States Dollar	12,556	19,330	10,721	18,871

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

4 CASH AND CASH EQUIVALENTS (CONTINUED)

For the purpose of presenting the consolidated statement of cash flows, cash and cash equivalents comprise the following:

	Group	
	2014	2013
	\$'000	\$'000
Cash at bank balances (as above)	40,824	71,131
Less: Bank deposits pledged	–	(391)
Cash and cash equivalents per consolidated statement of cash flows	40,824	70,740

In 2013, certain bank deposits were pledged in relation to the security granted for undrawn borrowing facilities.

5 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
<u>Current trade and other receivables</u>				
Trade receivables – non-related parties	12,088	12,352	824	836
Less: Allowance for impairment of receivables – non-related parties (Note 29(i))	(528)	(415)	–	–
Trade receivables – net	11,560	11,937	824	836
Amounts due from subsidiaries – non-trade	–	–	55,869	48,807
Loan to a subsidiary	–	–	4,128	–
Deposits	148	14,756	36	53
Prepayments	259	307	17	15
Others	382	474	29	62
	789	15,537	60,079	48,937
	12,349	27,474	60,903	49,773
<u>Non-current other receivables</u>				
Loan to a subsidiary	–	–	28,897	–
	12,349	27,474	89,800	49,773

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

5 TRADE AND OTHER RECEIVABLES (CONTINUED)

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

Loan to a subsidiary is unsecured, bears interest at 8% per annum and repayable in 8 equal annual instalments commencing on 28 February 2015.

The fair value of the non-current loan to a subsidiary is as follows:

	Company	
	2014 \$'000	2013 \$'000
Loan to a subsidiary	28,897	–

The fair value is determined from the cash flow analysis, discounted at effective interest rate of 8% (2013: NIL) which the management is of the opinion that is similar to the market interest rate for an instrument bearing the same risk profile and characteristics at the end of the reporting period. The fair value is within Level 2 of the fair value hierarchy.

Trade and other receivables denominated in foreign currency other than the functional currencies of the Group's entities at balance sheet date are as follows:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Malaysian Ringgit	–	–	–	611
United States Dollar	963	15,707	54,905	15,551

6 SERVICE CONCESSION RECEIVABLES

	Group	
	2014 \$'000	2013 \$'000
Current portion	15,720	–
Non-current portion	44,101	–
	59,821	–

During the current financial year, the Group recognised finance income of \$5,980,000 (2013: NIL) and construction revenue of \$58,822,000 (2013: NIL) as revenue from service concession arrangement. The effective interest rate applied is 12% (2013: NIL) per annum.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

6 SERVICE CONCESSION RECEIVABLES (CONTINUED)

The carrying value of the non-current portion of service concession receivables approximates its fair value, as management is of the opinion that the effective interest rate used is similar to the market interest rate for an instrument bearing the same risk profile and characteristics at the end of the reporting period.

The non-current portion of the service concession receivables are denominated in the functional currency of the subsidiary.

Service concession arrangement

The Group through its subsidiary has entered into a service concession arrangement with Myanmar Electric Power Enterprise (“**MEPE**”), a governmental body of the Republic of the Union of Myanmar (the grantor) to provide electricity generated by it to MEPE on a take or pay and Build-Operate-Transfer (“**BOT**”) basis.

Under the service concession arrangement, the Group is responsible for the construction of the gas-fired electricity generating power plant (the “**plant**”) in Ywama (Yangon), Myanmar. Upon completion of the construction, the Group is responsible for operating the plant and sale of electrical energy generated by it to MEPE, the off-taker. The concession period for the plant is 30 years. During the concession period, the Group receives guaranteed minimum annual payments from MEPE. These guaranteed minimum annual payments are recognised as financial receivables to the extent that the Group has contractual rights under the concession arrangements. The financial receivables are measured on initial recognition at their fair value.

The service concession agreement contains a renewal option. Subject to the terms and conditions of the service concession arrangement, the Group and MEPE have the right to terminate the agreement. At the end of the concession period, the title to the plant will be transferred to MEPE.

The counterparty of the above service concession arrangement is a governmental body in the Republic of the Union of Myanmar. Management is of the view that the associated credit risk is not significant.

7 AVAILABLE-FOR-SALE FINANCIAL ASSETS

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Quoted securities				
– SGD corporate bonds	–	3,531	–	3,531

In 2013, the Group’s and Company’s investments in SGD corporate bonds bore interest rates ranging from 3.20% to 3.56% per annum and were fully redeemed during the financial year.

During the year, fair value losses recognised in other comprehensive income is \$31,000 (2013: \$98,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

8 INVENTORIES

	Group	
	2014	2013
	\$'000	\$'000
Finished goods	6,180	6,110
Raw materials	2,200	2,772
Work-in-progress	9	20
Production supplies	668	605
Goods-in-transit	103	26
	9,160	9,533

The cost of inventories recognised as an expense and included in “cost of sales” amounts to \$25,058,000 (2013: \$25,118,000).

9 PROPERTY, PLANT AND EQUIPMENT

	Freehold Land \$'000	Leasehold Land and Building \$'000	Plant and Machinery \$'000	Furniture, Fixtures and Office Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Group						
2014						
Cost						
Beginning of financial year	4,397	20,576	65,110	1,587	1,699	93,369
Currency translation differences	(91)	(426)	(1,357)	(21)	(28)	(1,923)
Additions	–	–	471	113	66	650
Disposals	–	–	–	(8)	–	(8)
Write offs	–	–	–	(145)	–	(145)
End of financial year	4,306	20,150	64,224	1,526	1,737	91,943
Accumulated depreciation						
Beginning of financial year	–	4,822	23,727	1,341	920	30,810
Currency translation differences	–	(110)	(542)	(16)	(21)	(689)
Charge for the year (Note 21)	–	410	2,115	82	238	2,845
Disposals	–	–	–	(8)	–	(8)
Write offs	–	–	–	(145)	–	(145)
End of financial year	–	5,122	25,300	1,254	1,137	32,813
Net book value						
End of financial year	4,306	15,028	38,924	272	600	59,130

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Freehold Land \$'000	Leasehold Land and Building \$'000	Plant and Machinery \$'000	Furniture, Fixtures and Office Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Group						
2013						
Cost						
Beginning of financial year	4,557	21,517	66,198	2,343	1,954	96,569
Currency translation differences	(160)	(941)	(2,616)	(148)	(307)	(4,172)
Additions	–	–	830	90	76	996
Disposals	–	–	–	–	(24)	(24)
Transferred	–	–	698	(698)	–	–
End of financial year	4,397	20,576	65,110	1,587	1,699	93,369
Accumulated depreciation						
Beginning of financial year	–	4,768	22,669	1,337	976	29,750
Currency translation differences	–	(365)	(1,107)	(140)	(290)	(1,902)
Charge for the year (Note 21)	–	419	2,165	144	244	2,972
Disposals	–	–	–	–	(10)	(10)
End of financial year	–	4,822	23,727	1,341	920	30,810
Net book value						
End of financial year	4,397	15,754	41,383	246	779	62,559

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

9 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Furniture, Fixtures, and Office Equipment \$'000	Motor Vehicles \$'000	Total \$'000
Company			
2014			
Cost			
Beginning of financial year	203	430	633
Additions	14	–	14
Disposals	(6)	–	(6)
Write offs	(144)	–	(144)
End of financial year	67	430	497
Accumulated depreciation			
Beginning of financial year	200	100	300
Charge for the year	4	86	90
Disposals	(6)	–	(6)
Write offs	(144)	–	(144)
End of financial year	54	186	240
Net book value			
End of financial year	13	244	257
Company			
2013			
Cost			
Beginning/end of financial year	203	430	633
Accumulated depreciation			
Beginning of financial year	144	14	158
Charge for the year	56	86	142
End of financial year	200	100	300
Net book value			
End of financial year	3	330	333

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

10 INVESTMENT PROPERTY

	Group	
	2014 \$'000	2013 \$'000
Cost		
Beginning of financial year	10,545	10,545
Reclassified as property held-for-sale (Note 12)	(10,545)	–
End of financial year	–	10,545
Accumulated depreciation		
Beginning of financial year	2,686	2,476
Charge for the year (Note 21)	117	210
Reclassified as property held-for-sale (Note 12)	(2,803)	–
End of financial year	–	2,686
Net book value	–	7,859

Investment property was leased to a non-related party under operating leases (Note 27). The tenancy agreement of the investment property expired in July 2014. As the carrying amount of the property will be recovered principally through a sale transaction, it was reclassified to property held-for-sale (Note 12).

The following amounts are recognised in profit or loss:

	Group	
	2014 \$'000	2013 \$'000
Rental income (Note 19)	727	1,290
Direct operating expenses (including repairs and maintenance arising from rental generating property)	(117)	(210)

The details of the Group's investment property as at 31 December 2013 were as follows:

<u>Location</u>	<u>Description/existing use</u>	<u>Tenure</u>
35 Tuas View Crescent	Factory building	Leasehold with 30 years lease expiring 1 December 2029 with an option for a further term of 30 years.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

10 INVESTMENT PROPERTY (CONTINUED)

Fair value hierarchy

	Fair value measurements at 31 December 2013 using		
	Quoted prices in active markets for identical assets (Level 1) \$'000	Significant other observable inputs (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000
Investment property	–	36,000	–

The fair value of the investment property as at 31 December 2013 was \$36,000,000 as estimated by management. The property was last valued in April 2014 by DTZ Debenham Tie Leung (SEA) Pte Ltd (“DTZ”), an independent valuer with a recognised and relevant professional qualification and with recent experience in the location and category of the property being valued. The valuation was performed based on comparable market transactions that consider the sales of similar properties in the open market.

11 INVESTMENTS IN SUBSIDIARIES

	Company	
	2014 \$'000	2013 \$'000
<i>Equity investments at cost</i>		
Beginning of financial year	15,469	15,422
Additions	225	47
End of financial year	15,694	15,469

Details of subsidiaries are as follows:

Name of companies	Country of business/ incorporation	Principal Activities	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of preference shares held by the Group	
			2014 %	2013 %	2014 %	2013 %	2014 %	2013 %
<i>Held by the Company</i>								
⁽¹⁾ UPP Industries Pte. Ltd.	Singapore	Investment holding, rental and management of property	100	100	–	–	–	–
⁽¹⁾ UPP Greentech Pte. Ltd.	Singapore	Investment holding	100	100	–	–	–	–
⁽¹⁾ UPP Investment (Asia) Pte Ltd	Singapore	Investment holding	100	100	–	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

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11 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Name of companies	Country of business/ incorporation	Principal Activities	Proportion of ordinary shares held by the Group		Proportion of ordinary shares held by non-controlling interests		Proportion of preference shares held by the Group	
			2014 %	2013 %	2014 %	2013 %	2014 %	2013 %
<i>Held through subsidiaries</i>								
⁽²⁾ UPP Capital (M) Sdn. Bhd.	Malaysia	Investment holding	100	100	-	-	-	-
⁽²⁾ UPP Pulp & Paper (M) Sdn. Bhd.	Malaysia	Manufacture and sale of paper products and trading in recycled fibre	92.8*	86.1	7.2	13.9	-*	100
⁽²⁾ UPP Recycled Fibre (M) Sdn. Bhd.	Malaysia	Dormant	92.8*	86.1	7.2	13.9	-	-
⁽³⁾ UPP-MSP Engineering Limited	Myanmar	Dormant	75	75	25	25	-	-
⁽³⁾ UPP Power (Myanmar) Limited	Myanmar	Design, operate and maintain power plants for electricity generation and sell the electricity produced to the Myanmar Government	100	100	-	-	-	-

(1) Audited by Nexia TS Public Accounting Corporation, Singapore, a member firm of Nexia International.

(2) Audited by SSY Partners Chartered Accountants, Malaysia, a member firm of Nexia International.

(3) Audited by Nexia TS Public Accounting Corporation for consolidation purposes.

* Deemed acquisition of non-controlling interests

On 8 December 2014, the Group's subsidiary, UPP Industries Pte. Ltd. converted in full, all its 70,000,000 redeemable preference shares held in UPP Pulp & Paper (M) Sdn. Bhd. ("**UPPM**") into 70,000,000 new ordinary shares. Consequently, the Group's equity interest in UPPM was increased by 6.7% to 92.8% as at 31 December 2014.

There are no non-controlling interests that are material to the Group.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

12 PROPERTY HELD-FOR-SALE

	Group	
	2014	2013
	\$'000	\$'000
Reclassified from investment property (Note 10)	7,742	–

The details of the Group's property held-for-sale are as follows:

<u>Location</u>	<u>Description/existing use</u>	<u>Tenure</u>
35 Tuas View Crescent	Factory building	Leasehold with 30 years lease expiring 1 December 2029 with an option for a further term of 30 years.

As the carrying amount of the property will be recovered principally through a sale transaction, it was reclassified from investment property to property held-for-sale.

13 TRADE AND OTHER PAYABLES

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Trade payables – non-related parties	3,442	2,987	–	–
Accrued operating expenses	2,137	1,254	373	156
Deferred rental income	–	152	–	–
Other payables	134	194	89	172
	5,713	4,587	462	328

Trade payables are non-interest bearing and are normally settled on 30 to 90 days terms.

Trade and other payables denominated in foreign currency other than the functional currencies of the Group's entities at balance sheet date are as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
United States Dollar	524	419	211	95

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

14 BORROWINGS

	Group	
	2014 \$'000	2013 \$'000
<i>Current</i>		
Bankers' acceptance	–	2,483

The exposure of the borrowings of the Group to interest rate changes and the contractual repricing dates at the balance sheet date are as follows:

	Group	
	2014 \$'000	2013 \$'000
6 months or less	–	2,483

Security granted

In 2013, bankers' acceptance amounting to \$2,483,000 bore interest ranging from 4% to 5% per annum was secured by a corporate guarantee of the Company.

15 DEFERRED INCOME TAXES

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting and their movement during the financial year, are shown on the balance sheets as follows:

	Group	
	2014 \$'000	2013 \$'000
Deferred income tax liabilities		
To be settled after one year	685	653

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

15 DEFERRED INCOME TAXES (CONTINUED)

Movement in deferred income tax account is as follows:

	Group	
	2014	2013
	\$'000	\$'000
Beginning of financial year	653	636
Tax charged to profit or loss (Note 24)	32	17
End of financial year	685	653

Movement in deferred income tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) is as follows:

	Group	
	2014	2013
	\$'000	\$'000
<i>Deferred income tax liabilities</i>		
<i>Accelerated tax depreciation</i>		
Beginning of financial year	11,315	12,502
Currency translation differences	(212)	(409)
Credited to profit or loss	(441)	(778)
End of financial year	10,662	11,315

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

15 DEFERRED INCOME TAXES (CONTINUED)

Deferred income tax assets

	Unabsorbed capital allowances \$'000	Unutilised investment and reinvestment allowances \$'000	Provisions and others \$'000	Total \$'000
Group				
2014				
Beginning of financial year	(5,049)	(5,574)	(39)	(10,662)
Currency translation differences	77	134	1	212
Charged/(credited) to profit or loss	1,633	(1,134)	(26)	473
End of financial year	(3,339)	(6,574)	(64)	(9,977)
Group				
2013				
Beginning of financial year	(6,380)	(5,433)	(53)	(11,866)
Currency translation differences	213	194	2	409
Charged/(credited) to profit or loss	1,118	(335)	12	795
End of financial year	(5,049)	(5,574)	(39)	(10,662)

Deferred income tax assets are recognised for capital allowances and investment and reinvestment allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group has unrecognised tax losses, capital allowances and investment and reinvestment allowances of approximately \$3,286,000 (2013: \$2,497,000), \$4,463,000 (2013: \$4,557,000) and \$17,657,000 (2013: \$23,381,000) respectively and the Company has unrecognised tax losses of approximately \$979,000 (2013: \$172,000) at the balance sheet date which can be carried forward and used to offset against future taxable income subject to meeting certain statutory requirements by those companies with unrecognised tax losses, capital allowance and investment and reinvestment allowance in their respective countries of incorporation. The tax losses, capital allowances and investment and reinvestment allowances have no expiry date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

16 SHARE CAPITAL

	Group and Company			
	No. of shares 2014 '000	Amount 2014 \$'000	No. of shares 2013 '000	Amount 2013 \$'000
Beginning of financial year	836,667	140,578	795,993	136,511
Warrants conversion	–	–	40,674	4,067
End of financial year	836,667	140,578	836,667	140,578

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

Fully paid ordinary shares carry one vote per share and carry a right to dividend as and when declared by the Company.

Warrants

On 6 January 2010, the Company announced a renounceable rights issue of shares with warrants at the issue price of \$0.10 for each rights share with warrant, each warrant carrying the right to subscribe for 1 new ordinary share at an exercise price of \$0.10, on the basis of 1 rights share with 1 warrant for every 1 existing ordinary share.

On 4 March 2010, the Company allotted and issued 238,557,000 rights shares and 238,557,000 warrants for valid acceptances received. The warrants are exercisable within three years from the date of issue of warrants and were expired on 1 March 2013. As at balance sheet date, the outstanding warrants were NIL (2013: NIL).

During the last financial year, the Company issued 40,674,376 ordinary shares for a total consideration of \$4,067,438 for cash by warrants conversion. The newly issued shares rank pari passu in all respects with the previously issued shares.

Share options

The UPP Employee Share Option Scheme (the “**Option Scheme**”) for any director (including a Non-Executive Director) or confirmed employee of the Group selected by the Committee (the “**Participant**”) was approved by members of the Company at an Extraordinary General Meeting on 21 April 2011.

The purpose of the Option Scheme is to provide an opportunity for employees of the Group who have contributed significantly to the growth and performance of the Group, as well as directors, to participate in the equity of the Company so as to motivate them to greater dedication, loyalty and higher standards of performance, and to give recognition to past contributions and services. Additionally, the Option Scheme will help the Group to attract and retain the services of appropriate, qualified and experienced employees who would be able to contribute to the Group’s business and operations.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

16 SHARE CAPITAL (CONTINUED)

Share options (Continued)

Under the Option Scheme, subject to the absolute discretion of the Committee, options to subscribe for the ordinary shares of the Company are granted to Participants who have attained the age of 21 years on or prior to the relevant Date of Grant, are not undischarged bankrupts, have not entered into a composition with their respective creditors, and, where applicable, who have, as of the Date of Grant, been in the employment of the Group for a period of at least 12 months, or such shorter period as the Committee may determine, and Non-Executive Directors who, in the opinion of the Committee, have contributed or will contribute to the success of the Group. The exercise price of the options is determined at the Market Price as quoted on the Singapore Exchange, or at a price which is set at a discount to the Market Price, the quantum of such discount to be determined by the Committee in its absolute discretion, provided that the maximum discount which may be given in respect of any Option shall not exceed 20% of the Market Price. Once the options are granted, they are exercisable within five years from the Date of Grant of the options. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price. The Group has no legal or constructive obligation to repurchase or settle the options in cash.

The aggregate number of shares over which options may be granted on any date, when added to the number of shares issued and issuable in respect of all options granted under the Option Scheme, shall not exceed 15% of the issued share capital of the Company on the day preceding that date.

There were no options granted during the financial year to subscribe for unissued shares of the Company.

17 OTHER RESERVES

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Capital reserve	712	712	74	74
Currency translation reserve	(11,098)	(10,202)	–	–
Fair value reserve	–	(214)	–	(214)
	(10,386)	(9,704)	74	(140)

Other reserves are non-distributable. Included in capital reserve of the Group is an amount of \$638,000 (2013: \$638,000) which relates to contribution by a non-controlling interest in excess of its shareholding.

The movement of other reserve is as disclosed on the Consolidated Statement of Changes in Equity.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

18 DIVIDENDS

	2014	Group
	\$'000	2013
		\$'000
<i>Ordinary dividends paid</i>		
Final dividend paid in respect of the previous financial year of 0.15 cents (2013: 0.15 cents) per share	1,255	1,255

At the coming Annual General Meeting on 24 April 2015, a final dividend of 0.50 cents per share amounting to a total of \$4,183,000 will be recommended. These financial statements do not reflect this dividend, which will be accounted for in shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2015.

19 REVENUE

	2014	Group
	\$'000	2013
		\$'000
Sale of goods	47,847	46,797
Construction revenue	58,822	–
Operating and maintenance income	3,525	–
Finance income	5,980	–
Rental income from investment property (Note 10)	727	1,290
	116,901	48,087

20 OTHER INCOME, NET

	2014	Group
	\$'000	2013
		\$'000
Gain on disposal of property, plant and equipment	19	11
Allowance for impairment of trade receivables, net (Note 29(ii))	(124)	(223)
Bad debts recovered	–	128
Interest income		
– Bank deposits	245	379
– Available-for-sale financial assets	39	142
Net loss on redemption of available-for-sale financial assets	(245)	(155)
Currency translation gain/(loss) – net	1,728	(22)
Others	91	41
	1,753	301

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

21 EXPENSES BY NATURE

	Group	
	2014	2013
	\$'000	\$'000
Fees on audit services paid/payable to:		
– Auditor of the Company	65	51
– Other auditor*	20	19
Fees on non-audit services paid/payable to:		
– Auditor of the Company	10	13
– Other auditor*	7	5
Purchase of inventories	24,685	25,694
Business development expenses	16	568
Depreciation of property, plant and equipment (Note 9)	2,845	2,972
Depreciation of investment property (Note 10)	117	210
Directors' fees	180	169
Employee compensation (Note 22)	5,066	4,438
General and professional fees	328	253
Manufacturing overhead	2,162	2,497
Insurance	602	279
Rental expenses on operating leases	326	222
Transportation expenses	1,770	1,740
Utilities	7,778	7,203
Construction expense	58,822	–
Operating and maintenance fees	1,967	–
Other expenses	1,773	953
Changes in inventories	373	(576)
Total cost of sales, selling and distribution and administrative expenses	108,912	46,710

* Include auditor of subsidiaries which is the network of member firms of Nexia International.

22 EMPLOYEE COMPENSATION

	Group	
	2014	2013
	\$'000	\$'000
Salaries and wages	4,610	3,998
Employer's contribution to defined contribution plans including Central Provident Fund (“CPF”)	284	252
Other short-term benefits	172	188
	5,066	4,438

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

23 FINANCE EXPENSES

	Group	
	2014	2013
	\$'000	\$'000
Interest expense		
– Bankers' acceptance	40	177
– Others	8	12
	48	189

24 INCOME TAX EXPENSES

	Group	
	2014	2013
	\$'000	\$'000
Tax expense attributable to results are made up of:		
Profit from current financial year		
Current income tax – foreign	4	4
Deferred income tax (Note 15)	32	17
	36	21

The reconciliation between the income tax expense and the product of accounting profit multiplied by the applicable corporate tax for the year ended 31 December are as follows:

	Group	
	2014	2013
	\$'000	\$'000
Profit before income tax	9,694	1,489
Tax at domestic rates applicable to profit in the countries where the Group operates	2,498	448
Effects of:		
– Expenses not deductible for tax purposes	722	526
– Income not subject to tax	(2,102)	(5)
– Utilisation of previously unrecognised deferred tax assets	(1,238)	(954)
– Deferred tax assets not recognised	137	–
– Others	19	6
	36	21

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

25 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the net profit attributable to equity holders of the Company by the weighted average number of ordinary shares outstanding during the financial year.

	Group	
	2014	2013
Net profit attributable to equity holders of the Company (\$'000)	8,978	946
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	836,667	836,667
Basic and diluted earnings per share (cents per share)	1.07	0.11

26 RELATED PARTY TRANSACTIONS

(a) No transaction took place between the Group and related parties other than those disclosed elsewhere in the financial statements. Outstanding balances at 31 December 2014 are unsecured and receivable within 12 months from balance sheet date and are disclosed in Note 5.

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group	
	2014	2013
	\$'000	\$'000
Salaries and wages	1,806	1,492
Employer's contribution to defined contribution plans including Central Provident Fund ("CPF")	82	71
Other short-term benefits	32	35
	1,920	1,598
Comprise amounts paid to:		
Directors of the Company	1,308	1,053
Other key management personnel	612	545
	1,920	1,598

Details on directors' remuneration are disclosed in the Report on Corporate Governance.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

27 COMMITMENTS

(i) Operating lease commitments – where the Group is a lessee

The Group has entered into commercial leases for the use of properties as lessee. These leases have an average tenure of 30 to 99 years with renewal option but no contingent rent provision included in the contracts. There are no restrictions placed upon the Group by entering into these leases. The Group has sub-leased one of the properties to a third party.

The future minimum lease payables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group	
	2014	2013
	\$'000	\$'000
Not later than one year*	330	332
Between one and five years*	1,644	1,620
Later than five years	4,434	4,789
	6,408	6,741

* The lease payments amounting to NIL (2013: \$155,000) was indemnified by the sub-tenant up to 20 July 2014 upon the expiry of the tenancy agreement.

(ii) Operating lease commitments – where the Group is a lessor

The Group has entered into commercial property lease on its investment property. This non-cancellable lease has no remaining lease terms as at the balance sheet date (2013: less than a year).

The future minimum rentals receivables under non-cancellable operating lease contracted for at the balance sheet date but not recognised as receivables, are as follows:

	Group	
	2014	2013
	\$'000	\$'000
Not later than one year	–	726
	–	726

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

27 COMMITMENTS (CONTINUED)

(iii) Capital commitments

Capital expenditures contracted for at the balance sheet date but not recognised in the financial statements are as follows:

	Group	
	2014 \$'000	2013 \$'000
Consideration for acquisition of power plant	–	44,013

The obligations of the Group's subsidiary, UPP Power (Myanmar) Limited ("**UPP Power**") under the above commitment are subject to all the following conditions being fulfilled during the financial year:

- (i) UPP Power having entered into power purchase agreement ("**PPA**") with Myanma Electric Power Enterprise ("**MEPE**");
- (ii) Myan Shwe Pyi Tractors Limited having successfully completed the power plant, and the power plant having successfully passed all the relevant tests stipulated by agreement; and
- (iii) UPP Power having received a letter of comfort from Caterpillar S.A.R.L. a manufacturer of the gas powered generators, machines, power systems and parts, on terms acceptable to UPP Power.

All conditions stated above had been fulfilled in February 2014 and the power plant has since started commercial operations. Under the PPA, UPP Power will sell the electrical energy generated by it to MEPE, at the rate of US\$0.034 per kWh and the guaranteed annual minimum off-take amount is 350 million kWh. The power plant project will provides a steady long-term revenue stream for the Group over the next 30 years.

28 CONTINGENT LIABILITIES

(i) Contingent liabilities

Corporate guarantees given to bankers in respect of facilities granted to:

	Company	
	2014 \$'000	2013 \$'000
Subsidiaries	–	2,483

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

28 CONTINGENT LIABILITIES (CONTINUED)

(i) Contingent liabilities (Continued)

The Company has evaluated the fair value of the corporate guarantees and is of the opinion that the consequential benefits derived from its guarantees to the banks with regards to the subsidiary is minimal. The subsidiary for which the guarantees were provided is in favourable equity positions and is profitable with no default in the payment of credit facilities.

(ii) Financial support

The Company has provided letters of financial support to certain subsidiaries to enable these subsidiaries to operate as going concern and to meet their liabilities as and when they fall due.

29 FINANCIAL RISK MANAGEMENT

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk, capital risk and price risk. It is, and has been throughout the current and previous financial year the Group's and the Company's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures the risks.

(i) Credit risk

Credit risk refers to the risk that counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits, trade and other receivables and service concession receivables.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis with the result that the Group's and the Company's exposure to bad debts is not significant.

For other financial assets (including cash and deposits), the Group and the Company minimise credit risk by dealing only with high credit rating financial institutions.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

As the Group and the Company do not hold collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet, except as follows:

	Company	
	2014	2013
	\$'000	\$'000
Corporate guarantees provided to banks on subsidiaries' bank facilities	–	2,483

The trade receivables of the Group comprise eight debtors (2013: six debtors) that individually represented 4 to 6% (2013: 5 to 11%) and the trade receivables of the Company comprise one debtor (2013: one debtor) that represented 85% (2013: 78%) of trade receivables.

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
By geographical areas				
Singapore	824	836	824	836
Malaysia	10,597	10,900	–	–
Other countries	139	201	–	–
	<u>11,560</u>	<u>11,937</u>	<u>824</u>	<u>836</u>

Financial assets that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and the Company. Bank deposits that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(i) Credit risk (Continued)

Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

The age analysis of trade receivables past due but not impaired is as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Past due < 1 month	2,583	2,875	182	278
Past due 1 to 3 months	1,512	1,929	163	279
Past due over 3 months	621	569	–	–
	4,716	5,373	345	557

The carrying amount of trade receivables individually determined to be impaired and the movement in the related allowance for impairment are as follows:

	Group	
	2014	2013
	\$'000	\$'000
Gross amount	528	415
Less: Allowance for impairment	(528)	(415)
	–	–
Beginning of financial year	415	201
Currency translation differences	(11)	(9)
Allowance made, net (Note 20)	124	223
End of financial year	528	415

Trade receivables that are individually determined to be impaired at the balance sheet date relate to debtors that are in significant financial difficulties and have defaulted on payments within credit terms. These receivables are not secured by any collateral or credit enhancements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(ii) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The Group manages its liquidity risk by maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities from banks. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-short term deposits as disclosed in Note 4.

Short-term funding is obtained mainly from trade financing and short-term borrowing from banks. The Group monitors working capital projections regularly, taking into account the available banking and other borrowing facilities to ensure that the Group has adequate working capital to meet current requirements.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Trade and other payables \$'000	Borrowings \$'000	Financial guarantee contracts \$'000
Group			
2014			
Less than one year	5,713	–	–
2013			
Less than one year	4,587	2,483	–
Company			
2014			
Less than one year	462	–	–
2013			
Less than one year	328	–	2,483

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(iii) Cash flow and fair value interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group's exposure to cash flow interest rate risk arises mainly from their borrowings at variable rates.

At the balance sheet date, the Group has no significant exposure to cash flow interest rate risk as it has no outstanding borrowings. In 2013, had the market interest rates been 100 basis points higher/lower with all other variables held constant, the Group's profit would have been \$25,000 lower/higher, arising mainly as a result of higher/lower interest expenses on borrowings.

(iv) Foreign currency risk

The Group's and the Company's currency exposure based on the information provided to key management is as disclosed in Note 4, Note 5 and Note 13 to the financial statements.

There is no formal hedging policy with respect to foreign currency exposures. Exposures to currency risk are monitored on an ongoing basis and the Group endeavors to keep the net exposure at an acceptable level.

If the USD change against the SGD by 5% (2013: 5%) with all other variables including tax rate being held constant, the effects arising from the net financial asset/liability position will be as follows:

	Increase/(Decrease)	
	Profit before tax	
	2014	2013
	\$'000	\$'000
Group		
USD against SGD		
– Strengthened	1,872	1,721
– Weakened	(1,872)	(1,721)
	1,872	(1,721)
Company		
USD against SGD		
– Strengthened	3,271	1,716
– Weakened	(3,271)	(1,716)
	(3,271)	(1,716)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(v) Capital risk

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 so as 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, obtain new borrowings or sell assets to reduce borrowings.

Management monitors capital based on a debt-equity ratio. The debt-equity ratio is calculated as total liabilities divided by net assets.

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Total liabilities	6,398	7,723	462	328
Net assets	182,628	174,364	140,503	137,291
Debt-equity ratio (times)	0.035	0.044	0.003	0.002

The Group and the Company seeks to strike a balance between the higher returns that might be possible with higher levels of borrowings and the liquidity and security afforded by a sound capital position. There were no changes in the Group's and the Company's approach to capital management during the year.

The Group and the Company do not have any externally imposed capital requirements for the financial year ended 31 December 2014 and 2013.

(vi) Price risk

The Group and the Company are exposed to bond prices risk arising from the investments held by the Group and the Company which are classified on the balance sheet as available-for-sale. These bonds are listed in Singapore.

If prices for bonds listed in Singapore had changed by NIL (2013: 2%) with all other variable including tax rate being held constant, the effects on profit after tax and other comprehensive income would have been:

	Increase/(Decrease)			
	2014		2013	
	Profit after tax \$'000	Other comprehensive income \$'000	Profit after tax \$'000	Other comprehensive income \$'000
Group and Company				
Listed in Singapore				
- increased by	-	-	-	71
- decreased by	-	-	-	(71)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(vii) Fair value measurements

The fair value of a financial instrument is the amount at which the instrument could be exchanged or settled between knowledgeable and willing parties in an arm's length transaction, other than in a forced or liquidation sale.

The following table presents assets and liabilities measured at fair value and classified by level of the following fair value measurement hierarchy:

- (a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices) (Level 2); and
- (c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
<u>Group and Company</u>				
2014				
Financial assets				
Available-for-sale				
– SGD corporate bonds	–	–	–	–
<hr/>				
<u>Group and Company</u>				
2013				
Financial assets				
Available-for-sale				
– SGD corporate bonds	3,531	–	–	3,531
<hr/>				

The fair value of financial instruments traded in active markets (such as trading and available-for-sale securities) is based on quoted market prices at the balance sheet date. The quoted market price used for financial assets held by the Group and the Company is the current bid price. These instruments are included in Level 1.

The carrying amount less impairment allowance of receivables and payables are assumed to approximate their fair values. The fair value of current borrowings approximates their carrying amount.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

29 FINANCIAL RISK MANAGEMENT (CONTINUED)

(viii) Financial instruments by category

The carrying amount of the different categories of financial instruments is as disclosed on the face of the balance sheet and in Note 7 to the financial statements, except for the following:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Loans and receivables	112,735	98,297	124,997	118,271
Financial liabilities at amortised cost	5,713	7,070	462	328

30 SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments.

- (1) The paper mill division manufactures and sells industrial grade paper products, collect and trades in waste paper products.
- (2) Power division operates a 50 MW gas-fired generating plant in Ywama, Myanmar.
- (3) Others which included investment/corporate segment focus on identifying new investment opportunities locally and overseas that has the potential to increase revenue streams and produce good returns on investments.

Except as indicated above, no operating segments have been aggregated to form the above reportable operating segments.

The Group's management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss. Group income taxes are managed on a group basis and are not allocated to operating segments.

Transfer prices between operating segments are on an arm's length basis. The revenue from external parties reported to the Group's management is measured in a manner consistent with that in the statement of comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Paper Mill		Power Plant		Others		Total			Adjustments and elimination			Per consolidated financial statements	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Revenue:														
External customers	47,847	46,797	68,327	-	727	1,290	116,901	48,087	-	-	-	-	116,901	48,087
Inter-segment	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total revenue	47,847	46,797	68,327	-	727	1,290	116,901	48,087	-	-	-	-	116,901	48,087
Results:														
Finance costs	(48)	(189)	-	-	-	-	(48)	(189)	-	-	-	-	(48)	(189)
Interest income	27	17	-	-	257	504	284	521	-	-	-	-	284	521
Depreciation	(2,748)	(2,823)	-	-	(214)	(359)	(2,962)	(3,182)	-	-	-	-	(2,962)	(3,182)
Segment profit/(loss) before taxation	4,915	3,765	6,292	-	(1,513)	(2,276)	9,694	1,489	-	-	-	-	9,694	1,489
Assets:														
Additions to non-current assets	592	967	38	-	20	29	650	996	-	-	-	-	650	996
Segment assets	84,270	85,849	60,138	-	44,618	96,238	189,026	182,087	-	-	-	-	189,026	182,087
Liabilities:														
Segment liabilities	3,936	6,292	1,028	-	749	778	5,713	7,070	685	653	-	-	6,398	7,723

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

30 SEGMENT INFORMATION (CONTINUED)

Note A: Inter-segment revenues are eliminated on consolidation.

Note B: Additions to non-current assets consist of additions to property, plant and equipment.

Note C: The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet.

	Group	
	2014	2013
	\$'000	\$'000
Deferred income tax liabilities	685	653

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Malaysia	40,829	38,190	58,835	62,226
Singapore	4,281	6,212	257	8,192
Myanmar	68,327	–	38	–
ASEAN	453	383	–	–
Rest of Asia	1,493	1,668	–	–
Others	1,518	1,634	–	–
	116,901	48,087	59,130	70,418

Non-current assets information presented above consist of property, plant and equipment and investment property as presented in the consolidated balance sheet.

Revenues of \$68,327,000 (2013: NIL) are derived from a single external customer. These revenues are attributable to the Myanmar power plant segment.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

31 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

Below are the mandatory standards, amendments and interpretations to existing standards that have been published, and are relevant for the Group's accounting periods beginning on or after 1 January 2015 and which the Group has not early adopted:

- FRS 102 Share-based Payment (effective for annual periods beginning on or after 1 July 2014)

The amendment clarifies the definition of vesting condition and separately defines 'performance condition' and 'service condition'. The Group will apply this amendment from 1 January 2015, but this is not expected to have any significant impact on the financial statements of the Group.

- FRS 103 Business Combinations (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to clarify that an obligation to pay contingent consideration which meets the definition of a financial instrument is classified as a financial liability or as equity, on the basis of the definitions in FRS 32 Financial instruments: Presentation. The standard is further amended to clarify that all non-equity contingent consideration, both financial and non-financial, is measured at fair value at each reporting date, with changes in fair value recognised in profit and loss.

The standard is also amended to clarify that FRS 103 does not apply to the accounting for the formation of any joint arrangement under FRS 111. The amendment also clarifies that the scope exemption only applies in the financial statements of the joint arrangement itself.

The Group will apply this amendment for business combinations taking place on/after 1 January 2015.

- FRS 108 Operating Segments (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to require disclosure of the judgements made by management in aggregating operating segments. This includes a description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics.

The standard is further amended to require a reconciliation of segment assets to the entity's assets when segment assets are reported.

This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

31 NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS (CONTINUED)

- FRS 16 Property, Plant and Equipment (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to clarify how the gross carrying amount and the accumulated depreciation are treated where an entity uses the revaluation model. The carrying amount of the asset is restated to the revalued amount. The split between gross carrying amount and accumulated depreciation is treated in one of the following ways:

- either the gross carrying amount is restated in a manner consistent with the revaluation of the carrying amount, and the accumulated depreciation is adjusted to equal the difference between the gross carrying amount and the carrying amount after taking into account accumulated impairment losses; or
- the accumulated depreciation is eliminated against the gross carrying amount of the asset.

This amendment is not expected to have any significant impact on the financial statements of the Group.

- FRS 24 Related Party Disclosures (effective for annual periods beginning on or after 1 July 2014)

The standard is amended to include, as a related party, an entity that provides key management personnel services to the reporting entity or to the parent of the reporting entity (**'the management entity'**).

The reporting entity is not required to disclose the compensation paid by the management entity to the management entity's employees or directors, but it is required to disclose the amounts charged to the reporting entity by the management entity for services provided.

This amendment will not result in any changes to the Group's accounting policies but will require more disclosures in the financial statements.

- FRS 113 Fair Value Measurement (effective for annual periods beginning on or after 1 July 2014)

The amendment clarifies that the portfolio exception in FRS 113, which allows an entity to measure the fair value of a group of financial assets and financial liabilities on a net basis, applies to all contracts (including non-financial contracts) within the scope of FRS 39.

This amendment is not expected to have any significant impact on the financial statements of the Group.

ADDITIONAL SGX DISCLOSURES IN THE ANNUAL REPORT

MATERIAL CONTRACTS

Since the end of the financial year ended 31 December 2014, the Company and its subsidiary companies did not enter into any material contracts involving interests of the Chief Executive Officer, Directors or controlling shareholders and no such material contract still subsist at the end of the financial year, save for Interested Person Transactions disclosed on page 22 of this Annual Report.

LIST OF MAJOR PROPERTIES

The following properties are owned/leased by the Group:

Location	Description	Land area (sq.m)	Tenure
UPP Industries Pte. Ltd. 35 Tuas View Crescent Singapore 637608	Office and factory	15,999	30 years commencing from 1 December 1999 (with an option to extend for an additional 30 years)
UPP Pulp & Paper (M) Sdn. Bhd. Lots 225-227 & Lots 240-242 Jalan Kuala Selangor, 45620 Ijok Batang Berjuntai, Selangor Malaysia	Office and factory	121,657	Freehold
Lot 538, Mukim of Ijok Kuala Selangor, Selangor Malaysia	Land	6,891	99 years commencing from 17 May 1984
Lot 2772, Mukim of Ijok Kuala Selangor, Selangor Malaysia	Land	3,518	99 years commencing from 13 May 1992
3, Persiaran Sungai Chua Pusat Perindustrian Sungai Chua 43000 Kajang, Selangor Malaysia	Office and factory	5,567	99 years commencing from 23 November 2007

SHAREHOLDING STATISTICS

AS AT 20 MARCH 2015

ISSUED AND FULLY PAID UP CAPITAL	:	S\$140,578,423
NO. OF SHARES ISSUED	:	836,667,121
CLASS OF SHARES	:	ORDINARY SHARES
VOTING RIGHTS	:	1 VOTE PER SHARE

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	131	3.20	1,719	0.00
100 – 1,000	324	7.92	314,567	0.04
1,001 – 10,000	1,592	38.93	9,463,469	1.13
10,001 – 1,000,000	2,003	48.97	146,672,060	17.53
1,000,001 and above	40	0.98	680,215,306	81.30
Total	4,090	100.00	836,667,121	100.00

TOP 20 SHAREHOLDERS

S/No.	Name	Number of Shares held	%
1	CIMB SECURITIES (SINGAPORE) PTE LTD	220,262,088	26.33
2	LIM ENG HOCK	183,246,925	21.90
3	CITIBANK NOMINEES SINGAPORE PTE LTD	66,911,575	8.00
4	RAFFLES NOMINEES (PTE) LTD	28,214,000	3.37
5	OCBC SECURITIES PRIVATE LTD	21,216,290	2.54
6	DBS NOMINEES PTE LTD	17,602,549	2.10
7	UOB KAY HIAN PTE LTD	17,049,000	2.04
8	UNITED OVERSEAS BANK NOMINEES PTE LTD	14,437,981	1.73
9	DB NOMINEES (S) PTE LTD	12,350,000	1.48
10	BANK OF SINGAPORE NOMINEES PTE LTD	10,210,000	1.22
11	MAYBANK KIM ENG SECURITIES PTE LTD	7,917,788	0.95
12	PHILLIP SECURITIES PTE LTD	6,604,149	0.79
13	LIM JUEXIN LEONARD	6,466,000	0.77
14	RHB SECURITIES SINGAPORE PTE LTD	6,452,000	0.77
15	KHOO POH KOON	5,748,001	0.69
16	CHEW CHOO POH	5,740,000	0.69
17	BNP PARIBAS SECURITIES SERVICES	5,033,000	0.60
18	OCBC NOMINEES SINGAPORE PTE LTD	4,349,261	0.52
19	SEET HONG KIANG	4,337,000	0.52
20	HSBC (SINGAPORE) NOMINEES PTE LTD	3,699,000	0.44
	Total	647,846,607	77.45

Source: The Central Depository (Pte) Limited

Substantial Shareholders	Number of Shares (Direct Interest)	Number of Shares (Deemed Interest)
Lim Eng Hock	183,246,925	–
Tong Kooi Ong	213,561,000 ⁽¹⁾	–

Note:

(1) Shares held in the name of the registered holder, CIMB Securities (Singapore) Pte Ltd.

Approximately 48.83% of the issued Ordinary Shares are held in the hands of the public. Rule 723 of the Listing Manual of the Singapore Exchange Securities Training Limited has accordingly been complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the 48th Annual General Meeting of **UPP HOLDINGS LIMITED** (the “**Company**”) will be held on Friday, 24 April 2015 at 2pm at Nordic Conference Room, 1st Floor, No. 3 International Business Park, Nordic European Centre, Singapore 609927 for the following purposes:

AS ORDINARY BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

1. To receive and adopt the Directors’ Report and Audited Accounts of the Company for the year ended 31 December 2014 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To approve a final dividend of 0.50 cents tax exempt (one tier) dividend per share for the financial year ended 31 December 2014. **(Resolution 2)**
3. To approve the payment of Directors’ fees of up to S\$250,000 payable by the Company for the year ending 31 December 2015. **(Resolution 3)**
4. To re-elect Mr. Gary Ho Kwat Foong, retiring pursuant to Article 110 of the Articles of Association of the Company. *(See Explanatory Note (i))* **(Resolution 4)**
5. To re-elect Mr. Ong Pang Liang, retiring pursuant to Article 110 of the Articles of Association of the Company. *(See Explanatory Note (ii))* **(Resolution 5)**
6. To re-appoint Messrs Nexia TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**
7. To transact any other ordinary business which may be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions, with or without any modifications:

8. That pursuant to Section 161 of the Companies Act, Chapter 50 and the rules, guidelines and measures issued by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”), the Directors of the Company be and are hereby authorised and empowered to issue:
 - (i) shares in the capital of the Company (“**shares**”); or
 - (ii) convertible securities; or
 - (iii) additional convertible securities issued pursuant to adjustments; or
 - (iv) shares arising from the conversion of the securities in (ii) and (iii) above,

NOTICE OF ANNUAL GENERAL MEETING

(whether by way of rights, bonus or otherwise in pursuance of any offer, agreement or option made or granted by the Directors during the continuance of this authority or thereafter) 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 (notwithstanding the authority conferred by this Resolution may have ceased to be 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 convertible securities made or granted pursuant to this Resolution) does not exceed fifty per cent. (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company as calculated in accordance with sub-paragraph (2) below (“**Issued Shares**”), provided that the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company (including shares to be issued in pursuance of convertible securities made or granted pursuant to this Resolution) does not exceed twenty per cent. (20%) of the total number of Issued Shares;
- 2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the percentage of Issued Shares shall be based on the total number of Issued Shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:
 - (i) new shares arising from the conversion or exercise of any convertible securities;
 - (ii) (where applicable) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with the Listing Manual; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of shares;
- 3) in exercising the authority conferred by this Resolution, the Company shall comply with the rules, guidelines and measures issued by the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and (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 (“**AGM**”) or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

(See Explanatory Note (iii))

(Resolution 7)

BY ORDER OF THE BOARD

Tong Kooi Ong
Chairman and CEO
9 April 2015

NOTICE OF ANNUAL GENERAL MEETING

Notes

- (a) A member of the Company entitled to attend and vote at the above Meeting may appoint not more than two (2) proxies to attend and vote in his stead.
- (b) Where a member appoints two (2) proxies, he shall specify the proportion of his shareholdings to be represented by each proxy. A proxy need not be a member of the Company.
- (c) The instrument appointing a proxy must be deposited at the Registered Office of the Company not less than forty-eight (48) hours before the time appointed for holding the Meeting.
- (d) If the member is a corporation, the instrument appointing the proxy must be under common seal or the hand of an officer or attorney duly authorised.

Explanatory Notes

- (i) Ordinary Resolution 4

Subject to his re-election, Mr. Gary Ho Kuat Foong will be re-appointed as a Lead Independent Director. Mr. Gary Ho Kuat Foong does not have any relationships including immediate family relationships between him and the directors, the Company or its 10% shareholders as defined in the Code of Corporate Governance 2012.

Detailed information on Mr. Gary Ho Kuat Foong can be found under page 5 in the Company's Annual Report 2014.

- (ii) Ordinary Resolution 5

Subject to his re-election, Mr. Ong Pang Liang will be re-appointed as a Non-Executive Director. Mr. Ong Pang Liang does not have any relationships including immediate family relationships between him and the directors, the Company or its 10% shareholders as defined in the Code of Corporate Governance 2012.

Detailed information on Mr. Ong Pang Liang can be found under page 6 in the Company's Annual Report 2014.

- (iii) Ordinary Resolution 7

The Ordinary Resolution 7 proposed above, if passed, will empower the Directors of the Company, from the date of the above Meeting until the next Annual General Meeting, to issue shares in the capital of the Company and to make or grant convertible securities, and to issue shares in pursuance of such convertible securities, without seeking any further approval from shareholders in general meeting, up to a number not exceeding fifty per cent. (50%) of the total number of Issued Shares of which up to twenty per cent. (20%) of the total number of Issued Shares may be issued other than on a pro rata basis to shareholders.

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PROXY FORM

UPP Holdings Limited

(Company Registration No. 196700346M)

ANNUAL GENERAL MEETING TO BE HELD ON 24 APRIL 2015

(Before completing this form, please see notes below)

IMPORTANT:

1. For investors who have used their CPF monies to buy shares in the capital of UPP Holdings Limited, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, _____ (Name) _____ (NRIC/Passport No.)

of _____ (Address)

being a member/members of UPP Holdings Limited (the "**Company**"), hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
<i>and/or (delete as appropriate)</i>			

as my/our proxy/proxies to attend and to vote for me/us on my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting ("**AGM**") of the Company to be held on Friday, 24 April 2015 at 2pm at Nordic Conference Room, 1st Floor, No. 3 International Business Park, Nordic European Centre, Singapore 609927, and at any adjournment thereof in the following manner indicated below: (Please indicate with a cross ("**X**") in the spaces provided whether you wish your vote(s) to be cast "For" or "Against" the Resolutions. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit.)

No.	Resolutions relating to:	For	Against
	ORDINARY BUSINESS		
1	Adoption of Directors' Report and Audited Accounts		
2	Approval of a final dividend of 0.50 cents tax exempt (one tier) dividend per share for financial year ended 31 December 2014		
3	Approval of Directors' fees for financial year ending 31 December 2015		
4	Re-election of Mr. Gary Ho Kuat Foong as Director		
5	Re-election of Mr. Ong Pang Liang as Director		
6	Re-appointment of Messrs Nexia TS Public Accounting Corporation as Auditors of the Company and to authorise the Directors to fix their remuneration		
	SPECIAL BUSINESS		
7	To authorise Directors to issue shares and convertible securities under Section 161 of the Companies Act, Chapter 50		

Dated this _____ day of _____ 2015

Total Number of Shares held:

(a) CDP Register

(b) Register of Members

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

Important: Please read notes overleaf



PROXY FORM

Notes

1. If you have shares in the capital of the Company (“**Shares**”) entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore (the “**Act**)), 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 of proxy shall be deemed to relate to all the Shares held by you.
2. A member of the Company (“**Member**”) entitled to attend and vote at the AGM is entitled to appoint not more than two (2) proxies to attend and vote in his stead. A proxy need not be a Member.
3. Where a Member appoints two (2) proxies, the appointment shall be invalid unless he specifies the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be lodged at the registered office of the Company at 1 Kim Seng Promenade, #13-10 Great World City West Tower, Singapore 237994, not less than forty-eight (48) hours before the time appointed for holding the AGM.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of an officer or attorney duly authorised.
6. A corporation which is a Member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM, in accordance with Section 179 of the Act.

General

The Company shall be entitled to reject the instrument of proxy if it is incomplete, improperly completed or illegible or where the true intentions of the Member is not ascertainable from the instructions specified in the instrument of proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument of proxy lodged if the Member, being the appointor, is not shown to have Shares entered against his name in the Depository Register forty-eight (48) hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.



Designed and produced by

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(65) 6578 6522



UPP HOLDINGS LIMITED

COMPANY REGISTRATION NO. 196700346M

1 Kim Seng Promenade
#13-10 Great World City West Tower
Singapore 237994
Tel : (65) 6836 5522
Fax: (65) 6836 5500
Website: www.upp-group.com