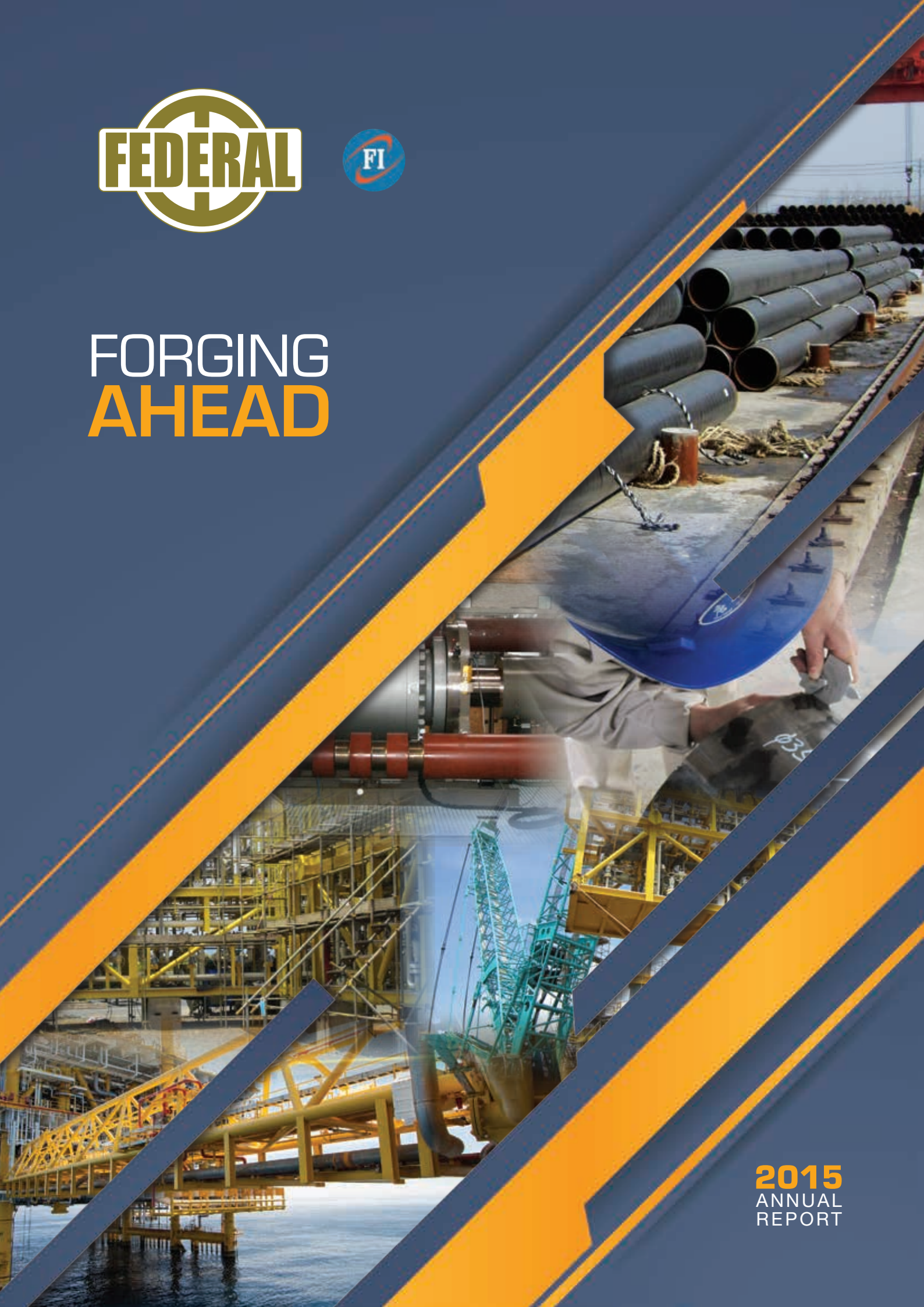




FORGING AHEAD



2015
ANNUAL
REPORT

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CORPORATE PROFILE

OUR VISION

We aim to be a growth-driven company supporting the oil and gas, energy and marine industries globally.

OUR MISSION

To be the preferred business partner and one-stop solutions provider, delivering quality and innovative products and services to our customers.

OUR MOTTO

We are committed to providing quality products and reliable services to our customers at competitive prices.

We adopt new mindsets and innovative ideas.

We focus on continuous process improvements and the alignment of our strategies with our vision and mission so as to deliver value to our customers, shareholders and employees.

Established in 1974 and listed on the mainboard of the Singapore Stock Exchange in 2000, the Company (together with its subsidiaries, the “Group”) is an integrated service provider and procurement specialist in the oil and gas, energy, utilities and infrastructure industries. The Group’s design and manufacturing facility located in Scotland, the United Kingdom, is American Petroleum Institute (API) Q1, Spec 6D, ISO 9001:2008 and Pressure Equipment Directive 97/23/EC (PED) certified.

The Group also owns a floating, storage and offloading (“FSO”) vessel and a 1,200 HP Brewster land drilling rig. The FSO is chartered to the China National Offshore Oil Corporation. The Group also operates an industrial water plant in the People’s Republic of China under a 30-year Build, Operate and Transfer agreement with the local Xinjin County government.



LETTER TO SHAREHOLDERS

IN 2015, WE ACHIEVED A RECORD NET PROFIT OF \$21 MILLION, REPRESENTING AN EARNINGS PER SHARE OF 14.61 CENTS. NET ASSET VALUE PER SHARE INCREASED BY 32% TO 56.45 CENTS. TO REWARD OUR LOYAL SHAREHOLDERS, A FIRST AND FINAL DIVIDEND OF 1.5 CENTS HAS BEEN PROPOSED.



DEAR SHAREHOLDERS

I am pleased to present to you our 2015 results. Despite the turbulence in the oil and gas industry, we achieved a record net profit after tax of \$21 million. Earnings attributable to shareholders amounted to 14.61 cents per share and net asset value per share increased by 32% to 56.45 cents. The trading business continues to be the key growth driver for the Group. To reward our loyal shareholders, I am pleased to announce a first and final dividend of 1.5 cents per share to be paid upon approval by shareholders at the forthcoming Annual General Meeting in April. Barring any unforeseen circumstances, we shall endeavour to maintain a stable dividend policy going forward.

2015 was a challenging year for the oil and gas industry with oil prices falling further. Oil prices reached a low of USD27 per barrel in January 2016 and has since recovered to about USD40 per barrel. The volatility in oil prices has affected the pace of oil and gas activities, especially in the upstream and offshore marine sectors. Competition has also intensified and added downward pressure on margins.

STRATEGIC PARTNERSHIPS FOR GROWTH

To address these challenges, the Group is working closely with our business partners so as to secure projects in areas that are less affected by the current turmoil. This strategy culminated in the signing of a master procurement agreement with our associate, PT Gunanusa Utama Fabricators ("PTG"), in October 2015. Under the agreement, the Group provides procurement services to support the projects undertaken by PTG. PTG is an established contractor providing project management, engineering, procurement, construction, installation and commissioning ("EPCIC") services for offshore, onshore and heavy engineering projects. The Group is currently working on two projects with PTG. The Group's strengths as a procurement specialist complement PTG's EPCIC capabilities. Together with PTG, the Group expects to secure more projects.

LETTER TO SHAREHOLDERS



COMMENCEMENT OF *FEDERAL II* CHARTER

10 June 2015 marked the commencement of the *Federal II* charter to China National Offshore Oil Corporation (“CNOOC”). *Federal II* is a floating storage and offloading vessel owned by our associate, PT Eastern Jason (“PTEJ”). The charter is until 6 September 2018 and there is an option for CNOOC to renew the charter for a further 5 years to 6 September 2023. The charter provides the Group with a steady source of recurring income through the Group’s 30% share in the results of PTEJ.

LAND RIG CHARTER

The Group owns a 1,200 HP Brewster land drilling rig and the rig was contracted for the drilling of three wells in Jaboi, Sabang, Aceh Province in Indonesia. The rig was not mobilised in 2015 due to delays in obtaining the approval from the Indonesian Forestry Ministry. The approval was finally obtained in February 2016 and the Group is now working closely with the charterer on the mobilisation and deployment of the rig. The rig will only be mobilised upon receipt of downpayment from the charterer. The charterer has the option to extend the charter for the drilling of a further seven wells at the same location.

SUPPLY AND LEASE OF EQUIPMENT TO INCREASE OUTPUT FROM OIL AND GAS WELLS

Referring to the announcements made on 14 July 2015, 5 August 2015 and 6 November 2015 in relation to the Group’s efforts to diversify its operations to include the supply and lease of equipment to increase output from oil and gas wells, the Group is still in discussions with the relevant stakeholders before any investment is made. This business has the potential to expand and strengthen the Group’s foothold in the upstream oil and gas sector as well as to provide stable recurring income from the leasing of equipment.

COMPLIANCE WITH MINIMUM TRADING PRICE

The Singapore Exchange Securities Trading Limited (the “SGX-ST”) introduced a minimum trading price of \$0.20 as a continuing listing requirement for issuers listed on the mainboard of the SGX-ST. In compliance with this requirement, the Company completed the consolidation of every ten ordinary shares into one ordinary share on 18 August 2015.

LETTER TO SHAREHOLDERS

ACKNOWLEDGEMENTS

2016 is expected to be a challenging year. Our strong performance in 2015 as well as our strategic partnerships will enable the Group to weather the current downturn and look for potential opportunities to expand and grow.

I would like to thank my fellow directors for their wise counsel and support. On behalf of the Board, I would like to thank our management and staff for their dedication, commitment and teamwork. Our strengths and resilience as a team will enable our Group to overcome any challenges ahead.

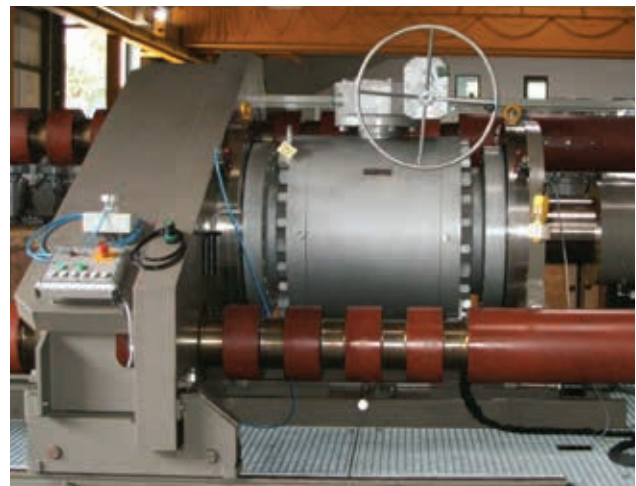
I would also like to thank our bankers and business partners for their continuous support. It is through such close collaboration that the Group has turned the corner.

Appreciation also goes to our shareholders for their faith and commitment. We strive to deliver value to our shareholders.

Together with all stakeholders, we look forward to brighter days ahead.

KOH KIAN KIONG

Executive Chairman and CEO



BOARD OF DIRECTORS



**MR. KOH
KIAN KIONG**

**EXECUTIVE CHAIRMAN
AND CHIEF EXECUTIVE
OFFICER**

MR. KOH was first appointed to the Board of Directors on 13 November 1999 and was last re-elected on 30 April 2014. Mr. Koh is also the Executive Chairman and Chief Executive Officer of the Company. He is also a member of the Executive Committee and Nominating Committee. He is one of the original founders of the Group and has more than 45 years of experience in the oil and gas industry. Mr. Koh oversees the formulation of the Group's corporate strategies and expansion plans. Mr. Koh holds directorships in various subsidiaries of the Group.

Present Directorships/Chairmanship (as at March 2016)

Listed companies: **Federal International (2000) Ltd** (Chairman)

Others (Non-listed companies): Subsidiaries and associate companies of the Federal Group

Past Directorships/Chairmanship in listed companies held over the preceding three years (from March 2013 to March 2016)

Federal International (2000) Ltd

Other Principal Commitments

NIL



**MS. MAGGIE
KOH**

**EXECUTIVE
DIRECTOR**

MS. KOH was first appointed to the Board of Directors on 19 June 2000 and was last re-elected on 30 April 2014. She has more than 20 years of experience in the oil and gas industry. She is also a member of the Executive Committee. She oversees the trading business of the Group. She also holds directorships in various subsidiaries of the Group. She holds a Master in Business Administration.

Present Directorships (as at March 2016)

Listed companies: **Federal International (2000) Ltd**

Others (Non-listed companies): Subsidiaries and associate companies of the Federal Group

Past Directorships in listed companies held over the preceding three years (from March 2013 to March 2016)

Federal International (2000) Ltd

Other Principal Commitments

NIL

BOARD OF DIRECTORS



**MR. HENG
LEE SENG**

**LEAD INDEPENDENT
DIRECTOR**

MR. HENG was first appointed to the Board of Directors on 22 August 2000 and was last re-elected on 30 April 2015. He is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nominating Committee. He is a practising Chartered Accountant with more than 40 years' experience. Mr. Heng is a member of CPA Australia, Chartered Institute of Management Accountants, Association of Chartered Certified Accountants, Chartered Institute of Secretaries and Administrators and the Singapore Institute of Directors. He is a holder of the designation CGMA (Chartered Global Management Accountant).

Present Directorships (as at March 2016)

Listed companies: **Federal International (2000) Ltd**
Sinwa Limited

Others (Non-listed companies): *HLS Tax Advisory Services Pte Ltd*
HLS Corporate Services Pte Ltd
HLS Risk Advisory Services Pte Ltd
Corporate Health Advisors Pte Ltd
Safe & Sound Pte Ltd

Past Directorships in listed companies held over the preceding three years (from March 2013 to March 2016)

Federal International (2000) Ltd
Sinwa Limited

Other Principal Commitments

Heng Lee Seng LLP, Partner

BOARD OF DIRECTORS



**MR. YEE
KEE SHIAN,
LEON**

**INDEPENDENT
DIRECTOR**

MR. YEE is the Managing Director of Duane Morris & Selvam LLP and is Head of Duane Morris & Selvam's Banking & Finance and Energy Law Practice Groups. He is also Head of the Firm's China Practice Group. Mr. Yee has extensive corporate law expertise and regularly advises high net worth individuals, private equity funds, investment banks, listed and private companies on corporate finance, venture capital, capital markets, takeovers, cross-border mergers and acquisitions, corporate restructurings and joint ventures. He has also advised banks and project companies on complex financing transactions and has a particular focus on Indonesia and PRC related deals.

Mr. Yee is regarded as one of Asia Pacific's Leading Lawyers by the International Financial Law Review 1000. He was also recognised as an AsiaLaw Leading Lawyer in the area of Corporate Governance. He serves as an Independent Director of SGX-listed Federal International (2000) Ltd where he is the Chairman of both the Nominating Committee and the Remuneration Committee, and a member of the Audit Committee.

He is a member of the Tan Kah Kee International Society and a Visiting Professor of Law at Jimei University, China. He is also the Honorary Legal Adviser to the Char Yong (Dabu) Clan Association. Mr. Yee also founded and chaired the Cambridge University Asian Lawyers Association.

Mr. Yee read Law at Christ's College, Cambridge on a Cambridge Commonwealth Trust scholarship where he graduated with Honours. He previously worked with a leading international law firm in their London & Singapore offices.

He is an Advocate & Solicitor of the Supreme Court of Singapore and a Solicitor of England and Wales.

Professional Activities

- Past member of the Singapore Law Society Committee for Mergers & Acquisitions and Insolvency, Corporate Commercial Matters and Listing Matters
- Member of the Singapore Institute of Directors

Admissions

- Singapore
- England and Wales

Present Directorships (as at March 2016)

Listed companies: **Federal International (2000) Ltd**

Others (Non-listed companies):

Cambridge Alliance Capital Pte. Ltd.	Cambridge RE Assets Fund No. 5 Pte. Ltd.
Cambridge Alliance Fund No. 1 Pte. Ltd.	Cambridge RE Assets Fund No. 6 Pte. Ltd.
Cambridge Alliance Realtor Pte. Ltd.	Cambridge RE Assets Fund No. 7 Pte. Ltd.
Selvam LLC	Cambridge RE Assets Fund No. 8 Pte. Ltd.
The Knightsbridge Group Pte. Ltd.	Cambridge RE Assets Fund No. 9 Pte. Ltd.
Cambridge Alliance Global Holdings Pte. Ltd.	Cambridge RE Assets Fund No. 10 Pte. Ltd.
Cambridge Alliance China Group Pte. Ltd.	Cambridge RE Assets Fund No. 11 Pte. Ltd.
Knightsbridge Fund No. 1 Pte. Ltd.	Ladderman Limited
Knightsbridge Fund No. 2 Pte. Ltd.	Ladderman (HK) Limited
Cambridge RE Assets Fund No. 1 Pte. Ltd.	Krystal Titan Pte. Ltd.
Cambridge RE Assets Fund No. 2 Pte. Ltd.	Purple Sunshine Pte. Ltd.
Cambridge RE Assets Fund No. 3 Pte. Ltd.	Rabbit Colors Pte. Ltd.
Cambridge RE Assets Fund No. 4 Pte. Ltd.	Sweet Orchid Pte. Ltd.
	Yellow Lullaby Pte. Ltd.

Past Directorships in listed companies held over the preceding three years (from March 2013 to March 2016)

Federal International (2000) Ltd

Other Principal Commitments

Duane Morris & Selvam LLP, Managing Director

BOARD OF DIRECTORS



**MR. KHOO
BOO YEOW,
ANDREW**

**INDEPENDENT
DIRECTOR**

MR. KHOO was first appointed to the Board of Directors on 10 August 2012 and was last re-elected on 30 April 2013. Mr. Khoo is also a member of the Audit Committee and Remuneration Committee. He is currently the Chief Operating Officer of Swensen's Singapore and Director of Group Business Developments at ABR Holdings Ltd and apart from managing the various brands within the group, he is also involved in corporate and strategic activities. He has held senior management positions in a number of diverse industries including food, retailing, and the hospitality sector. Previously, he was also the Director of Corporate Affairs in a UK and Malaysian Listed company. Mr. Khoo holds a degree in law from Cambridge University and a Master of Business Administration from Seattle Pacific University. He was called to the Bar at Lincoln's Inn in 2002.

Present Directorships (as at March 2016)

Listed companies: **Federal International (2000) Ltd**

Others (Non-listed companies): Nil

Past Directorships in listed companies held over the preceding three years (from March 2013 to March 2016)

Pan Malaysia Corporation Berhad

Malayan United Industries Berhad

Federal International (2000) Ltd

Other Principal Commitments

ABR Holdings Ltd, Director of Group Business Developments

Honorary Secretary, The Restaurant Association of Singapore

Executive Committee, Franchise and Licensing Association (Singapore)

KEY EXECUTIVES

MR. LOH CHEE MENG

**GROUP CHIEF
FINANCIAL OFFICER
AND COMPANY
SECRETARY,
FEDERAL
INTERNATIONAL
(2000) LTD**

MR. LOH joined the Company in September 2012 as the Group Chief Financial Officer. He was also appointed as the Company Secretary and the director of the Group's associates. His responsibilities include the management of the Group's financial, treasury, taxation and IT affairs. He also assists the Executive Chairman and CEO on corporate development and strategy matters. He has held various senior finance positions in listed companies in the transportation, logistics and healthcare industries. His experience includes corporate finance, external and internal auditing. He holds a Bachelor in Accountancy (Second Class Upper Honours) from the Nanyang Technological University and a Master in Business Research from the University of Western Australia. He is a Chartered Accountant with the Institute of Singapore Chartered Accountants and is also a Certified Internal Auditor with the Singapore Institute of Internal Auditors.

MR. DENG GUAN QUN

**CHIEF EXECUTIVE
OFFICER,
FEDERAL
ENVIRONMENTAL &
ENERGY PTE LTD**

MR. DENG joined the Group in 1995 and is the Chief Executive Officer of Federal Environmental & Energy Pte Ltd ("FEE"). He is also the Chief Executive Officer of Federal International (Shanghai) Co., Ltd ("FIS") and holds directorships in various subsidiaries of FEE. Mr. Deng is responsible for the operations of FIS and the FEE group of companies, providing strategic planning and business development leadership. He is also responsible for the Group's environmental protection business in People's Republic of China, including the management of the Group's industrial water plant. Mr. Deng holds a Master in Mechanical Engineering from the Shanghai Jiao Tong University and an Executive Master in Business Administration from United Business Institutes, Brussels, Belgium.

MR. RICHARD DOCHERTY

**MANAGING DIRECTOR,
KVC (UK) LTD**

MR. DOCHERTY joined the Group in 2004 and is the Managing Director of KVC (UK) Ltd.

Mr. Docherty is responsible for the operations and business development of KVC (UK) Ltd, the Manufacturing arm of the group for Pipeline Ball Values.

His career in the Valve Industry spans over 40 years which has seen him being extensively involved in the supply of values to the UK and Norwegian Sector Offshore Industry.

In more recent times Mr Docherty and his Scottish Manufacturing Team have projected the KVC (UK) Ltd Pipeline Ball Value on a Global scale with numerous appointed Agents and Distributors Worldwide. The KVC (UK) Ltd Pipeline Ball Value is now a widely used and specified Product in the Global Oil and Gas Industries.

KEY EXECUTIVES

MR. KOH BENG GUAN, DON

**MANAGING DIRECTOR,
ALTON
INTERNATIONAL (S)
PTE LTD**

MR. KOH joined the Group in 1999 and is the Managing Director of Alton International (S) Pte Ltd ("Alton"). He also holds directorships in various subsidiaries of the Group. He is responsible for the operations and business development of the Alton group of companies. He is also the Sales Director of Federal Hardware Engineering Co Pte Ltd. He has a Bachelor in Business Administration from the Southern Cross University, Australia.

MS. NG GEOK LAN

**GENERAL MANAGER,
GROUP HR
AND QUALITY
LOGISTICS FEDERAL
INTERNATIONAL
(2000) LTD**

MS. NG joined the Company in September 2011 and is the General Manager, Group HR and Quality Logistics of Federal International (2000) Ltd. She has more than 25 years of experience in operational HR management, with focus on solutions and service deliverables for short-term and long-term objectives; cross functional exposure, ranging from human resource development to leading strategic roles in operations management, including warehouse & logistics management, facilities management, security and quality management. She has also been appointed as the Management Representative for the Group's Quality, Environmental, Occupational Health & Safety ("QEHS") Management System. She holds a Master of Business Administration from the University of Chester, UK.

MR. QUEK CHENG HOCK

**MANAGING DIRECTOR,
FEDERAL FIRE
ENGINEERING
PTE LTD**

MR. QUEK joined the Group in November 2013 and is the Managing Director of Federal Fire Engineering Pte Ltd, a wholly-owned subsidiary of the Company. He has been in the fire protection industry since 1990, with experience in fire suppression products, its engineering and applications. His fire protection experience covers industries such as telecommunications, pharmaceutical, petroleum, oil and gas, power generation and other high value facilities in Singapore and in the Asia Pacific. He holds a First Class Honors degree in Manufacturing and Mechanical Engineering.

MR. TAY HANG HEE

**PROJECT DIRECTOR,
FEDERAL
INTERNATIONAL
(2000) LTD**

MR. TAY joined the Group in 2001 and is the Project Director of Federal International (2000) Ltd. He also holds directorships in various subsidiaries of the Group. With over 25 years of experience in the oil and gas industry, he is responsible for overseeing the operations of the Group's international markets, including operations in Indonesia. He is also the Business Development Director of Federal Hardware Engineering Co Pte Ltd. He holds a Master in Business Administration from the University of South Australia, Adelaide.

BUSINESS AND FINANCIAL REVIEW

2015 was a challenging year for the oil and gas industry with concerns over increasing production output and the consequent downward pressure on oil prices. The global economy was also affected by the slowdown in China and problems in the Euro zone. Singapore's GDP growth also slowed to 2.1% in 2015 as compared with 2.9% for 2014.

Despite these challenges, the Group made a record profit after tax of \$21 million. Earnings attributable to shareholders amounted to 14.61 cents per share and net asset value per share increased by 32% to 56.45 cents. A first and final dividend of 1.5 cents has been proposed. Going forward, the Group will endeavour to maintain a stable dividend policy.

The Trading business continues to be the main growth driver and contributes about 97% of total Group turnover. Under the Trading business, the Group supplies flowline control products, other equipment and materials to companies in the oil and gas industry. In October 2015, the Group signed a master procurement agreement with its associate, PT Gunanusa Utama Fabricators ("PTG") to provide procurement services for projects undertaken by PTG. PTG provides project management, engineering, procurement, construction, installation and commissioning ("EPCIC") services for offshore, onshore and heavy engineering projects. The Group is currently working on two projects with PTG.

Federal II, a floating, storage and offloading vessel, commenced its charter to China National Offshore Oil Corporation ("CNOOC") on 10 June 2015 and the Group will recognise its share of charter income through its 30% interest in PT Eastern Jason ("PTEJ"). The Group also owns a 1,200 HP land rig and the rig is contracted for the drilling of three wells in Sabang, Aceh Province in Indonesia. The rig will be mobilised upon receipt of down payment from the charterer. The charterer has the option to extend the charter for the drilling of a further seven wells at the same location.

The Company completed its share consolidation by consolidating every ten existing issued ordinary shares of the Company into one ordinary share on 18 August 2015 in compliance with the SGX's minimum trading price requirement.

PERFORMANCE BY BUSINESS SEGMENTS

The Group's business activities are divided into 5 segments. The main Trading business contributed 97% of total group turnover. Compared with 2014, Trading turnover declined by 2% mainly as a result of lower sales to customers in the People's Republic of China ("PRC").

The Manufacturing, Design, Research and Development business segment is of strategic importance to the Group and is mainly involved in providing solutions based on customers' needs and requirements. Our manufacturing facility in Scotland, the United Kingdom, is American Petroleum Institute (API) Q1, Spec 6D, ISO 9001:2008 and Pressure Equipment Directive 97/23/EC (PED) certified.



Under the Marine Logistics business segment, the on-going activity is the charter of *Federal II* to CNOOC. The Group will recognise its share of charter income through its 30% interest in PTEJ.

Under the Energy and Utilities business segment, the Group operates an industrial waterplant located in Xinjin County, in the PRC, under a 30-year Build, Operate and Transfer ("BOT") agreement with the Xinjing County government. The BOT is till April 2039 and there is a 6-year minimum guarantee starting from 2012 provided by the local government that guarantees a minimum volume of water sold per year for the waterplant.

Under the Resources business segment, the land drilling rig will be mobilised upon receipt of down payment from the charterer. The Group is also looking at other suitable opportunities for the land rig.

PERFORMANCE BY GEOGRAPHICAL MARKETS

The key geographical markets for the Group are the PRC and Indonesia. In 2015, these markets contributed a combined 66% of total Group turnover. Other Southeast Asia markets contributed 29% of turnover.

Sales to customers in the PRC were about 44% lower as compared with 2014. The decline was partly offset by a five-fold increase in sales to customers in Indonesia. The increase in sales for Indonesia was due to the completion of a project that was recorded in the first quarter of 2015.

Other than the main markets of the PRC and Indonesia, the Group is also actively growing its presence in Thailand and Vietnam.

CONSOLIDATED INCOME STATEMENT

Group turnover amounted to \$128.7 million, which was 2% lower than 2014. The decline was due mainly to lower sales to customers in the PRC under the Trading business. The decline in sales to the PRC was partly offset by higher sales to customers in Indonesia.

BUSINESS AND FINANCIAL REVIEW



Gross profit of \$41.4 million was 60% higher than 2014. The increase in gross profit was due mainly to better gross profit margins from the Trading business in 2015.

Other income amounted to \$2.5 million, which was 61% lower than 2014. The decrease was due mainly to the absence of a one-time gain of \$3.6 million from the disposal of the Group's investment in FEE Water (China-PZH) Ltd and lower foreign exchange gain. The decrease was partly offset by higher interest from banks and fixed deposits, and from a related party.

Selling and distribution costs amounted to \$9.0 million, 57% higher than 2014. Lower selling and distribution costs were reported in 2014 because of a reversal of accrued marketing related cost of \$3.7 million. Excluding this adjustment, selling and distribution costs for 2015 would have been 4% lower than 2014.

Other operating expenses amounted to a net credit balance of \$460,000 compared with an expense of \$27.2 million for 2014. Other operating expenses for 2015 comprised mainly a loss on disposal of slow moving inventories of \$1.0 million, allowance for slowing moving inventories of \$0.4 million and other expenses of \$1.0 million. Other expenses related mainly to costs incurred for the maintenance of the land rig. Other operating expenses were reduced by a reversal of accruals and provisions for the vessel disposed off in 2014 of \$2.4 million and a write back of amount due to an associate of \$0.8 million. Other operating expenses for 2014 comprised mainly a loss on disposal of asset under construction of \$26.0 million, which was partly offset by write back of impairment loss on doubtful receivables of \$2.8 million and write back of impairment loss on work-in-progress of \$0.7 million.

Finance costs amounted to \$0.8 million and were 63% lower than 2014. The decrease was due mainly to the overall reduction in amounts due to bankers and term loans.

The Group's share of results of associates was a loss of \$78,000 as compared to \$9.9 million for 2014. The share of associates' results for 2015 included a share of profit of \$0.2 million relating to the *Federal II* charter income. The share of loss recorded in 2014 was due mainly to losses incurred by an associate in Indonesia and included prior period's adjustments as explained under note 49 to the financial statements. The carrying amount of the investment in this associate was reduced to nil in 2014.

Earnings per share ("EPS") for 2015 was 14.61 cents as compared with a loss per share of 19.49 cents for 2014. The comparative 2014 EPS figure was adjusted based on the post-consolidation weighted average number of shares and prior period's adjustments as explained under note 49 to the financial statements.

GROUP FINANCIAL POSITION

As at 31 December 2015, the net assets attributable to owners of the Company was \$79.5 million, which translates to a net asset value per ordinary share of 56.45 cents.

NON-CURRENT ASSETS

Total non-current assets increased by \$4.6 million or 9% to \$52.9 million. The increase was due mainly to an increase in intangible assets, amounts due from a related party and from an associate. Intangible assets increased by \$1.4 million due to capitalisation of certain expenditure. Amount due from a related party increased by \$0.4 million mainly as a result of foreign exchange translation from the US dollar ("USD") to the Singapore dollar. Amount due from an associate related mainly to loans to an associate for working capital purposes that are not expected to be repaid within the next 12 months.

BUSINESS AND FINANCIAL REVIEW



The increase was partly offset by a decrease in property, plant and equipment (“PPE”) and financial receivable. PPE comprised mainly the Group’s freehold and leasehold properties in Singapore and the land drilling rig. The Group’s properties are recorded at their fair values at the end of each financial year. The decrease in PPE was due to depreciation expenses and depreciation of the Indonesian Rupiah (“IDR”) against the Singapore dollar (“SGD”) as the land rig is denominated in IDR. The decrease in financial receivable was due to the reclassification of amounts due as current assets.

CURRENT ASSETS

Total current assets decreased by \$30.9 million or 31% to \$69.3 million. The decrease was due mainly to a decrease in inventories (-\$8.6 million), decrease in trade receivables (-\$21.4 million), decrease in other receivables (-\$1.3 million), decrease in advance payment to suppliers (-\$11.1 million) and decrease in fixed and bank deposits (-\$0.4 million). The decrease in advance payment to suppliers was due mainly to the completion of projects in 2015.

The decrease was partly offset by an increase in financial receivable (+\$0.6 million), an increase in amounts due from associates (+\$10.3 million) and an increase in cash and bank balances (+\$1.4 million). The increase in financial receivable related to minimum guarantee amounts that are due from the local Xinjin County government in the PRC for the Group’s industrial waterplant. The increase in amounts due from associates related to loans to associates for working capital purposes and the appreciation of the USD against the SGD as the loans are denominated in the USD.

CURRENT LIABILITIES

Total current liabilities decreased by \$46.5 million or 47% to \$52.0 million. The decrease was due mainly to a decrease in provisions (-\$1.7 million), trade and other payables (-\$15.0 million), decrease in advance payment

from customers (-\$3.1 million), decrease in amounts due to associates (-\$0.8 million), decrease in amounts due to bankers (-\$23.9 million) and term loans (-\$4.3 million) and reduction in derivatives liability (-\$0.8 million). The decrease in advance payment from customers was due to the recognition as sales for completed deliveries to customers during the year. The decrease in derivatives liability was due to settlement of a forward exchange contract that was used to hedge the foreign currency exposure for payment to a supplier.

NET CURRENT ASSETS

As at 31 December 2015, the Group’s net current assets position was \$17.3 million and included \$20.5 million in fixed and bank deposits, as well as cash and bank balances.

NON-CURRENT LIABILITIES

Non-current liabilities decreased by \$0.2 million or 6% to \$2.6 million. The decrease was due mainly to a reduction in term loans (-\$0.3 million) which was partly offset by higher provision made for deferred tax liabilities.

GROUP CASH FLOWS

As at 31 December 2015, the Group’s available cash and cash equivalents amounted to \$15.9 million. Operating activities generated net cash of \$41.3 million and cash used in investing and financing activities amounted to \$20.4 million and \$20.0 million respectively.

Cash used in investing activities related mainly to net loans of \$10.7 million to an associate and payments of \$8.7 million made to suppliers for conversion of a vessel, *Federal II*. Cash used in financing activities related mainly to the net repayment of term loans of \$4.7 million, interest paid of \$1.1 million and the net decrease in trust receipts and bank overdrafts of \$14.8 million and \$0.5 million respectively.

CORPORATE STRUCTURE



Federal International (2000) Ltd



* Newly incorporated on 30 March 2015.

FINANCIAL HIGHLIGHTS

NET ASSETS VALUE PER SHARE (CENTS)

FY2015		56.45
FY2014		42.84
FY2013		56.16
FY2012		66.87
FY2011		102.74

TURNOVER (\$MIL)

FY2015		128.7
FY2014		131.6
FY2013		128.2
FY2012		123.5
FY2011		129.5

EARNINGS/(LOSS) PER SHARE (CENTS)

	FY2015		14.61
(19.49)		FY2014	
		FY2013	0.80
(30.74)		FY2012	
(8.35)		FY2011	

PROFIT/(LOSS) BEFORE TAX (\$MIL)

	FY2015		23.0
(24.1)		FY2014	
		FY2013	1.3
(36.9)		FY2012	
(6.7)		FY2011	

DEBT/EQUITY RATIO

FY2015		0.60
FY2014		1.58
FY2013		1.67
FY2012		1.73
FY2011		1.40

CORPORATE INFORMATION

DIRECTORS

Executive

MR. KOH KIAN KIONG *Chairman & Chief Executive Officer*

MS. MAGGIE KOH *Executive Director*

Non-Executive & Independent

MR. HENG LEE SENG *Lead Independent Director*

MR. YEE KEE SHIAN, LEON *Independent Director*

MR. KHOO BOO YEOW, ANDREW *Independent Director*

AUDIT COMMITTEE

Mr. Heng Lee Seng *Chairman*

Mr. Yee Kee Shian, Leon

Mr. Khoo Boo Yeow, Andrew

NOMINATING COMMITTEE

Mr. Yee Kee Shian, Leon *Chairman*

Mr. Heng Lee Seng

Mr. Koh Kian Kiong

REMUNERATION COMMITTEE

Mr. Yee Kee Shian, Leon *Chairman*

Mr. Heng Lee Seng

Mr. Khoo Boo Yeow, Andrew

COMPANY SECRETARIES

Mr. Loh Chee Meng

Ms. Noraini Binte Noor Mohamed Abdul Latiff

Ms. Yvette Lim Pei Yung

REGISTERED OFFICE

47 Genting Road

Singapore 349489

Tel: (65) 6747 8118

Fax: (65) 6743 0690

Email: admin@fedsin.com.sg

Website: <http://www.federal.com.sg>

SHARE REGISTRAR

B.A.C.S. Private Limited

8 Robinson Road

#03-00 ASO Building

Singapore 048544

Tel: (65) 6593 4848

Fax: (65) 6593 4847

AUDITOR

BAKER TILLY TFW LLP

600 North Bridge Road

#05-01 Parkview Square

Singapore 188778

PARTNER-IN-CHARGE

Ms. Tay Guat Peng

(Appointed since financial year ended

31 December 2013)

PRINCIPAL BANKERS

United Overseas Bank Limited

DBS Bank Limited

Overseas-Chinese Banking Corporation Limited

Australia and New Zealand Banking Group Limited

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the “**Board**”) of Federal International (2000) Ltd (the “**Company**” together with its subsidiaries the “**Group**”) is committed to maintain a high standard of corporate governance. The Board and Management have taken steps to align its corporate governance framework with the principles and guidelines of the Code of Corporate Governance 2012 issued on 2 May 2012 by the Monetary Authority of Singapore (the “**Code**”). Unless otherwise stated, the Group has generally adhered to the principles and guidelines as set out in the Code during the financial year ended 31 December 2015 (“**FY2015**”).

PRINCIPLE 1: THE BOARD’S CONDUCT OF AFFAIRS

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

Guidelines Federal Corporate Governance Practices

- 1.1** The Board is primarily responsible for directing the affairs of the Company in order to achieve the goals set for the Group. The responsibility includes setting the strategic direction and long term goals, internal controls and risk management, corporate governance and financial performance of the Group.
- 1.2** The Board works closely with Management ensuring that their duties and responsibilities stipulated under the Companies Act and applicable rules and regulations are complied with and their obligations towards shareholders and other stakeholders are met.

With assistance of the Company Secretaries, the Board and Management are continually apprised of their compliance obligations and responsibilities arising from regulatory requirements and changes in the Listing Manual of Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

- 1.3** The Board comprises the following members:

Executive Directors

Mr Koh Kian Kiong (Executive Chairman and Chief Executive Officer (“**CEO**”))

Ms Maggie Koh

Non-Executive and Independent Directors

Mr Heng Lee Seng (Lead Independent Director)

Mr Yee Kee Shian, Leon

Mr Khoo Boo Yeow, Andrew

To facilitate effective management, certain functions have been delegated to various Board Committees ie. Executive Committee (“**EC**”), Audit Committee (“**AC**”), Nominating Committee (“**NC**”) and Remuneration Committee (“**RC**”), each of which has its own clear written terms of reference (“**TOR**”). The TORs are reviewed on a regular basis to ensure their continued relevance with the Code.

The Management together with the Board Committees support the Board in discharging its duties and responsibilities. The roles and powers of the Board Committees are set out separately in this Statement.

CORPORATE GOVERNANCE STATEMENT

The Executive Committee (“**EC**”) comprises the following Directors:

Mr Koh Kian Kiong

Ms Maggie Koh

The EC meets and performs the following key duties:

- (1) to approve investment/divestment proposals within 5% of NTA;
- (2) to review and submit the Group’s business plans to the Board;
- (3) to establish guidelines and approval limits for the management and operation of the Group’s businesses;
- (4) to review budget against performance of each business unit; and
- (5) to ensure interested person transactions are undertaken at arm’s length and on commercial terms.

- 1.4** The Board meets at least quarterly and more frequently as and when required, to review and evaluate the Group’s operations and performance and to address key policy matters of the Group, where necessary.

The Company’s Constitution allows Board and Board Committees meetings to be conducted by way of teleconferencing to facilitate Board participation.

The number of Board and Board Committee meetings held during FY2015 and the attendance of each Director, where relevant, are set out as follows:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nominating Committee Meetings
Mr Koh Kian Kiong	4	Not Applicable	Not Applicable	1
Ms Maggie Koh	4	Not Applicable	Not Applicable	Not Applicable
Mr Heng Lee Seng	4	4	1	1
Mr Yee Kee Shian, Leon	4	4	1	1
Mr Khoo Boo Yeow, Andrew	4	4	1	Not Applicable
No. of Meetings held in FY2015	4	4	1	1

CORPORATE GOVERNANCE STATEMENT

- 1.5** The matters specifically reserved for the Board's decision include but are not limited to:
- (1) Approving the Group's goals, strategies and objectives;
 - (2) Monitoring the performance of Management;
 - (3) Overseeing the processes for evaluating the adequacy and effectiveness of internal controls, risk management systems, financial reporting and compliance of the Group;
 - (4) Approving the appointment of Directors and Key Management Personnel;
 - (5) Approving the announcement of quarterly financial results and full year financial results and audited financial statements;
 - (6) Endorsing remuneration framework and key human resource matters of the Group;
 - (7) Convening of general meetings;
 - (8) Approving annual budgets, major funding proposals, major acquisition and major disposal of investments; and
 - (9) Assuming responsibility for corporate governance and compliance with the Companies Act, Chapter 50 and the rules and regulations applicable to a public listed company.
- 1.6** The Company also has in place a budget for Directors' training programmes on an annual basis and the Directors are encouraged to participate in industry conferences, seminars, courses or training programmes in connection with their duties and responsibilities as Directors of the Board and Board Committees, in order to keep abreast of the latest rules, regulations and accounting standards in Singapore.
- 1.7** No new Director has been appointed to the Board of the Company during FY2015.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

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

Guidelines *Federal Corporate Governance Practices*

- 2.1** The Board comprised three (3) Independent Directors and two (2) Executive Directors.

The Board is of the view that a strong element of independence is present in the Board with Independent Directors making up at least half the Board. The Board exercises objective and independent judgment on the Group's corporate affairs. No individual or group of individuals dominates the Board's decision-making.

- 2.2** The Board complies with the recommendation of the Code by having Independent Directors comprising at least half of the Board where the Chairman of the Board and the CEO is the same person.

- 2.3** The Board and the NC reviews on annual basis whether or not a Director is independent, taking into account the definition of independence under the Code, *inter alia*, one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company, and further ensures that no individual or group of individuals dominates the Board's decision-making process.

The NC and the Board has formed a view that none of the Non-Executive Directors have any relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the Company.

The Board and the NC also review the individual Directors' judgment and conduct in carrying out their duties for FY2015. Together with the NC, the Board affirmed that Mr Heng Lee Seng, Mr Yee Kee Shian, Leon and Mr Khoo Boo Yeow, Andrew continue to be independent pursuant to the definition of Independence under the Code.

- 2.4** For FY2015, the Board and the NC had assessed the independence of each Director, including Director(s) whose tenure exceeds nine years from the date of their first appointment. In this regard, Mr Heng Lee Seng has served beyond nine years from the date of his first appointment on 22 August 2000. Based on the Board's and the NC's observations, Mr Heng Lee Seng had distinctively demonstrated independent mindedness and conduct at Board and Board Committees meetings. Together with the NC, the Board, is of the firm view and opinion that Mr Heng Lee Seng continues to exercise independent judgment in the best interest of the Company in the discharge of his duties as Director, despite his extended tenure in office.

CORPORATE GOVERNANCE STATEMENT

- 2.5** The composition of the Board is reviewed annually by the NC and the Board to ensure that there is an appropriate mix of expertise and experience to enable the Management to benefit from a diverse perspective of issues that are brought before the Board.
- 2.6**

The Board is of the view that the current size, composition, range of experience and the varied expertise of the current Board members provides core competencies in business, investment, industry knowledge, legal, regulatory matters, audit, accounting and tax matters which are necessary to meet the Group's needs.

Key information regarding the Directors is set out on pages 5 to 8 of the Annual Report.

- 2.7** The Non-Executive and Independent Directors contribute to the Board process by monitoring and reviewing the Group's performance against goals and objectives in a timely manner. Their views and opinions provide alternative perspectives to the Group's business and bring independent judgment on business activities and transactions involving conflicts of interest and other complexities.
- 2.8** Where the need arises, Non-Executive and Independent Directors will at the direction of Lead Independent Director meet without the presence of Management.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Guidelines Federal Corporate Governance Practices

- 3.1** Mr Koh Kian Kiong is the Executive Chairman and CEO of the Company.

The Board is of the view that having Mr Koh Kian Kiong assume the roles of both Chairman and CEO has not compromised accountability and independent decision-making as there is a sufficient number of Independent Directors on the Board to exercise objective judgment on decisions. Notwithstanding that the Company has benefited from having an Executive Chairman who is knowledgeable about the businesses and operations of the Company, the Board will address the issue of CEO succession and the segregation of the two positions in near term.

- 3.2** As the founder of the Group, Mr Koh Kian Kiong has been responsible for leading the Board and has assumed full executive responsibilities over the directions and operational decisions of the Group since 1974, when operations first began as a hardware trading business.

The Chairman also ensures that Board meetings are held as and when necessary. Members of Management who can provide additional insight into the matters to be discussed are invited to attend the relevant Board or Board Committees meetings.

CORPORATE GOVERNANCE STATEMENT

- 3.3** In compliance with the Code, Mr Heng Lee Seng has been appointed as Lead Independent Director to act as the principal liaison to address shareholders' concerns, in the case direct contact through normal channels of the Chairman/CEO or Management had failed to resolve or is inappropriate.

The role as Lead Independent Director includes but is not limited to:

- Act as liaison between the Independent Directors of the Board and the Chairman of the Board and lead the Independent Directors to provide a non-executive perspective in circumstances where it would be inappropriate for the Chairman to serve in such capacity and to contribute a balanced viewpoint to the Board;
- Advise the Chairman of the Board as to the quality, quantity and timeliness of information submitted by Management that is necessary or appropriate for the Independent Directors to effectively and responsibly perform their duties;
- Assist the Board in better ensuring compliance with and implementation of governance guidelines;
- Lead the meetings of Non-Executive Directors (without the presence of the Executive Directors), where necessary, and to provide feedback to the Chairman after such meetings; and
- Serve as principal liaison for consultation and communication with shareholders.

- 3.4** When the need arises, Non-Executive and Independent Directors will at the direction of Lead Independent Director meet without the presence of Management.

PRINCIPLE 4: BOARD MEMBERSHIP

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

Guidelines *Federal Corporate Governance Practices*

- 4.1** The members of the NC of the Company are:

Mr Yee Kee Shian, Leon (Chairman)
Mr Heng Lee Seng
Mr Koh Kian Kiong

The majority of the NC members, including the Chairman of the NC, are Non-Executive and Independent Directors. The Lead Independent Director, Mr Heng Lee Seng, is a member of the NC.

CORPORATE GOVERNANCE STATEMENT

- 4.2** The NC is responsible for reviewing the composition and effectiveness of the Board and determining whether Directors possess the requisite qualifications and expertise and whether the independence of Directors is compromised pursuant to the guidelines set out in the Code.

The key duties of the NC includes but not limited to:

- (1) To review annually the independence of each Director with reference to the guidelines set out in the Code;
- (2) To review all nominations for new appointments and re-election of Directors and put forth their recommendations for approval by the Board;
- (3) To determine whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly, when a Director has multiple Board representations;
- (4) To review Board succession plans, in particular, the Chairman and CEO;
- (5) To assess the effectiveness of the Board as a whole and its Board Committees; and
- (6) To review training and professional development programmes for the Board.

Each member of the NC abstains from voting on any resolutions and making any recommendations/participating in any deliberations of the NC in respect of matters concerned him, if any.

In accordance with the Constitution of the Company, one-third of Directors for the time being, or, if their number is not a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation at annual general meeting of the Company. The retiring Directors may offer themselves for re-election. The NC has reviewed and recommended the nomination of Mr Koh Kian Kiong and Mr Khoo Boo Yeow Andrew, who will be retiring by rotation in accordance with Regulation 91 of the Constitution of the Company, for re-election as Directors of the Company at the forthcoming Annual General Meeting of the Company.

Set out below are the names, positions, dates of appointment and last re-election of each Director:

Name	Position	Date of Appointment	Date of Last Re-election
Mr Koh Kian Kiong	Chairman & CEO	13-Nov-1999	30 April 2014
Ms Maggie Koh	Executive Director	19-Jun-2000	30 April 2014
Mr Heng Lee Seng	Lead Independent Director	22-Aug-2000	30 April 2015
Mr Yee Kee Shian, Leon	Independent Director	23-Mar-2010	30 April 2015
Mr Khoo Boo Yeow, Andrew	Independent Director	10-Aug-2012	30 April 2013

CORPORATE GOVERNANCE STATEMENT

4.3 Please refer to Guideline 2.3

4.4 The NC had reviewed the multiple board representations of Directors and whether competing time commitments were faced when Directors serve on multiple boards.

The NC noted the confirmations from the Directors who hold multiple board representations that their time and effort in carrying out their duties as Directors of the Company would not be compromised. The NC also considered the number of listed company board representations held by each Director. It is noted that there is one Director holding up to two (2) listed company board representations. The Board believes that putting a maximum limit on the number of directorships a director can hold is arbitrary, given that time requirements for each vary, and thus should not be prescriptive.

The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding multiple listed company board representations and principal commitments of each Director of the Company, as the Board and the Board Committees experienced minimal competing time commitments among its Board and Board Committees meetings, which are planned and scheduled in advance.

4.5 None of the Directors has appointed an alternate director to the Board of the Company.

4.6 The NC has formalised a procedure for the selection, appointment and re-election of Directors. Letters of appointment will be issued to new Directors setting out their duties, obligations and terms of appointment as appropriate.

New Directors will undergo an orientation programme whereby they are briefed by the Company Secretaries of their obligations as Directors, as well as the Group's corporate governance practices, and relevant statutory and regulatory compliance issues, as appropriate. They are also briefed by Management on the Group's industry and business operations.

It is noted that there is no new Director appointed to the Board of the Company during FY2015.

4.7 Please refer to the pages 5 to 8 of the Annual Report.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 5: BOARD PERFORMANCE

There should be a formal annual assessment of the effectiveness of the Board as a whole and its board committees and the contribution by each director to the effectiveness of the Board.

Guidelines *Federal Corporate Governance Practices*

- 5.1** The NC has in place a performance evaluation process where the effectiveness of the Board as a whole and Board Committees as a whole is carried out on annual basis following the conclusion of each financial year. The annual evaluation exercise provides an opportunity to obtain constructive feedback from each Director on amongst others to propose changes which may be made to enhance the performance of the Board and the Board Committees.

The annual evaluation process takes into account the views of each Board member and provides an opportunity for Directors to provide constructive feedback on the functions of the Board and Board Committees including its procedures and processes and if any of these may be improved upon.

Led by the NC Chairman, the collective assessment was conducted by means of a confidential questionnaire completed by each Director, which is collated, analysed and reported with the NC before submission to the Board for deliberation. Recommendations to further enhance the effectiveness of the Board and Board Committees are implemented as and when appropriate, if any.

The NC had conducted a performance evaluation of the Board and the Board Committees as whole for FY2015 and is satisfied that all Directors individually and severally contributed effectively and demonstrated full commitment to their roles, accordingly, the performance of the Board and the Board Committees were satisfactory. No external facilitator had been engaged for this purpose.

- 5.2** The annual evaluation process is undertaken as an internal exercise and involves Board members completing a questionnaire covering areas relating to but not limiting to:

- Board/Board Committees composition
- Information to the Board/Board Committees
- Board/Board Committees procedures
- Board accountability
- Communication with CEO
- Standards of conduct by the Board/Board Committees

- 5.3** The NC believed that the Directors should not be evaluated individually, as each member of the Board contributes in different areas to the success of the Company, and therefore, it will be more appropriate to assess the Board and the Board Committees as a whole.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 6: ACCESS TO INFORMATION

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

Guidelines *Federal Corporate Governance Practices*

- 6.1** The Company recognises that the flow of accurate and timely information is important for the Board to be effective in the discharge of its duties and responsibilities. Accordingly, the Management endeavours to meet the information needs of the Directors, such as requests for further explanations, briefings or informal discussions on any aspect of the Group's operations or business issues.

The Directors are provided with the contact details of the Group's Key Management Personnel and Company Secretaries to facilitate the access to essential information of the Group on timely basis and/or as and when necessary.

- 6.2** The information to the Board and Board Committees comprises quarterly financial results, budgets, forecasts, material variance reports, management report and such other relevant information requested by the Board and are supplied prior to the Board and Board Committees meetings and as and when the Board and Board Committees request.

- 6.3** The Company Secretaries attend and prepare minutes of all Board and Board Committees meetings. They assist the Executive Chairman in ensuring board procedures are followed and all relevant statutes, rules and regulations, including Listing Manual of the SGX-ST, are complied with. They are also the primary channel of communication between the Company and the SGX-ST.

- 6.4** The appointment and the removal of the Company Secretaries are subject to the approval of the Board pursuant to the Constitution of the Company.

- 6.5** The Board seeks independent professional advice as and when necessary to enable it to discharge its duties and responsibilities effectively. Whether as a group or individually, Directors may seek and obtain independent professional advice in furtherance of their duties, at the expense of the Group.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

Guidelines *Federal Corporate Governance Practices*

7.1 The members of the RC of the Company are:

Mr Yee Kee Shian, Leon (Chairman)
Mr Heng Lee Seng
Mr Khoo Boo Yeow, Andrew

The RC comprises entirely of Non-Executive and Independent Directors.

In consultation with the Chairman of the Board, the key responsibilities of the RC include but not limited to the following:

- (1) To recommend to the Board a framework of remuneration for Executive Directors and Key Management Personnel of the Group that is aligned with the interests of shareholders and ensure that such remuneration is appropriate to attract, motivate and retain the right talents for the Group;
- (2) To review and recommend to the Board for their endorsement on the annual remuneration packages for Executive Directors, Key Management Personnel and employees related to Directors or controlling shareholders of the Group, which include a performance-related variable bonus component;
- (3) To review and recommend to the Board the benefits under any long-term incentive schemes for Executive Directors and Key Management Personnel of the Group;
- (4) To review and recommend the remuneration package of employees related to Directors or controlling shareholders of the Group; and
- (5) To review the contracts of service of the Executive Directors and Key Management Personnel of the Group.

Each member of the RC will abstain from voting on any resolutions and making any recommendations/ participating in any deliberations of the RC in respect of matters concerned him, if any.

CORPORATE GOVERNANCE STATEMENT

- 7.2** The ultimate objective of the Group's remuneration framework is, through a competitive and appropriately structured framework of remuneration, to motivate and retain Key Management Personnel and to ensure that the Group is able to attract talents in the market in order to maximise shareholders' value. As part of its review, the RC covers all aspects of remuneration, including but not limited to Directors' fees, salaries, allowance, bonuses and benefits-in-kind.

Unless otherwise determined by the RC and the Board, the Executive Directors' service agreements are for a period of three years and automatically renewed on annual basis subsequently.

In reviewing the remuneration packages for Executive Directors and Key Management Personnel, as well as employees related to Directors and controlling shareholders of the Group, if applicable, the RC will consider their contributions as well as the financial performance and the commercial needs of the Group and ensure that they are adequately but not excessively remunerated by the Group.

In reviewing remuneration packages, the RC will take into consideration remuneration packages and employment conditions within the industry as well as the Group's relative performance and the performance of individual.

The RC ensures that the remuneration packages of employees relating to Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

- 7.3** The RC has access to the advice of external experts in the field of remuneration, where required, in furtherance of their duties and responsibilities. The services of Freshwater Advisers Pte. Ltd. was engaged to conduct a review of executive remuneration effective from FY2015. Freshwater Advisers Pte. Ltd. is an external professional firm with no relationship with the Company and hence, its independence and objectivity in the said remuneration review has been maintained.

- 7.4** Even though there are no contractual provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors or Key Management Personnel in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group, the Group will not hesitate to take legal actions against the personnel responsible in the event of such exceptional circumstances or misconduct resulting financial loss to the Group.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION

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

Guidelines *Federal Corporate Governance Practices*

- 8.1** The Company adopts a remuneration policy for Executive Directors and Key Management Personnel of the Group that comprise a fixed component and a variable component. The fixed component is in the form of a base salary and fixed bonus. The variable component is in the form of profit-sharing or a variable bonus that is linked to the performance of the Group and the individual performance.
- 8.2** The Company does not have a long-term incentive, share option scheme or share award scheme within the Group.
- 8.3** Directors' fees payable/paid to Non-Executive Directors are set in accordance with a remuneration framework comprising a basic fee and increment fixed fee, taking into account of the level of responsibilities such as taking the roles of chairman and member of Board Committees. The Board after the recommendation of the RC recommended the Directors' fees to Non-Executive Directors of the Company for financial year ending 31 December 2016, to be paid quarterly in arrears, for shareholders' approval at the forthcoming Annual General Meeting of the Company.
- 8.4** Even though there are no contractual provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors or Key Management Personnel in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group, the Group will not hesitate to take legal actions against the personnel responsible in the event of such exceptional circumstances or misconduct resulting financial loss to the Group.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 9: DISCLOSURE ON REMUNERATION

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

Guidelines *Federal Corporate Governance Practices*

- 9.1** The following information relates to the remuneration received by the Directors from the Company and its subsidiaries for FY2015:

Directors of the Company	Fees	Salary	Bonus	Other Benefits	Total
Over S\$1,000,000					
Mr Koh Kian Kiong	–	46%	51%	3%	100%
S\$500,000 to S\$750,000					
Ms Maggie Koh	–	44%	51%	5%	100%
Less than S\$250,000					
Mr Heng Lee Seng	100%	–	–	–	100%
Mr Yee Kee Shian, Leon	100%	–	–	–	100%
Mr Khoo Boo Yeow, Andrew	100%	–	–	–	100%

In view of confidentiality and sensitivity attached to remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose exact remuneration received by the Directors of the Company, but in the bands of S\$250,000 disclosed as above.

- 9.3** Similarly, in view of the confidentiality and sensitivity attached to remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose exact names and exact remuneration received by the top five Key Management Personnel of the Group for FY2015. Accordingly, the aggregate remuneration paid to the top five Key Management Personnel for FY2015 will also not be provided in the Annual Report.

The following information relates to the remuneration received by the top five Key Management Personnel of the Group from the Company and its subsidiaries for FY2015 in the bands of S\$250,000:

Remuneration Bands	Number of Key Management Personnel
S\$250,000 to S\$499,999	1
Less than S\$250,000	4
Total	5

CORPORATE GOVERNANCE STATEMENT

- 9.4** Similarly, in view of the confidentiality and sensitivity attached to remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose exact names and exact remuneration received by the employee related to the Executive Director and CEO of the Company for FY2015.

Notwithstanding the above, there is one employee who is a Key Management Personnel of the Group and an immediate family member of the Executive Directors and CEO of the Company and his remuneration exceeds S\$50,000 for FY2015.

- 9.5** The Company does not have a long-term incentive scheme, share option scheme or share award scheme within the Group.
- 9.6** The RC is satisfied with the core performance objective ie. profit status set for the Group has been achieved in FY2015, pursuant to which, the Group has recorded net profit for FY2015. In this respect, the Board has recommended the first and final one-tier tax-exempt cash dividend of 1.5 Singapore cents per ordinary share of the Company for FY2015 for shareholders' approval at the forthcoming Annual General Meeting of the Company.

PRINCIPLE 10: ACCOUNTABILITY

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

Guidelines Federal Corporate Governance Practices

- 10.1** The Board is accountable to the shareholders of the Company while Management is accountable to the Board of the timely update of the Group's position, performance and prospect. The objectives of the audited financial statements, unaudited quarterly financial results and unaudited full year financial results are to provide the shareholders of the Company with a timely, balanced and understandable analysis of the Group's financial performance, position and prospects.
- 10.2** The Board takes adequate steps to ensure compliance with legislative and regulatory requirements and observes the obligations of continuing disclosures in accordance with Listing Rules of the SGX-ST. For every quarterly financial results, the Board will provide a negative assurance confirmation to shareholders of the Company, that to the best of their knowledge, nothing has come to the attention of the Board which may render the interim financial statements to be false or misleading in any material aspect, in line with Rule 705(5) of the Listing Manual of SGX-ST.
- 10.3** The Management will at the request of the Board members to provide a periodic update covering the Group's performance, financial results, material business transactions as well as other important and relevant information as the Board members may require from time to time, to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS

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

Guidelines *Federal Corporate Governance Practices*

- 11.1** The Board acknowledges the ultimate responsibility for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board approves the strategy of the Group in a manner which stakeholders' expectations are addressed and does not expose the Group to an unacceptable level of risk.

The Board after the recommendation of the AC approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instills the right risk focused culture throughout the Group for effective risk governance.

The Board recognizes that the Group's risk management system and internal control system are designed to ensure the reliability and integrity of financial information and to safeguard the assets of the Group. Notwithstanding that, the Board notes that system of internal controls and risk management established by the Group provides reasonable, but not absolute assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also 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.

- 11.2** During financial year ended 31 December 2013, the Management, with the assistance of the outsourced internal auditors, carried out an exercise to review and consolidate the Group's risk register which identifies key risks facing the Group and the key internal controls in place to manage or mitigate those risks. Since FY2014, the Group regularly conducted a follow up review of the Group's key risks and the effectiveness of the key internal controls of the Group.

The Management presents their report on annual basis to the AC and the Board on the Group's risk profile, the status of risk mitigation action plans, if any, and the results of various assurance activities carried out on the adequacy and effectiveness of Group's internal controls including financial, operational, compliance and information technology controls. Such assurance activities include self-assessment performed by Management, internal audit and external audit performed by the internal auditor and the external auditor.

On annual basis, the Board together with the AC review the Group's risk management policies and internal controls. Accordingly, based on the internal audit reports and controls in place, the AC is satisfied that there are adequate and effective internal controls within the Group as at 31 December 2015.

CORPORATE GOVERNANCE STATEMENT

- 11.3** The Board received annual assurance from the CEO and the Group Chief Financial Officer in respect of FY2015 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) the Group's risk management and internal control systems have been effectively put in place.

In reference to Guideline 11.3 and pursuant to Rule 1207(10) of Listing Manual of the SGX-ST, the Board, with the concurrence of the AC, having considered (i) the internal controls established and maintained by the Group (ii) the reports issued by the internal auditor and the external auditor; and (iii) the regular reviews performed by Management, various Board Committees and the Board; is of the opinion that, the Group's risk management system and the Group's internal controls including financial, operational, compliance and information technology controls are effective and adequate as at 31 December 2015.

- 11.4** The Board together with the AC oversee the risk governance and its related roles and responsibilities including but not limited to the following:

- To propose the risk governance approach and risk policies for the Group;
- To review the risk management methodology adopted by the Group;
- To review the strategic, financial, operational, regulatory compliance, information technology and other emerging risks relevant to the Group identified by Management; and
- To reviews Management's assessment of risks and Management's action plans to mitigate such risks.

PRINCIPLE 12: AUDIT COMMITTEE

The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties

Guidelines Federal Corporate Governance Practices

- 12.1** The members of the AC of the Company are:

Mr Heng Lee Seng (Chairman)
Mr Yee Kee Shian, Leon
Mr Khoo Boo Yeow, Andrew

The AC comprises entirely Non-Executive and Independent Directors.

CORPORATE GOVERNANCE STATEMENT

- 12.2** The AC Chairman is a practising Chartered Accountant while the other two AC members hold a law degree from the University of Cambridge, and each of them has an extensive knowledge and experience in the fields of corporate finance, legal and business. The Board is of the view that the AC members are appropriately qualified to discharge their duties and responsibilities and capable of exercising sound and independent judgment in view of their requisite expertise and experience.
- 12.3** The AC is empowered to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention, with full access to records, resources and personnel of the Group, to enable it to discharge its functions properly. It has full access to Management and has full discretion to invite any Director and officer to attend AC meetings.
- 12.4** The key responsibilities of the AC include but not limited to the following:
- (1) To review scope, audit plans and reports of the external auditor and the internal auditor;
 - (2) To review and report to the Board on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management system;
 - (3) To review interested person transactions in accordance with the requirements of the Listing Manual of the SGX-ST;
 - (4) To review and recommend to the Board of the release of the unaudited quarterly financial results and unaudited full year financial results;
 - (5) To review and recommend the re-appointment of the external auditor, and approving the remuneration of the external auditor;
 - (6) To ensure co-ordination where more than one auditing firm or corporation is involved;
 - (7) To review the independence of the external auditor annually; and
 - (8) To review all non-audit services provided by the external auditor to determine if the provision of such services will affect the independence of the external auditor.

Each member of the AC will abstain from voting on any resolutions and making any recommendations/ participating in any deliberations of the AC in respect of matters concerned him, if any.

CORPORATE GOVERNANCE STATEMENT

12.5 In performing its functions, the AC reviews the overall scope of both internal audit and external audit, and the assistance given by Management to the internal auditor and the external auditor.

The AC also meets with the internal auditor and the external auditor annually after the conclusion of financial year, without the presence of Management, to discuss the results of their respective audit findings and their evaluation of the Group's system of accounting and internal controls.

12.6 The AC has reviewed the non-audit services provided by the external auditor, Baker Tilly TFW LLP and is satisfied that the non-audit services will not affect the independence and objectivity of Baker Tilly TFW LLP as external auditor of the Company.

The AC has also considered the performance of Baker Tilly TFW LLP based on factors such as performance, adequacy of resources and experience of the audit engagement partner and audit team assigned to the Company's audit as well as the size and complexity of the Company. Accordingly, the AC has recommended the re-appointment of Baker Tilly TFW LLP as external auditor of the Company for the ensuing year. The aggregate amount of fees paid to external auditor, as well as its fees for non-audit services is disclosed in page 122 of the Annual Report.

In the appointment of external auditors for the Company and its subsidiaries, the Group has complied with Rules 712 and 716 of the Listing Manual of SGX-ST. The AC, together with the Board are satisfied that the appointment of different external auditors for the Group's subsidiaries and/or significant associated companies will not compromise the standard and effectiveness of audit of the Company.

12.7 The AC has adopted a whistle-blowing policy pursuant to which an appropriate channel has been established for the Group's employees to report and to raise, in good faith and in confidence, their concerns about possible improprieties in matters of financial reporting or other matters of the Group through emails. During FY2015, the AC also initiated a review of the whistle-blowing policy to ensure that the whistle-blowing staying relevant and reaching out to the Group's employees in Singapore and overseas.

12.8 During the course of FY2015, the key activities carried out by AC included but not limited to:

- (1) Reviewed and recommended quarterly financial results and full year financial results to the Board for approval;
- (2) Reviewed annual audit plans and reports from its internal auditor and external auditor;
- (3) Reviewed re-appointment of the external auditor and determining its independence before making a recommendation for Board's approval;
- (4) Reviewed and reported to the Board on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management system;

CORPORATE GOVERNANCE STATEMENT

- (5) Reviewed interested person transactions in accordance with the requirements of the Listing Manual of the SGX-ST; and
- (6) Reviewed the Group's audited financial statements with Management and external auditor of the Company. Accordingly, the AC is of the view that the Group's financial statements for FY2015 are fairly presented in conformity with relevant Singapore Financial Reporting Standards in all material aspects.

12.9 None of the members of the AC is a partner or director of the Group's auditing firms or auditing corporations or a former partner or former director of the Group's auditing firms or auditing corporations. None of them has any financial interest in the Group's auditing firms or auditing corporations.

PRINCIPLE 13: INTERNAL AUDIT

The company should establish an effective internal audit function that is adequately resourced and independent of the activities it audits.

Guidelines Federal Corporate Governance Practices

13.1 The AC is responsible for internal audit functions of the Group. The AC is also responsible to oversee the implementation of the internal audit plan and ensures that Management provides the necessary co-operation to enable the internal auditor to perform its functions. The AC also periodically review the internal controls established and maintained by the Group for further improvements.

In FY2015, the AC, with the assistance of the Management, interviewed and recruited an internal auditor to spearhead the Group's in-house internal audit function, which was outsourced to an external auditing firm prior to FY2015.

The appointed internal auditor will be responsible to report directly to the AC and internal control weaknesses identified during the course of internal audit and the recommended corrective actions are reported to the AC in accordance with internal audit schedule.

13.2 The AC works with the newly appointed internal auditor to establish and develop internal audit function of the Group during FY2015.

13.3 The AC has been satisfied with the requisite qualification, knowledge and experience possessed by the newly appointed internal auditor.

CORPORATE GOVERNANCE STATEMENT

- 13.4** The appointed internal auditor has carried out its internal audit function according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.
- 13.5** The AC annually reviews the internal audit functions to ensure that the internal audits are performed adequately and effectively during each financial year.

During FY2015, the AC reviewed and approved the internal audit scope and internal audit plan to ensure that there is sufficient internal audit coverage of the Group's significant subsidiaries and significant associated companies on rotation basis. The newly appointed internal auditor performed internal audits on all significant subsidiaries and significant associated companies in accordance with the internal audit scope and internal audit plan endorsed by the AC.

PRINCIPLE 14: SHAREHOLDER RIGHTS

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

Guidelines *Federal Corporate Governance Practices*

- 14.1** To facilitate shareholders to exercise their ownership rights, the Board ensures adequate and material information concerning to the Group's business development are released to SGX-ST through SGXNET in a timely and fair manner.
- 14.2** The shareholders of the Company are entitled to receive notice of general meetings, annual report, offer information statement and/or circulars, whichever is applicable. Such documents are also made available at SGXNET.

All shareholders of the Company can exercise their votes in accordance with voting procedures set out in the Constitution of the Company. The procedures setting out how each shareholder can vote are also read out during the general meetings before voting.

- 14.3** Individual shareholders and corporate shareholders, who are unable to attend general meetings of the Company, are entitled to appoint not more than two proxies to attend and vote.

With effect from 3 January 2016, individual shareholders and corporate shareholders whose shares held under the name of relevant intermediary as defined under Section 181 of the Companies Act, Chapter 50 of Singapore, such as nominee or custodial institutions, can attend the general meetings as the relevant intermediary is allowed to appoint more than two proxies to attend and vote.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

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

Guidelines *Federal Corporate Governance Practices*

15.1 The Board is committed to maintain a high standard of corporate governance by disclosing to its stakeholders, including its shareholders and investors, with adequate and material information concerning to the Group's business development to SGX-ST through SGXNET in a timely and fair manner.

15.2 The Board is mindful of its obligation to provide adequate and timely disclosure of all material and price-sensitive information to SGX-ST through SGXNET. The announcements, including but not limited to the Group's unaudited financial results for each of the first three quarters of its financial year and the Group's unaudited full year financial results, and material updates of the Group's business development prepared in accordance with disclosure requirements of the Listing Manual of the SGX-ST are also released through SGXNET in a timely basis.

The profile and announcements of the Company is also available at <http://www.federal.com.sg>.

The Company does not practice selective disclosure as all material and price-sensitive information are released to SGX-ST through SGXNET in a timely and fair manner.

15.3 The shareholders of the Company, including institutional and retail investors, are encouraged to attend general meetings, which serves as the primary channel to express their views and questions regarding the Group's businesses.

In addition, the Management will address shareholders' questions and concerns in respect of the Group's businesses should they approach the Company through emails or calls.

15.4 The Annual General Meeting of the Company serves as the primary channel for the Management to solicit and collate the views of the shareholders of the Company, including institutional and retail investors.

15.5 The Company currently does not have a fixed dividend policy. The dividend that the Directors of the Company may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by the Directors of the Company:–

- (a) the level of the earnings of the Group;
- (b) the financial condition of the Group;
- (c) the projected levels of the Group's capital expenditure and other investment plans;

CORPORATE GOVERNANCE STATEMENT

- (d) the restrictions on payment of dividends imposed on the Group by the Group's financing arrangements (if any); and
- (e) other factors as the Directors of the Company may consider appropriate.

In 2016, the Board has recommended the first and final one-tier tax-exempt cash dividend of 1.5 Singapore cents per ordinary share of the Company for FY2015 for shareholders' approval at the forthcoming Annual General Meeting of the Company.

PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

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

Guidelines *Federal Corporate Governance Practices*

- 16.1** The Constitution of the Company allows each resolution put forth at general meetings to be voted either by a show of hands or by a poll and the results of each resolution is presented at general meetings and announced subsequently to SGX-ST.
- 16.2** Resolutions on each distinct issue are tabled separately at general meetings. For resolutions tabled under special business, a descriptive explanation of the effects of a resolution will be disclosed in the notice of general meeting.
- 16.3** The Chairmen of the EC, AC, NC and RC are available to address shareholders' questions at general meetings like Annual General Meetings and Extraordinary General Meetings. In view of the Company does not have investor relations, the Management including Group Chief Financial Officer will present to facilitate in addressing shareholders' queries and disseminate relevant information to shareholders of the Company at general meetings.

The external auditor of the Company also present at Annual General Meeting of the Company to address any shareholders' queries that they may have on the audited financial statements of the Company.
- 16.4** The proceedings of general meetings, including questions and answers between the Board and the shareholders, will be recorded and made available to the shareholders of the Company upon their request.
- 16.5** With effect from 1 August 2015, resolutions put forward at the general meetings will be voted by a poll, the percentages of votes voted in favour and against each resolution will be presented at general meetings and announced subsequently to SGX-ST.

Given the limited number of shareholders attending general meetings, the Company is of the view that it is not cost effective to conduct voting by electronic polling.

CORPORATE GOVERNANCE STATEMENT

Dealings in Securities

The Group has adopted an internal policy on securities transactions which provide a guidance to Directors and officers of the Group. Under this internal policy, Directors and officers of the Group are not permitted to deal in the Company's securities while in possession of unpublished price-sensitive information and for the periods commencing two (2) weeks before the release of announcement of the Group's unaudited financial results for each of the first three quarters of its financial year; and one (1) month before the release of announcement of the Group's unaudited full year financial results till the release of announcement; and they are not expected to deal in the securities of the Company on short-term considerations.

Interested Person Transactions

The Company has adopted an internal policy outlining procedures for review and approval of the interested person transactions entered into between the Company and the interested persons. All interested person transactions are subject to the review by the AC.

The Company does not have a shareholders' mandate for interested person transactions. The Company confirms that the aggregate value of all interested person transactions during FY2015 is less than S\$100,000/-.

Material Contracts

No other material contracts were entered into between the Company and any of the subsidiaries of the Group with any CEO, Director or controlling shareholder of the Company either subsisting or during FY2015, except as disclosed in the notes to the Financial Statements (Note 48).

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Federal International (2000) Ltd (the “Company”) and its subsidiary corporations (collectively, the “Group”) and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2015.

In the opinion of the directors:

- (i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity and consolidated statement of cash flows together with the notes thereto are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards, and
- (ii) 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.

DIRECTORS

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

Koh Kian Kiong
Maggie Koh
Heng Lee Seng
Yee Kee Shian Leon
Khoo Boo Yeow Andrew

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 objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

DIRECTORS' STATEMENT

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Cap. 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiary corporations) as stated below:

Name of directors	Direct interest			Deemed interest		
	At 1.1.2015	At 31.12.2015 ⁽¹⁾	At 21.1.2016 ⁽¹⁾	At 1.1.2015	At 31.12.2015 ⁽¹⁾	At 21.1.2016 ⁽¹⁾
Ordinary shares of the Company						
Koh Kian Kiong	145,499,989	10,450,000	10,920,000	67,500,000	11,750,000	11,750,000
Maggie Koh	1,419,091	400,000	400,000	–	–	–
Heng Lee Seng	–	12,999	12,999	129,999	–	–

(1) On 18 August 2015, the Company effected and completed its share consolidation exercise by consolidating every ten existing issued ordinary shares of the Company into one ordinary share.

Except as disclosed in this statement, no director who held office at the end of the financial year had interests in shares, share options, warrants or debentures of the Company, or of related corporations, either at the beginning, or at the end of the financial year.

OPTIONS

No share option has been granted at the date of this statement.

AUDIT COMMITTEE

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50. The functions performed are detailed in the Corporate Governance Report, set out in the Annual Report of the Company.

DIRECTORS' STATEMENT

INDEPENDENT AUDITOR

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the board of directors:

Koh Kian Kiong
Director

Maggie Koh
Director

Singapore
4 April 2016

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FEDERAL INTERNATIONAL (2000) LTD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Federal International (2000) Ltd (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 46 to 151, which comprise the balance sheets of the Group and the Company as at 31 December 2015, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the 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 financial statements 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 judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by 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 FEDERAL INTERNATIONAL (2000) LTD

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Baker Tilly TFW LLP

Public Accountants and
Chartered Accountants
Singapore

4 April 2016

BALANCE SHEETS

AS AT 31 DECEMBER 2015

	Note	Group			Company	
		2015 \$'000	2014 \$'000 (Restated)	01.01.2014 \$'000 (Restated)	2015 \$'000	2014 \$'000
Non-current assets						
Property, plant and equipment	4	36,070	37,279	35,859	4	7
Investment in subsidiaries	5	–	–	–	79,861	79,779
Investment in associates	6	2,858	2,749	8,129	732	868
Intangible assets	7	1,364	1	1	–	–
Other investments	8	20	20	20	–	–
Other receivables	9	68	65	62	–	–
Amount due from a related party	18	6,564	6,141	–	–	–
Amount due from subsidiary	16	–	–	–	4,855	–
Amount due from an associate	17	4,855	–	–	–	–
Financial receivable	10	860	2,037	1,958	–	–
Deferred tax assets	11	273	90	312	22	22
		52,932	48,382	46,341	85,474	80,676
Current assets						
Asset under construction	12	–	–	42,969	–	–
Inventories	13	17,761	26,405	22,930	–	–
Trade receivables	14	10,401	31,818	32,409	–	–
Other receivables	15	2,961	4,257	2,667	5	9
Gross amount due from customer for construction work-in-progress	20	10	298	77	–	–
Advance payment to suppliers	28	1,392	12,483	2,519	–	–
Prepayments		281	287	58	17	13
Deposits		154	175	110	6	4
Financial receivable	10	1,267	708	683	–	–
Amounts due from subsidiaries	16	–	–	–	5,742	6,566
Amounts due from associates	17	14,501	4,176	454	81	24
Amount due from a related party	18	–	–	5,886	–	–
Fixed and bank deposits	40	4,890	5,265	1,603	1,448	1,352
Cash and bank balances	40	15,647	14,292	19,706	39	134
		69,265	100,164	132,071	7,338	8,102
Assets of disposal group classified as held for sale		–	–	27,399	–	–
		69,265	100,164	159,470	7,338	8,102
Current liabilities						
Provisions	19	5,054	6,712	4,384	–	–
Trade payables	19	8,627	16,866	9,104	–	–
Other payables	19	15,275	22,092	14,955	2,332	2,060
Advance payment from customers		663	3,770	2,279	–	–
Advance payment from an associate	21	1,192	–	13,191	–	–
Deferred revenue		–	10	20	–	–
Gross amount due to customer for construction work-in-progress	20	4	27	–	–	–
Amounts due to subsidiaries	22	–	–	–	2,807	1,223
Amounts due to associates	23	19	841	942	7	822
Amount due to a related party	24	2,166	2,101	1,803	–	–
Amounts due to bankers	25	5,781	29,682	23,524	–	–
Term loans	26	6,986	11,309	27,545	–	–
Hire purchase creditors	27	–	37	45	–	–
Derivatives	29	–	753	–	–	–
Provision for taxation		6,194	4,264	6,733	132	306
		51,961	98,464	104,525	5,278	4,411
Liabilities directly associated with disposal group classified as held for sale		–	–	30,808	–	–
		51,961	98,464	135,333	5,278	4,411
Net current assets		17,304	1,700	24,137	2,060	3,691

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

BALANCE SHEETS

AS AT 31 DECEMBER 2015

	Note	Group			Company	
		2015 \$'000	2014 \$'000 (Restated)	01.01.2014 \$'000 (Restated)	2015 \$'000	2014 \$'000
Non-current liabilities						
Term loans	26	-	272	3,741	-	-
Hire purchase creditors	27	-	-	37	-	-
Amount due to a subsidiary	22	-	-	-	9,847	9,211
Provision for post employment benefits		68	5	5	-	-
Deferred tax liabilities	11	2,566	2,531	1,439	-	-
		2,634	2,808	5,222	9,847	9,211
Net assets		67,602	47,274	65,256	77,687	75,156
Equity attributable to owners of the Company						
Share capital	30	144,099	144,099	144,099	144,099	144,099
Foreign currency translation reserve	31	(5,806)	(4,411)	(4,396)	-	-
Capital reserve	32	2,778	2,778	2,778	-	-
Revaluation reserve	33	25,023	25,023	15,790	-	-
Other reserves	34	(977)	(976)	(990)	-	-
Accumulated losses		(85,650)	(106,213)	(78,762)	(66,412)	(68,943)
Reserve of disposal group classified as held for sale		-	-	536	-	-
		79,467	60,300	79,055	77,687	75,156
Non-controlling interests		(11,865)	(13,026)	(13,799)	-	-
Total equity		67,602	47,274	65,256	77,687	75,156

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	Note	2015 \$'000	2014 \$'000 (Restated)
Revenue	35	128,705	131,630
Cost of sales		(87,340)	(105,809)
Gross profit		41,365	25,821
Other income		2,497	6,424
Selling and distribution costs		(9,021)	(5,749)
Administrative and general costs		(11,406)	(11,307)
Other operating income/(expenses)		460	(27,181)
Finance costs		(793)	(2,167)
Share of results of associates		(78)	(9,927)
Profit/(loss) before tax	36	23,024	(24,086)
Income tax expense	38	(1,840)	(2,249)
Profit/(loss) net of tax		21,184	(26,335)
Attributable to:			
Owners of the Company		20,563	(27,438)
Non-controlling interests		621	1,103
		21,184	(26,335)
Earnings/(loss) per share attributable to owners of the Company (cents per share)	39		
Basic		14.61	(19.49)
Diluted		14.61	(19.49)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	2015 \$'000	2014 \$'000 (Restated)
Profit/(loss) net of tax	21,184	(26,335)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Net surplus on revaluation of freehold/leasehold land and buildings	-	2,506
Share of revaluation gain on freehold/leasehold land and buildings of an associate	-	6,727
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation	(1,120)	(627)
Share of other comprehensive income of an associate	(1)	1
Other comprehensive (loss)/income for the financial year, net of tax	(1,121)	8,607
Total comprehensive income/(loss) for the financial year	20,063	(17,728)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	19,167	(18,755)
Non-controlling interests	896	1,027
	20,063	(17,728)

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Group	Attributable to the owners of the Company						Reserve of disposal group classified as held for sale \$'000	Non-controlling interests \$'000	Total equity \$'000	
	Share capital (Note 30) \$'000	Accumulated losses \$'000	Foreign currency translation reserve (Note 31) \$'000	Capital reserve (Note 32) \$'000	Revaluation reserve (Note 33) \$'000	Other reserves (Note 34) \$'000				Total reserves \$'000
At 1 January 2014 (as previously stated)	144,099	(75,047)	(4,383)	2,778	14,092	(990)	(63,550)	536	(13,799)	67,286
Prior year adjustments (Note 49)	–	(3,715)	(13)	–	1,698	–	(2,030)	–	–	(2,030)
At 1 January 2014 (as restated)	144,099	(78,762)	(4,396)	2,778	15,790	(990)	(65,580)	536	(13,799)	65,256
(Loss)/profit net of tax	–	(27,438)	–	–	–	–	(27,438)	–	1,103	(26,335)
Other comprehensive income for the financial year:										
Items that will not be reclassified subsequently to profit or loss										
Net surplus on revaluation of freehold/leasehold land and buildings	–	–	–	–	2,506	–	2,506	–	–	2,506
Share of revaluation gain on freehold/leasehold land and buildings of an associate	–	–	–	–	6,727	–	6,727	–	–	6,727
Items that are or may be reclassified subsequently to profit or loss										
Foreign currency translation	–	–	(15)	–	–	–	(15)	(536)	(76)	(627)
Share of other comprehensive income of an associate	–	–	–	–	–	1	1	–	–	1
Total comprehensive (loss)/income for the financial year	–	(27,438)	(15)	–	9,233	1	(18,219)	(536)	1,027	(17,728)
Dividend of subsidiary paid to non-controlling interest	–	–	–	–	–	–	–	–	(254)	(254)
Others										
Transfer from accumulated losses to statutory reserve fund	–	(13)	–	–	–	13	–	–	–	–
At 31 December 2014 (as restated)	144,099	(106,213)	(4,411)	2,778	25,023	(976)	(83,799)	–	(13,026)	47,274

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Group	Attributable to the owners of the Company								
	Share capital (Note 30) \$'000	Accumulated losses \$'000	Foreign currency translation reserve (Note 31) \$'000	Capital reserve (Note 32) \$'000	Revaluation reserve (Note 33) \$'000	Other reserves (Note 34) \$'000	Total reserves \$'000	Non-controlling interests \$'000	Total equity \$'000
At 1 January 2015 (as restated)	144,099	(106,213)	(4,411)	2,778	25,023	(976)	(83,799)	(13,026)	47,274
Profit net of tax	–	20,563	–	–	–	–	20,563	621	21,184
Other comprehensive income for the financial year: <i>Items that are or may be reclassified subsequently to profit or loss</i>									
Foreign currency translation	–	–	(1,395)	–	–	–	(1,395)	275	(1,120)
Share of other comprehensive income of an associate	–	–	–	–	–	(1)	(1)	–	(1)
Total comprehensive income/(loss) for the financial year	–	20,563	(1,395)	–	–	(1)	19,167	896	20,063
Change in ownership interests in a subsidiary									
Capital contribution by non-controlling interest in a subsidiary company	–	–	–	–	–	–	–	265	265
Total transactions with owners in their capacity as owners	–	–	–	–	–	–	–	265	265
At 31 December 2015	144,099	(85,650)	(5,806)	2,778	25,023	(977)	(64,632)	(11,865)	67,602

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Company	Share capital (Note 30) \$'000	Accumulated losses \$'000	Total equity \$'000
At 1 January 2015	144,099	(68,943)	75,156
Profit net of tax and total comprehensive income for the financial year	<u>—</u>	<u>2,531</u>	<u>2,531</u>
At 31 December 2015	<u>144,099</u>	<u>(66,412)</u>	<u>77,687</u>
At 1 January 2014	144,099	(54,811)	89,288
Loss net of tax and total comprehensive loss for the financial year	<u>—</u>	<u>(14,132)</u>	<u>(14,132)</u>
At 31 December 2014	<u>144,099</u>	<u>(68,943)</u>	<u>75,156</u>

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	2015 \$'000	2014 \$'000 (Restated)
Cash flows from operating activities		
Profit/(loss) before tax	23,024	(24,086)
Adjustments for:		
Depreciation of property, plant and equipment	2,116	1,938
Gain on disposal of assets held for sale (Note A)	–	(3,581)
Impairment loss on investment in associates	–	2,574
Implicit interest income	(2)	(177)
Interest expense	793	2,167
Interest income	(635)	(52)
Loss on disposal of asset under construction	–	26,029
Net fair value loss on derivatives	84	753
Distribution from partnership	–	(143)
Share of results of associates	78	9,927
Exchange loss/(gain)	58	(1,108)
Operating cash flows before changes in working capital	25,516	14,241
Decrease/(increase) in inventories	8,681	(3,504)
Decrease in trade and other receivables	22,657	640
Decrease in financial receivable	661	–
Decrease/(increase) in advance payment to suppliers	11,115	(9,973)
Decrease/(increase) in prepayments	46	(174)
Decrease/(increase) in deposits	24	(60)
Increase in amounts due from associates	(4,110)	(1,389)
Decrease/(increase) in gross amount due from customer for construction work-in-progress	288	(221)
(Increase)/decrease in provision, trade and other payables	(9,362)	500
(Decrease)/increase in bill receivables purchase	(9,474)	10,308
(Decrease)/increase in gross amount due to customer for construction work-in-progress	(23)	27
(Decrease)/increase in advance payment from customers	(3,113)	1,483
Decrease in deferred revenue	(10)	(10)
Decrease in derivatives	(838)	–
Increase in provision for post employment benefits	63	–
Decrease in amounts due to associates	(830)	(101)
Increase in amount due to a related party	40	221
Cash flows from operations	41,331	11,988
Income taxes paid	(59)	(3,806)
Net cash flows generated from operating activities	41,272	8,182

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

	2015 \$'000	2014 \$'000 (Restated)
Cash flows from investing activities:		
Additions to intangible assets	(1,362)	–
Advance payment from an associate	1,192	–
Interest income received	635	53
Investment in associate	(78)	–
Dividend received from an associate	–	17
Payments made to suppliers for conversion of a vessel	(8,696)	(34,765)
Purchase of property, plant and equipment	(1,382)	(253)
Net cash outflows from disposal of assets held for sale (Note A)	–	(426)
Proceeds from disposal of asset under construction	–	51,439
Shareholder's loans to an associate (net)	(10,688)	(2,111)
Distribution from partnership	–	143
Net cash flows (used in)/generated from investing activities	(20,379)	14,097
Cash flows from financing activities:		
Interest expense paid	(1,077)	(1,858)
(Repayment)/proceeds from secured bank overdrafts	(537)	588
Repayment of hire purchase obligations	(37)	(45)
Drawdown of term loans	5,794	10,512
Dividends of a subsidiary paid to non-controlling interest	–	(254)
Repayment of term loans	(10,445)	(29,356)
Decrease in trust receipts	(14,843)	(4,152)
Capital contribution from non-controlling interest of a subsidiary company	265	–
Decrease/(increase) in pledged deposits	839	(3,567)
Net cash flows used in financing activities	(20,041)	(28,132)
Net increase/(decrease) in cash and cash equivalents	852	(5,853)
Effect of exchange rate changes on cash and cash equivalents	649	428
Cash and cash equivalents at 1 January	14,350	19,775
Cash and cash equivalents at 31 December (Note 40)	15,851	14,350

The accompanying accounting policies and explanatory notes form an integral part of the financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2015

Note A

On 12 March 2014, the Group completed the disposal of its subsidiaries, FEE Water (China-PZH) Ltd and Federal Environmental (Panzhuhua) Co., Ltd, which were previously classified as assets held for sale. The effect of the disposal on the financial position of the Group is as follows:

Effect of disposal on the financial position of the Group

	2014 \$'000
Assets:	
Property, plant and equipment	109
Financial receivable	26,478
Inventories	213
Other receivables	75
Prepayment	3
Fixed deposits	412
Cash and bank balances	64
	<u>27,354</u>
Liabilities:	
Trade payables	4,630
Other payables	4,029
Deferred revenue	41
Amount due to a related party	103
Term loans	20,970
Deferred tax liabilities	463
	<u>30,236</u>
Net liabilities derecognised	<u>(2,882)</u>
Consideration received, satisfied in cash	50
Cash and cash equivalents disposed of	(476)
Net cash outflow	<u>(426)</u>
Gain on disposal:	
Consideration received	50
Net liabilities derecognised	2,882
Cumulative exchange differences in respect of the net liabilities of the subsidiaries reclassified from equity on loss of control of subsidiaries	649
	<u>3,581</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

1. CORPORATE INFORMATION

Federal International (2000) Ltd (the “Company”) is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 47 Genting Road, Singapore 349489.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 5 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 *Basis of preparation*

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (“FRS”).

The financial statements have been prepared on a historical cost basis except as disclosed in the accounting policies below.

The financial statements are presented in Singapore Dollar (“SGD” or “\$”) and all values in the tables are rounded to the nearest thousand (\$’000) as indicated.

2.2 *Changes in accounting policies*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (“INT FRS”) that are effective for annual periods beginning on or after 1 January 2015. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 *Changes in accounting policies* (Continued)

At the date of the balance sheet, the Group has not adopted the following standards and interpretations that have been issued but not yet effective:

<i>Description</i>	<i>Effective for annual periods beginning on or after</i>
Amendments to FRS 1: Disclosure Initiative	1 January 2016
FRS 114: Regulatory Deferral Accounts	1 January 2016
Amendments to FRS 27: Equity Method in Separate Financial Statements	1 January 2016
Amendments to FRS 16 and FRS 38: Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 16 and FRS 41: Agriculture: Bearer Plants	1 January 2016
Amendments to FRS 111: Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to FRS 110 and FRS 28: Sales or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined
Amendments to FRS 110, FRS 112 and FRS 28: Investment Entities: Applying the Consolidation Exception	1 January 2016
Improvements to FRSs (November 2014)	1 January 2016
FRS 115: Revenue from Contracts with Customers	1 January 2018
FRS 109: Financial Instruments	1 January 2018

2.3 *Standards issued but not yet effective*

Except for FRS 115 and FRS 109, the directors expect that the adoption of the other standards and interpretations above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policies on adoption of FRS 115 and FRS 109 are described below.

FRS 115 Revenue from Contracts with Customers

FRS 115 replaces FRS 18 *Revenue*, FRS 11 *Construction Contracts* and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments, insurance contracts and certain guarantee contracts and non-monetary exchange contracts. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. It provides guidance on whether revenue should be recognised at a point in time or over time, replacing the previous distinction between goods and services. The standard introduces new guidance on specific circumstances where cost should be capitalised and new requirements for disclosure of revenue in the financial statements. The standard is effective for annual periods beginning on or after 1 January 2018. The Group will reassess its contracts with customers in accordance with FRS 115.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 *Standards issued but not yet effective* (Continued)

FRS 109 Financial Instruments

FRS 109 includes guidance on (i) the classification and measurement of financial assets and financial liabilities; (ii) impairment requirements for financial assets; and (iii) general hedge accounting. FRS 109, when effective will replace FRS 39 Financial Instruments: Recognition and Measurement. This standard is effective for annual periods beginning on or after 1 January 2018. The Group will reassess the potential impact of FRS 109 and plans to adopt the standard on the required effective date.

2.4 *Foreign currency*

The financial statements are presented in Singapore Dollar, which is also the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) *Transactions and balances*

Transactions in foreign currencies are measured in the respective functional currencies of the Company and its subsidiaries and are recorded on initial recognition in the functional currencies at exchange rates approximating those ruling at the transaction dates. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange ruling at the end of the financial year. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions. Non-monetary items measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was measured.

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the financial year are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) *Consolidated financial statements*

For consolidation purpose, the assets and liabilities of foreign operations are translated into SGD at the rate of exchange ruling at the end of the reporting period and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 *Foreign currency* (Continued)

(b) *Consolidated financial statements* (Continued)

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.5 *Basis of consolidation and business combinations*

(A) Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at the balance sheet date. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

All intra-group balances, income and expenses and unrealised gains and losses resulting from intra-group transactions and dividends are eliminated in full.

Subsidiaries are consolidated from the date of acquisition, being the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

Losses within a subsidiary are attributed to the non-controlling interests even if that results in a deficit balance.

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 *Basis of consolidation and business combinations* (Continued)

(A) Basis of consolidation (Continued)

- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

(B) Business combinations and goodwill

Business combinations are accounted for by applying the acquisition method. Identifiable assets acquired and liabilities assumed in a business combination are measured initially at their fair values at the acquisition date. Acquisition-related costs are recognised as expenses in the periods in which the costs are incurred and the services are received.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in profit or loss.

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any), that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation, is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets. Other components of non-controlling interests are measured at their acquisition date fair value, unless another measurement basis is required by another FRS.

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Goodwill is initially measured at cost. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 *Basis of consolidation and business combinations* (Continued)

(B) Business combinations and goodwill (Continued)

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to the Group's cash generating units that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the acquiree are assigned to those units.

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates.

2.6 *Transactions with non-controlling interests*

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company.

Changes in the Company ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. In such circumstances, the carrying amounts of the controlling and non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiary. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land, leasehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.23. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 *Property, plant and equipment* (Continued)

Freehold land, leasehold land and buildings are measured at fair value less accumulated depreciation on leasehold land and buildings and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land, leasehold land and buildings at the end of the reporting period.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the revaluation reserve in respect of an asset is transferred directly to accumulated losses on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated.

Depreciation is computed on a straight-line basis over the estimated useful lives of the assets as follows:

Leasehold land and buildings	–	22 to 30 years
Freehold buildings	–	50 years
Other plant and equipment	–	3 to 10 years

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 *Intangible assets*

Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project on a straight-line basis.

2.9 *Impairment of non-financial assets*

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount.

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.9 *Impairment of non-financial assets* (Continued)

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss 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. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.10 *Subsidiaries*

Subsidiaries are entities controlled by the Group. 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.

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

2.11 *Associates*

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates using the equity method from the date on which it becomes an associate.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates is carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates. The profit or loss reflects the share of results of the operations of the associates. Distributions received from associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associates are eliminated to the extent of the interest in the associates.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 *Associates* (Continued)

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in its associates. The Group determines at the end of each financial year whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates are prepared as of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures any retained investment at its fair value. Any difference between the fair value of the aggregate of the retained investment and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

In the Company's financial statements, investments in associates are carried at cost less accumulated impairment loss. On disposal of investment in associates, the difference between the disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

2.12 *Investments in partnerships*

Investments in partnerships on a long term basis are stated at cost less any impairment in value. The share of partnerships' profits is recognised in the profit or loss in the financial year in which the rights to receive payment have been established.

2.13 *Assets under construction*

Assets under construction are being constructed for sale, rather than to be held for the Group's own use, rental or capital appreciation.

Assets under construction are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 *Financial assets*

Initial recognition and measurement

Financial assets are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial assets at initial recognition.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification as follows:

(a) ***Loans and receivables***

Non-derivative financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

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

Available-for-sale financial assets include equity and debt securities. Equity investments classified as available-for sale are those, which are neither classified as held for trading nor designated at fair value through profit or loss. Debt securities in this category are those which are intended to be held for an indefinite period of time and which may be sold in response to needs for liquidity or in response to changes in the market conditions.

After initial recognition, available-for-sale financial assets are subsequently measured at fair value. Any gains or losses from changes in fair value of the financial assets are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is de-recognised.

Investments in equity instruments whose fair value cannot be reliably measured are measured at cost less impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 *Financial assets* (Continued)

De-recognition

A financial asset is de-recognised where the contractual right to receive cash flows from the asset has expired. On de-recognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Offset

Financial asset and liabilities are offset and net amount presented on the balance sheet when, and only when the Group has legal right to offset the amounts and intends either to settle on net basis or to realise the asset and settle the liability simultaneously.

2.15 *Impairment of financial assets*

The Group assesses at the end of each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

For financial assets carried at amortised cost, the Group first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. If a loan has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account. The impairment loss is recognised in profit or loss.

When the asset becomes uncollectible, the carrying amount of impaired financial assets is reduced directly or if an amount was charged to the allowance account, the amounts charged to the allowance account are written off against the carrying value of the financial asset.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 *Impairment of financial assets* (Continued)

(a) *Financial assets carried at amortised cost* (Continued)

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

In the case of equity investments classified as available-for-sale, objective evidence of impairment include (i) significant financial difficulty of the issuer or obligor, (ii) information about significant changes with an adverse effect that have taken place in the technological, market, economic or legal environment in which the issuer operates, and indicates that the cost of the investment in equity instrument may not be recovered; and (iii) a significant or prolonged decline in the fair value of the investment below its costs.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its acquisition cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is transferred from other comprehensive income and recognised in profit or loss. Reversals of impairment losses in respect of equity instruments are not recognised in profit or loss; increase in their fair value after impairment are recognised directly in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 *Impairment of financial assets* (Continued)

(c) *Available-for-sale financial assets* (Continued)

In the case of debt instruments classified as available-for-sale, impairment is assessed based on the same criteria as financial assets carried at amortised cost. However, the amount recorded for impairment is the cumulative loss measured as the difference between the amortised cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss. Future interest income continues to be accrued based on the reduced carrying amount of the asset, using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. The interest income is recorded as part of finance income. If, in a subsequent year, the fair value of a debt instrument increases and the increases can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed in profit or loss.

2.16 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts (unsecured) that form an integral part of Group's cash management.

2.17 *Construction contracts*

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 **Construction contracts** (Continued)

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue (as defined below) multiplied by the actual completion rate based on the proportion of total contract costs (as defined below) incurred to date and the estimated costs to complete.

Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they are capable of being reliably measured.

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

The Group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

Assets covered by a single contract are treated separately when:

- Separate proposals have been submitted for each asset
- Each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset
- The costs and revenues of each asset can be identified

A group of contracts are treated as a single construction contract when:

- The group of contracts are negotiated as a single package; the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin
- The contracts are performed concurrently or in a continuous sequence

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 *Service concession arrangement*

The Group has entered into service concession arrangement with the local government of the People's Republic of China (the "PRC") (the grantor) to supply raw water and treated industrial tap water, and operate waste water treatment plant. Under the concession arrangement, the Group will construct and/or operate the plant for concession period of 30 years. The grantor has control through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement. Such concession arrangement falls within the scope of INT FRS 112.

The Group recognises the consideration received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction services. Financial assets are accounted for in accordance with the accounting policy set out in Note 2.14.

The Group recognises revenue from the construction of the infrastructure in accordance with its accounting policy for construction contracts set out in Note 2.17.

Operation or service revenue is recognised in the period in which the services are provided by the Group (see Note 2.26(f)). When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered.

2.19 *Inventories*

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

- Trading stocks: purchase costs on a weighted average basis. Except for inventories comprising fire detection and protection equipment, the cost is being determined on the first-in-first-out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and other direct cost. These costs are assigned on a weighted-average-cost basis.

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 estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of resources embodying economic benefits will be required to settle the obligation and the amount of the obligation can be estimated reliably.

Provisions are reviewed at the end of each reporting period and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed. If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

2.21 Financial liabilities

Initial recognition and measurement

Financial liabilities are recognised when, and only when, the Group becomes a party to the contractual provisions of the financial instrument. The Group determines the classification of its financial liabilities at initial recognition.

All financial liabilities are recognised initially at fair value plus in the case of financial liabilities not at fair value through profit or loss, directly attributable transaction costs.

Subsequent measurement

After initial recognition, financial liabilities that are not carried at fair value through profit or loss are subsequently measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

2.22 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 *Financial guarantee* (Continued)

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Financial guarantees are classified as financial liabilities.

Subsequent to initial recognition, financial guarantees are stated at the higher of the initial fair values less cumulative amortisation and the expected amount payable to the holder. Financial guarantees contracts are amortised in the profit or loss over the period of the guarantee.

2.23 *Borrowing costs*

Borrowing costs are capitalised as part of the cost of a qualifying asset if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the asset for its intended use or sale are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale. All other borrowing costs are expensed in the period they occur. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.24 *Employee benefits*

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

Defined contribution plans

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

Defined benefit plans

The Group provides additional provisions for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as required under the Indonesian Labor Law No. 13/2003 (the "Labor Law"). The said additional provisions, which are unfunded, are estimated using the projected unit credit method based on the report prepared by an independent firm of actuaries.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 *Employee benefits* (Continued)

Defined benefit plans (Continued)

Actuarial gains or losses are recognised in the profit or loss when the net cumulative unrecognised actuarial gains or losses at the end of the previous financial year exceed 10% of the higher of the present value of the defined benefit obligation or the fair value of the plan assets, if any, at that date. Such gains or losses in excess of the 10% corridor are amortised on a straight-line method over the expected average remaining service years of the covered employees.

Past service cost arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan is required to be amortised over the period until the benefit becomes vested. To the extent that the benefit is already vested immediately following the introduction of, or changes to, the employee benefits program, the Group recognises past service cost immediately.

The related estimated liability for employee benefits is the aggregate of the present value of the defined benefit obligation at the end of the reporting period and actuarial gains and losses not recognised, less past service cost not yet recognised.

2.25 *Leases*

(a) **As lessee**

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

Operating lease payments are recognised as an expense in profit or loss on a straight-line basis over the lease term. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on a straight-line basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 *Leases* (Continued)

(b) *As lessor*

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as charter hire income. The accounting policy for charter hire income is set out in Note 2.26 (d).

Contingent rents are recognised as revenue in the period in which they are earned.

2.26 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

(a) *Sale of goods*

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. 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.

(b) *Rendering of services*

Revenue from the provision of management services rendered by the Company and installation services are recognised upon the performance of the services.

(c) *Dividend income*

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

(d) *Charter hire income*

Charter hire income from rental of vessel is recognised on a time apportionment basis.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 *Revenue* (Continued)

(e) *Construction contract*

Revenue from construction contract is recognised by reference to the stage of completion at the end of the financial year. Stage of completion is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(f) *Revenue from service concession arrangement*

In respect of revenue from the service concession arrangement for water treatment plant, revenue from construction is recognised in accordance with Note 2.18. When the Group receives a payment during the operation phase of the concession period, it will apportion such payment between:

- (i) a repayment of the financial receivable, which will be used to reduce the carrying amount of the financial receivable on its balance sheet;
- (ii) interest income, which will be recognised as finance income in its statement of comprehensive income; and
- (iii) revenue from operating and maintaining the plants in its statement of comprehensive income.

(g) *Interest income*

Interest income is recognised using the effective interest method.

2.27 *Derivatives*

Derivative financial instruments are initially measured at fair value on the contract date, and are remeasured to fair value at subsequent reporting dates. The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

Changes in the fair value of derivative financial instruments that do not qualify for hedge accounting are recognised in profit or loss as they arise.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 Taxes

(a) **Current income tax**

Current income tax assets and liabilities for the current and prior periods are measured at the amount expected to be recovered from or paid to the taxation authorities. The tax rates and tax laws used to compute the amount are those that are enacted or substantively enacted at the end of the reporting period, in the countries where the Group operates and generates taxable income.

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) **Deferred tax**

Deferred tax is provided using the liability method on temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

Deferred tax liabilities are recognised for all temporary differences, except:

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, carry forward of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, and the carry forward of unused tax credits and unused tax losses can be utilised except:

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 **Taxes** (Continued)

(b) **Deferred tax** (Continued)

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the year when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted at the end of each reporting period.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity and deferred tax arising from a business combination is adjusted against goodwill on acquisition.

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax is measured based on the tax consequence that will follow the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

(c) **Sales tax**

Revenues, expenses and assets are recognised net of the amount of sales tax except:

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

The net amount of sales tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 47, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.30 *Share capital and share issuance expenses*

Proceeds from issuance of ordinary shares are recognised as share capital in equity. Incremental costs directly attributable to the issuance of ordinary shares are deducted against share capital.

2.31 *Dividend*

Interim dividends are recorded during the financial year in which they are declared payable.

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders.

2.32 *Contingencies*

A contingent liability is:

- (a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group.

Contingent liabilities and assets are not recognised on the balance sheet of the Group, except for contingent liabilities assumed in a business combination that are present obligations and which the fair values can be reliably determined.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the end of each reporting period. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgments made in applying accounting policies*

In the process of applying the Group's accounting policies, management has made the following judgments, apart from those involving estimations, which have the most significant effect on the amounts recognised in the consolidated financial statements:

(a) ***Deferred tax assets***

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment 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 gross unrecognised tax losses at 31 December 2015 were approximately \$24,871,000 (2014: \$20,952,000).

(b) ***Determination of functional currency***

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

(a) *Useful lives of property, plant and equipment*

The cost of property, plant and equipment is depreciated on a straight-line basis over the asset's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within the years stated in Note 2.7. 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 property, plant and equipment at the end of each financial year is disclosed in Note 4 to the financial statements. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 0.46% (2014: 0.45%) variance in the Group's profit/(loss) before tax.

(b) *Impairment of non-financial assets*

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of property, plant and equipment, investment in subsidiaries and intangible assets, are given in Note 4, Note 5 and Note 7, respectively, to the financial statements.

(c) *Impairment of loans and receivables and investments*

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset and investment are impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments as well as the future cash flow generated by the investment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.2 *Key sources of estimation uncertainty* (Continued)

(c) *Impairment of loans and receivables and investments* (Continued)

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amounts of the Group's loans and receivables and other investments, as well as investment in associates at the end of the financial year are disclosed in Note 46 and Note 6 respectively to the financial statements.

If the present value of estimated future cash flows decrease by 5% from management's estimates, the Group's allowance for impairment will increase by \$106,000 (2014: \$137,000).

(d) *Income taxes*

The Group has exposure to income taxes in numerous jurisdictions. Significant judgment is involved in determining the Group-wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's and the Company's tax payables as at 31 December 2015 were \$6,194,000 (2014: \$4,264,000) and \$132,000 (2014: \$306,000) respectively. The carrying amount of the Group's deferred tax liabilities at 31 December 2015 was \$2,566,000 (2014: \$2,531,000).

(e) *Service concession arrangement*

Significant judgment is exercised in determining the fair values of the financial receivable as well as impairment of the financial receivable 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 receivable and corresponding finance income during operation phase. The assumptions used and estimates may result in different fair value estimates. The carrying amount of the Group's financial receivable arising from service concession arrangement at the balance sheet date is disclosed in Note 10 to the financial statements.

(f) *Allowance for slow moving inventories*

Inventories are stated at the lower of cost and net realisable value. Where necessary, allowance is provided to adjust the carrying value of inventories to the lower of cost or net realisable value. Significant management judgment is required to determine the amount of allowance to be recognised. The carrying amount of inventories is disclosed in Note 13 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(g) Revaluation of property, plant and equipment

The Group carries its freehold land, leasehold land and buildings at fair value, with changes in fair values being recognised in other comprehensive income.

The fair values of the freehold land, leasehold land and buildings at 31 December 2015 are determined by accredited valuer by reference to recent transactions of similar properties in the vicinity after adjusting for any differences in the nature, location and condition of the specific property. The directors are of the opinion the fair values at the end of the reporting period are not significantly different from the carrying values.

The carrying amount and key assumptions used to determine the fair value of freehold land, leasehold land and buildings are explained in Note 4.

4. PROPERTY, PLANT AND EQUIPMENT

Group	At valuation			At cost			Total \$'000
	Freehold land \$'000	Freehold buildings \$'000	Leasehold land and buildings \$'000	Plant and machinery \$'000	Furniture and fittings and office equipment \$'000	Motor vehicles \$'000	
Cost or valuation:							
1 January 2014	8,650	2,350	13,700	12,119	4,709	570	42,098
Additions	–	–	–	11	192	50	253
Disposals/write off	–	–	–	–	(138)	–	(138)
Revaluation surplus (Note 33)	550	(50)	1,800	–	–	–	2,300
Exchange differences	–	–	–	193	7	4	204
At 31 December 2014 and 1 January 2015	9,200	2,300	15,500	12,323	4,770	624	44,717
Additions	–	–	–	1,083	184	115	1,382
Exchange differences	–	–	–	(521)	20	(2)	(503)
At 31 December 2015	<u>9,200</u>	<u>2,300</u>	<u>15,500</u>	<u>12,885</u>	<u>4,974</u>	<u>737</u>	<u>45,596</u>

NOTES TO THE FINANCIAL STATEMENTS

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4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	At valuation			At cost			Total \$'000
	Freehold land \$'000	Freehold buildings \$'000	Leasehold land and buildings \$'000	Plant and machinery \$'000	Furniture and fittings and office equipment \$'000	Motor vehicles \$'000	
Accumulated depreciation and impairment loss:							
1 January 2014	–	–	–	1,382	4,334	523	6,239
Depreciation charge for the financial year	–	115	492	1,164	140	27	1,938
Disposals/write off	–	–	–	–	(138)	–	(138)
Elimination of accumulated depreciation on revaluation (Note 33)	–	(115)	(492)	–	–	–	(607)
Exchange differences	–	–	–	(2)	6	2	6
At 31 December 2014 and 1 January 2015	–	–	–	2,544	4,342	552	7,438
Depreciation charge for the financial year	–	118	707	1,116	147	28	2,116
Exchange differences	–	–	–	(40)	13	(1)	(28)
At 31 December 2015	–	118	707	3,620	4,502	579	9,526
Net carrying amount:							
At 31 December 2014	<u>9,200</u>	<u>2,300</u>	<u>15,500</u>	<u>9,779</u>	<u>428</u>	<u>72</u>	<u>37,279</u>
At 31 December 2015	<u>9,200</u>	<u>2,182</u>	<u>14,793</u>	<u>9,265</u>	<u>472</u>	<u>158</u>	<u>36,070</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Furniture and fittings and office equipment \$'000
Cost:	
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	66
Accumulated depreciation:	
At 1 January 2014	57
Depreciation charge for the financial year	2
At 31 December 2014 and 1 January 2015	59
Depreciation charge for the financial year	3
At 31 December 2015	62
Net carrying amount:	
At 31 December 2014	7
At 31 December 2015	4

Revaluation of leasehold land and buildings

Leasehold land and buildings relate to a single-storey detached factory situated at 12 Chin Bee Drive on leasehold land of 7,146.3 square metres and a single-storey factory situated at 11 Tuas Avenue 1 on a leasehold land area of 4,701.4 square metres. The lease tenure of the leasehold land is 30 years effective October 2013 and 22 years effective November 2012, respectively.

The Group had engaged ECG Consultancy Pte Ltd, an accredited independent valuer, to determine the fair value of its leasehold land and buildings. Fair value is determined by reference to recent transactions of similar properties in the vicinity after adjusting for any differences in the nature, location and condition of the specific property. The date of revaluation was 31 December 2015.

The fair value of the leasehold land and buildings at 31 December 2015 approximates the carrying values of the properties.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluation of freehold land and buildings

Freehold land and buildings relate to 2 and 3-storey terrace factories situated at 47 and 49 Genting Road on freehold land of 810.9 square metres.

The Group had engaged ECG Consultancy Pte Ltd, an accredited independent valuer, to determine the fair value of its leasehold land and buildings. Fair value is determined by reference to recent transactions of similar properties in the vicinity after adjusting for any differences in the nature, location and condition of the specific property. The date of revaluation was 31 December 2015.

The fair value of the freehold land and buildings at 31 December 2015 approximates the carrying values of the properties.

If the freehold land and buildings and leasehold land and buildings were measured using the cost model, the carrying amounts would be as follows:

	Group	
	2015	2014
	\$'000	\$'000
Freehold land at 31 December:		
Cost and net carrying amount	<u>2,562</u>	<u>2,562</u>
Freehold buildings at 31 December:		
Cost	2,150	2,150
Accumulated depreciation	<u>(1,397)</u>	<u>(1,354)</u>
Net carrying amount	<u>753</u>	<u>796</u>
Leasehold land and buildings at 31 December:		
Cost	6,139	6,139
Accumulated depreciation	<u>(3,152)</u>	<u>(3,046)</u>
Net carrying amount	<u>2,987</u>	<u>3,093</u>

Assets held under finance leases

The carrying amount of property, plant and equipment held under finance leases at the end of the financial year 2014 was \$69,000 (Note 27).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Assets pledged as security

The Group's freehold land, freehold buildings, leasehold land and leasehold buildings with carrying amounts of approximately \$9,200,000 (2014: \$9,200,000), \$2,182,000 (2014: \$2,300,000) and \$14,793,000 (2014: \$15,500,000) respectively, are mortgaged to secure banking facilities and bank loans of certain subsidiaries (Note 25 and Note 26).

5. INVESTMENT IN SUBSIDIARIES

	Company	
	2015 \$'000	2014 \$'000
Unquoted shares, at cost:		
At 1 January and 31 December	90,464	90,464
Impairment losses	(28,389)	(28,389)
	62,075	62,075
Loans to subsidiaries:		
Gross amount	94,548	92,165
Less: Allowance for impairment	(76,762)	(74,461)
	17,786	17,704
Net carrying amount	79,861	79,779
Analysis of cost of investment impairment losses:		
At 1 January	28,389	28,278
Charge for the financial year	-	111
At 31 December	28,389	28,389
Analysis of loans to subsidiaries allowance for impairment:		
At 1 January	74,461	64,568
Charge for the financial year	276	8,876
Exchange differences	2,025	1,017
At 31 December	76,762	74,461

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

Except for loans to subsidiaries of \$5,980,000 (2014: \$5,898,000) which bear interest at rate of 5.0% (2014: 5.0%) per annum, all other amounts are interest-free and unsecured.

Management determined that the loans to subsidiaries are quasi-equity in nature and are therefore included in the investment in subsidiaries. The quasi-equity loans have no repayment terms and are repayable only when cash flows of the subsidiaries permit.

At the end of the financial year, the Company has provided an allowance of \$76,762,000 (2014: \$74,461,000) for impairment of loans to subsidiaries with a nominal amount of \$76,762,000 (2014: \$74,732,000).

An impairment loss of \$276,000 (2014: \$8,876,000) has been recognised by the Company for the financial year ended 31 December 2015 in its investment in a subsidiary to write down its investment in the subsidiary to its recoverable amount of \$Nil (2014: \$Nil).

Loans to subsidiaries are denominated in the following currencies:

	Company	
	2015	2014
	\$'000	\$'000
Singapore Dollar	12,326	12,326
United States Dollar	5,460	5,107
Great Britain Pound	-	271
At 31 December	17,786	17,704

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31 December are:

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Proportion of ownership interest	
		2015 \$'000	2014 \$'000	2015 %	2014 %
Held by the Company					
Federal Hardware Engineering Co Pte Ltd ⁽¹⁾ (Singapore)	Dealer in flowline control materials and services and investment holding (Singapore)	59,808	59,808	100	100
Alton International (S) Pte Ltd ⁽¹⁾ (Singapore)	Engineering, procurement, construction and management and trading and marketing of commodities (Singapore)	18,417	18,417	100	100
KVC (UK) Ltd ⁽²⁾ (United Kingdom)	Design, manufacture and assembly of valves (United Kingdom)	664	664	90	90
Federal Fire Engineering Pte Ltd ⁽¹⁾ (Singapore)	Supply and installation supervision of fire detection and protection systems and related products (Singapore)	500	500	100	100
^* GV Oilfield Engineering Pvt. Ltd. (India)	Dormant (India)	5^(a)	5 ^(a)	60	60
Federal Offshore Services Pte. Ltd. ⁽¹⁾ (Singapore)	Offshore marine projects and chartering of vessels (Indonesia)	6,863	6,863	60	60
Federal Environmental & Energy Pte. Ltd. ⁽¹⁾ (Singapore)	Supply of flowline control products and investment holding (Singapore)	1,751	1,751	65	65

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31 December are: (Continued)

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Proportion of ownership interest	
		2015 \$'000	2014 \$'000	2015 %	2014 %
<i>Held by the Company (Continued)</i>					
Federal Energi Pte. Ltd. ⁽¹⁾ (Singapore)	Dormant (Singapore)	#-	#-	100	100
Eastern Jason Fabrication Services Pte Ltd ⁽¹⁾ (Singapore)	Investment holding offshore marine projects (Singapore)	2,454	2,454	100 ⁽⁵⁾	100 ⁽⁵⁾
Federal Capital Pte. Ltd. ⁽¹⁾ (Singapore)	Investment holding (Singapore)	#-	#-	100	100
PT Federal International ⁽²⁾ (Indonesia)	Provision of management and business consultation services, and operating and maintenance of oil and gas facility services (Indonesia)	2	2	100 ⁽³⁾	100 ⁽³⁾
* FI (2000) UK Limited (United Kingdom)	Manufacture of valves for the oil and petrochemical industries (United Kingdom)	-(c)	-(c)	100	100
		<u>90,464</u>	<u>90,464</u>		

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31 December are: (Continued)

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest	
		2015 %	2014 %
<i>Held by subsidiaries</i>			
PT Fedsin Rekayasa Pratama (Indonesia) ⁽²⁾	Hardware merchant and investment holding (Indonesia)	100	100
PT Federal International (Indonesia) ⁽²⁾	Provision of management and business consultation services and operating and maintenance of oil and gas facility services (Indonesia)	99⁽³⁾	99 ⁽³⁾
Federal International (Shanghai) Co., Ltd. ⁽²⁾ (PRC)	Trader and agent of flowline control products (PRC)	74	74 ^(b)
Alton International (Thailand) Co., Ltd. ⁽⁴⁾ (Thailand)	Dealer in hardware and oilfield engineering materials (Thailand)	100	100
Alton International Resources Pte. Ltd. ⁽¹⁾ (Singapore)	Dormant (Singapore)	70	70
* PT Alton International Resources (Indonesia)	Dormant (Indonesia)	69.3	69.3
* PT Mega Federal Energy (Indonesia)	Dormant (Indonesia)	60	60

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31 December are: (Continued)

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest	
		2015 %	2014 %
<i>Held by subsidiaries (Continued)</i>			
Federal Environmental Engineering (Shanghai) Co Ltd ⁽²⁾ (PRC)	Water and wastewater treatment projects (PRC)	65	65
FEE Investment Management Consultants (Shanghai) Co Ltd ⁽²⁾ (PRC)	Provision of management and consultancy services for environmental-related projects (PRC)	65	65
Federal Environmental Engineering (Suzhou) Co. Ltd ⁽²⁾ (PRC)	Provision of management and consultancy services for environmental-related projects (PRC)	65	65
Federal Environmental (Southwest China) Pte. Ltd. ⁽¹⁾ (Singapore)	Investment holding (Singapore)	65	65
Federal Environmental (Chengdu) Pte. Ltd. ⁽¹⁾ (Singapore)	Investment holding (Singapore)	65	65
Federal Water (Chengdu) Co., Ltd. ⁽²⁾ (PRC)	Supply of raw water, treated industrial tap water and project consultancy services (PRC)	58.5	58.5
*Federal-WH Marathon Ltd (British Virgin Islands)	Engineering, procurement and construction related projects (British Virgin Islands)	51	51

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31 December are: (Continued)

Amount less than \$1,000

* Not required to be audited under the laws of the respective countries of incorporation

^ Closure of company pending completion of liquidation

(1) Audited by Baker Tilly TFW LLP

(2) Audited by independent overseas member firms of Baker Tilly International

(3) This comprised 1% direct equity interest held by the Company and indirect equity interest of 99% held by a wholly-owned subsidiary

(4) Audited by PT Accounting & Auditing Limited, Thailand

(5) This comprised 92.5% direct equity interest held by the Company and indirect equity interest of 7.5%

(a) The company has been placed under members' voluntary winding up. A liquidator has been appointed to handle the affairs incidental to the liquidation.

(b) During the financial year ended 2014, the Company through its wholly-owned subsidiary, Federal Hardware Engineering Co Pte Ltd, increased its investment in Federal International (Shanghai) Co., Ltd. by \$472,000.

(c) No share capital is contributed into the subsidiary as at 31 December 2015 and 31 December 2014.

(b) Summarised financial information of subsidiaries with material non-controlling interests ("NCI")

The Group has the following subsidiaries that have NCI that are considered by management to be material to the Group:

Name of subsidiary	Principal place of business/ Country of incorporation	Ownership interests held by NCI	
		2015	2014
		%	%
FEE subgroup	Singapore and PRC	35	35
AIR subgroup	Singapore and Indonesia	30	30

FEE subgroup comprises Federal Environmental & Energy Pte. Ltd., Federal Environmental Engineering (Shanghai) Co Ltd., FEE Investment Management Consultants (Shanghai) Co Ltd., Federal Environmental Engineering (Suzhou) Co. Ltd., Federal Environmental (Southwest China) Pte. Ltd., Federal Water (Chengdu) Co., Ltd. and Federal Environmental (Chengdu) Pte. Ltd.

AIR subgroup comprises Alton International Resources Pte. Ltd. and PT Alton International Resources.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Summarised financial information of subsidiaries with material non-controlling interests ("NCI") (Continued)

The following are the summarised financial information of each of the Group's subsidiaries with NCI that are considered by management to be material to the Group. These financial information include consolidation adjustments but before inter-company eliminations.

Summarised Balance Sheets

	FEE subgroup		AIR subgroup	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Non-current assets	2,161	2,139	23	24
Current assets	11,812	15,490	15	13
Current liabilities	(35,067)	(40,268)	(33,859)	(33,764)
Net liabilities	(21,094)	(22,639)	(33,821)	(33,727)
Net liabilities attributable to NCI	(7,383)	(7,924)	(10,146)	(10,118)

Summarised Statements of Comprehensive Income

	FEE subgroup		AIR subgroup	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Revenue	33,607	60,854	-	-
Profit/(loss) before tax	2,238	4,439	(177)	803
Income tax expense	(386)	(441)	-	-
Profit/(loss) after tax from continuing operations	1,852	3,998	(177)	803
Other comprehensive (loss)/income	(308)	(810)	83	(969)
Total comprehensive income/(loss)	1,544	3,188	(94)	(166)
Profit/(loss) allocated to NCI	540	1,116	(28)	(50)
Dividend paid to NCI	-	254	-	-

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

- (b) Summarised financial information of subsidiaries with material non-controlling interests ("NCI") (Continued)

Summarised Statement of Cash Flows

	FEE subgroup		AIR subgroup	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Cash flows generated from/ (used in) operating activities	2,978	(1,403)	(6)	(11)
Cash flows generated from/ (used in) investing activities	6	(18)	-	-
Cash flows (used in)/generated from financing activities	(197)	239	7	19
Net increase/(decrease) in cash and cash equivalents	2,787	(1,182)	1	8

- (c) Impairment testing of investment in subsidiaries

Management performed impairment tests for its investment in subsidiaries that have been persistently making losses.

An impairment loss of \$111,000 has been recognised for the financial year ended 31 December 2014 in its investment in a subsidiary in Manufacturing/Design/Research and Development business segment to write down its investment in the subsidiary to its recoverable amount of \$Nil.

- (d) Significant restriction

Cash and cash equivalents of \$950,000 (2014: \$794,000) are held in the People's Republic of China and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends.

6. INVESTMENT IN ASSOCIATES

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
		(Restated)		
Unquoted shares, at cost	10,284	10,206	5,711	5,711
Share of post-acquisition reserves	(3,129)	(3,050)	-	-
Impairment loss	(2,574)	(2,574)	(4,979)	(4,843)
Currency realignment	(1,723)	(1,833)	-	-
Net carrying amount	2,858	2,749	732	868

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

6. INVESTMENT IN ASSOCIATES (CONTINUED)

Analysis of impairment losses:

	Company	
	2015 \$'000	2014 \$'000
At 1 January	4,843	1,217
Charge for the financial year	136	3,626
At 31 December	4,979	4,843

Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Proportion of ownership interest	
		2015 \$'000	2014 \$'000	2015 %	2014 %
<i>Held by the Company</i>					
*KVC Co., Ltd (Japan)	Manufacture and export of valves (Japan)	868	868	50	50
Federal JWR Energy Pte. Ltd. ^{(1), (a)} (Singapore)	Engagement in turnkey engineering, procurement and construction projects and rental of oil and gas production facilities (Indonesia)	203	203	40	40
Sapex International Pte. Ltd. ⁽¹⁾ (Singapore)	Dormant (Singapore)	17	17	50	50
PT Gunanusa Utama Fabricators ⁽²⁾ (Indonesia)	Production and maintenance of tools and equipment of ships, and drilling tools for oil and gas industries, doing business in general workshops, contracting and trade (Indonesia)	4,623	4,623	20.66	20.66
		5,711	5,711		

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

6. INVESTMENT IN ASSOCIATES (CONTINUED)

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest	
		2015 %	2014 %
Held by subsidiaries			
*PT Indoenergi Perkasa (Indonesia)	Sale and distribution of Ingersoll Rand air-compressors and related services (Indonesia)	28⁽³⁾	28 ⁽³⁾
*Federal-Applied Industrial Services Co Ltd (Thailand)	Dormant (Thailand)	49	49
PT Eastern Jason ⁽⁴⁾ (Indonesia)	Chartering of vessels (Indonesia)	30	30
*PT Fedco Rekayasa Indonesia (Indonesia)	Procurement services for the flowline control procedures and services, and other oilfield related equipment (Indonesia)	49	49 ^(b)
*PAE-Federal International Co. Ltd. ⁽⁵⁾ (Thailand)	Dormant (Thailand)	45^(c)	–

* Not required to be audited under the laws of the respective countries of incorporation.

(1) Audited by Baker Tilly TFW LLP

(2) Audited by independent overseas member firms of PKF International

(3) This comprised 16% direct equity interest held by the Group and indirect equity interest of 12% held by an associate

(4) Audited by Kosasih, Nurdjaman, Tjahjo & Rekan, Indonesia

(5) Audited by CWWP Company Limited in Thailand

(a) The Company entered into a sale and purchase agreement with PT Petroflexx Prima Daya ("PT Petroflexx") for the disposal of the Company's 40% shares in Federal JWR Energy Pte. Ltd.. Consideration is payable over a period stated in the agreement and partial proceeds for the disposal has been received. The disposal will only be completed upon receipts of the full proceeds. The Group has recorded the partial proceeds received of \$1,382,000 (2014: \$1,382,000) and off-set by interest income receivable from PT Petroflexx of \$511,000 (2014: \$Nil) as "other payables" (Note 19).

(b) During the financial year ended 2014, the Company through its wholly-owned subsidiary, PT Fedsin Rekayasa Pratama, incorporated PT Fedco Rekayasa Indonesia.

(c) On 30 March 2015, the Company through its wholly-owned subsidiary, Federal Capital Pte. Ltd. incorporated PAE-Federal International Co. Ltd..

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

6. INVESTMENT IN ASSOCIATES (CONTINUED)

Summarised financial information for associates of the Group, which in the opinion of the management are material to the Group based on their FRS financial statements (not adjusted for the Group's share of those amounts) and a reconciliation to the carrying amounts of the investments in the consolidated financial statements are as follows:

Summarised Statements of Comprehensive Income

	PT Gunanusa Utama Fabricators		PT Eastern Jason		KVC Co., Ltd	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
		(Restated)				
Revenue	57,329	80,657	9,922	–	11,163	11,873
(Loss)/profit after tax from continuing operations	328	(38,481)	657	(6,581)	(412)	(156)
Other comprehensive income	634	32,826	217	458	93	430
Total comprehensive (loss)/income	962	(5,655)	874	(6,123)	(319)	274
Dividend received from associate	–	–	–	–	–	17

Summarised Balance Sheets

	PT Gunanusa Utama Fabricators		PT Eastern Jason		KVC Co., Ltd	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
		(Restated)				
Non-current assets	71,299	68,173	68,848	65,813	1,917	1,408
Current assets	71,639	65,864	11,243	4,688	7,502	3,773
Non-current liabilities	(64,003)	(3,287)	(60,810)	(55,663)	(793)	(517)
Current liabilities	(69,307)	(122,051)	(12,249)	(8,900)	(7,168)	(2,884)
Net assets	9,628	8,699	7,032	5,938	1,458	1,780

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT IN ASSOCIATES (CONTINUED)

Summarised Balance Sheets (Continued)

	PT Gunanusa Utama		PT Eastern Jason		KVC Co., Ltd	
	Fabricators					
	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
	(Restated)					
Proportion of the Group's ownership	20.66%	20.66%	30%	30%	50%	50%
Group's share of net assets based on proportion of ownership interest	1,989	1,797	2,110	1,781	729	890
Other adjustment	(1,989)	(1,797)	(66)	–	–	–
Carrying amount of investment	–	–	2,044	1,781	729	890

Aggregate information about the Group's investments in associates that are not individually material are as follows:

	2015	2014
	\$'000	\$'000
Loss after tax	(15)	(11)
Other comprehensive income	6	6
Total comprehensive loss	(9)	(5)

These associates are measured using the equity method. The activities of the associates are strategic to the Group.

An impairment loss of \$136,000 (2014: \$3,626,000) has been recognised by the Company for the financial year ended 31 December 2015 in its investment in an associate to write down its investment in the associate to its recoverable amount of \$732,000 (2014: \$Nil).

The estimates of the recoverable amount of the investments have been determined by management based on the net assets value of the associates as at 31 December 2015, which approximates the recoverable amount of the investment in the associates.

When the Group's share of losses exceeds the carrying amount of the investment in an associate, the investment is reported at \$Nil and recognition of losses is discontinued except where the Group is obligated in respect of these losses.

NOTES TO THE FINANCIAL STATEMENTS

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6. INVESTMENT IN ASSOCIATES (CONTINUED)

The Group's share of unrecognised losses during the year and cumulatively were \$2,000 (2014: \$2,000) and \$92,000 (2014: \$90,000) respectively. The movement of the Group's cumulative share of unrecognised losses arose from current year loss incurred by Sapex International Pte. Ltd. and PT Indoenergi Perkasa. The Group has no obligation in respect of these losses.

7. INTANGIBLE ASSETS

Group	Goodwill \$'000	Deferred development costs \$'000	Total \$'000
Cost			
At 1 January 2014	1,044	256	1,300
Exchange differences	–	(4)	(4)
At 31 December 2014 and 1 January 2015	1,044	252	1,296
Addition	–	1,362	1,362
Disposal	–	(251)	(251)
Exchange differences	–	5	5
At 31 December 2015	1,044	1,368	2,412
Accumulated amortisation and impairment loss			
At 1 January 2014	1,044	255	1,299
Exchange differences	–	(4)	(4)
At 31 December 2014 and 1 January 2015	1,044	251	1,295
Disposal	–	(251)	(251)
Exchange differences	–	4	4
At 31 December 2015	1,044	4	1,048
Net carrying amount:			
At 31 December 2014	–	1	1
At 31 December 2015	–	1,364	1,364

Deferred development costs

Deferred development costs relate to testing and design development projects/prototypes.

Impairment testing of goodwill

Goodwill arising from business combinations has been allocated to Manufacturing/Design/Research and Development segment, a single cash-generating unit ("CGU"), which is also a reportable operating segment. The carrying amount of goodwill has been fully impaired to its recoverable amount of \$Nil.

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8. OTHER INVESTMENTS

	Group	
	2015 \$'000	2014 \$'000
<i>Available-for-sale financial assets</i>		
Investment in partnership, at cost (unquoted)	20	20
Unquoted equity shares, at cost	-	-
	<u>20</u>	<u>20</u>

The Group has a 20% (2014: 20%) equity interest in a partnership entity that is held through a subsidiary. This partnership is set-up in Brunei Darussalam and is principally engaged in the supply of valves, fitting and instruments.

Unquoted equity shares represent interest in companies in the People's Republic of China which are engaged in investment holding and procurement and construction projects and provision of wastewater treatment services. The investment is carried at cost less accumulated impairment losses.

9. OTHER RECEIVABLES (NON-CURRENT)

	Group	
	2015 \$'000	2014 \$'000
Deposits	68	64
Others	-	1
	<u>68</u>	<u>65</u>

10. FINANCIAL RECEIVABLE

	Group	
	2015 \$'000	2014 \$'000
Non-current		
Financial receivable	860	2,037
Current		
Financial receivable	1,267	708
	<u>2,127</u>	<u>2,745</u>

NOTES TO THE FINANCIAL STATEMENTS

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10. FINANCIAL RECEIVABLE (CONTINUED)

Financial receivable is stated after impairment of allowance of \$3,721,000 (2014: \$3,676,000).

	Group	
	2015 \$'000	2014 \$'000
Movement of allowance account:		
At 1 January	3,676	3,544
Exchange differences	45	132
At 31 December	<u>3,721</u>	<u>3,676</u>

The Group has entered into service concession arrangement as discussed below:

Federal Water (Chengdu) Co., Ltd.

The Group entered into a service concession arrangement with the local government of Xinjin for the construction of water treatment facility and provision of raw water and industrial tap water services over a concession period of 30 years (from year 2009 till year 2039) via its 58.5% owned subsidiary Federal Water (Chengdu) Co., Ltd., incorporated in the PRC. Based on the concession agreement, the Group is entitled to receive fixed minimum guaranteed fees during the concession period. Such concession arrangement falls within the scope of INT FRS 112 and the Group has accordingly recognised a financial receivable as the Group has a right to receive a fixed and determinable amount of payments during the concession period irrespective of the utilisation of the water treatment facility. The financial receivable is carried at \$2,127,000 (2014: \$2,745,000) on the balance sheet as at 31 December 2015.

Key assumptions applied in deriving the carrying value of financial receivable are as follows:

- A discount rate ranging from 8% (2014: 8%) has been applied to the cash flow projections. The discount rate was pre-tax and reflected specific risks relating to the industry.
- The projected water volume for each service concession arrangement was based on historical production trend, over the concession period.
- The projected fee for sales of water was based on the higher of minimum guaranteed sum or actual treatment volume multiplied by the unit rate, according to the signed service concession arrangement.

NOTES TO THE FINANCIAL STATEMENTS

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11. DEFERRED TAX

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
At 1 January	(2,441)	(1,127)	22	19
Movement in temporary differences:				
Recognised directly in profit or loss	131	(914)	-	3
Recognised directly in other comprehensive income (Note 33)	-	(401)	-	-
Exchange differences	17	1	-	-
At 31 December	(2,293)	(2,441)	22	22

Deferred tax as at 31 December relates to the following:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<i>Deferred tax liabilities</i>				
Differences in depreciation for tax purposes	39	3	1	1
Revaluations to fair value of leasehold land, freehold and leasehold buildings	2,532	2,532	-	-
	2,571	2,535	1	1
<i>Deferred tax assets</i>				
Provisions	248	51	23	23
Other items	30	43	-	-
	278	94	23	23

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

11. DEFERRED TAX (CONTINUED)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the balance sheet as follows:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Deferred tax liabilities	(2,566)	(2,531)	-	-
Deferred tax assets	273	90	22	22

Unrecognised tax losses

At the end of the financial year, the Group has unabsorbed tax losses of approximately \$24,871,000 (2014: \$20,952,000) that are available for offset against future taxable profits of the subsidiaries in which the losses arose for which no deferred tax assets is recognised due to uncertainty of their recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

The income tax benefits from the unabsorbed tax losses carried forward is available for an unlimited period subject to the conditions imposed by law, except for unabsorbed tax losses of \$2,700,800 (2014: \$577,800) which will expire progressively over the next 5 years up till 2020, subject to the conditions imposed by the Indonesian tax authorities.

At the end of the financial year, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is \$3,796,000 (2014: \$1,648,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

12. ASSET UNDER CONSTRUCTION

The asset under construction was a vessel, Federal II which has been reclassified from property, plant and equipment as at the end of financial year ended 31 December 2013 in view that the sale of the vessel will be completed within 12 months after the end of the financial year.

The legal sale of the vessel was completed on 19 August 2014 and the Group has recognised loss on disposal of the vessel of \$26,029,000 in the profit or loss under the line item "Other operating expenses" (Note 36). As at 31 December 2015, the Group recorded a provision of \$585,000 (2014: \$2,532,000) for the offshore commissioning work of the vessel in the balance sheet under the line item "Provisions" (Note 19).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

13. INVENTORIES

	Group	
	2015	2014
	\$'000	\$'000
Balance Sheet:		
Trading stocks	15,130	21,497
Goods-in-transit	1,232	3,588
Work-in-progress	1,158	1,083
Raw materials	241	237
	<u>17,761</u>	<u>26,405</u>
Income statement:		
Inventories recognised as an expense in cost of sales	85,065	104,094
Inclusive of following charge/(credit):		
Charge for the financial year	436	877
Reversal of write-down of inventories	<u>(33)</u>	<u>(6)</u>

The Group has subjected trading stocks amounting to \$12,194,000 (2014: \$15,460,000) to a floating charge as security for trust receipts and inventory financing loans (Note 25 and Note 26).

In 2015, the Group had recognised a reversal of \$33,000 (2014: \$6,000) being part of an inventory write down in previous year, as inventories were sold above the carrying amounts in 2015. The reversal was included in other operating expenses.

14. TRADE RECEIVABLES (CURRENT)

	Group	
	2015	2014
	\$'000	\$'000
Trade receivables		
– Third parties	30,540	50,779
Less: Allowance for impairment	<u>(20,139)</u>	<u>(18,961)</u>
Trade receivables, net	<u>10,401</u>	<u>31,818</u>

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

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14. TRADE RECEIVABLES (CURRENT) (CONTINUED)

Receivables that are past due but not impaired

The Group has trade receivables amounting to \$2,721,000 (2014: \$9,139,000) that are past due at the end of the financial year but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the financial year is as follows:

	Group	
	2015 \$'000	2014 \$'000
Trade receivables past due:		
Less than 30 days	929	2,822
30 to 60 days	903	1,194
61 to 90 days	219	3,442
More than 90 days	670	1,681
	<u>2,721</u>	<u>9,139</u>

Receivables that are impaired

The Group's trade receivables that are impaired at the end of the financial year and the movement of the allowance accounts used to record the impairment are as follows:

	Group	
	Individually impaired	
	2015 \$'000	2014 \$'000
Trade receivables – nominal amounts	20,139	19,018
Less: Allowance for impairment	<u>(20,139)</u>	<u>(18,961)</u>
	–	57
Movement in allowance account:		
At 1 January	18,961	20,767
Charge for the financial year	62	76
Written off	(69)	(647)
Written back	(28)	(1,967)
Exchange differences	1,213	732
At 31 December	<u>20,139</u>	<u>18,961</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

14. TRADE RECEIVABLES (CURRENT) (CONTINUED)

Receivables that are impaired (Continued)

Included in the Group's trade receivables is a debtor with a gross carrying value of \$9,335,000 (2014: \$8,737,000) which are past due at the end of the financial year for which the Group has recognised cumulative allowance for doubtful receivables of \$9,335,000 (2014: \$8,737,000), despite this trade receivable being secured by the personal guarantee provided by the shareholder of the debtor and corporate guarantee provided by a related company of the debtor.

In 2014, the Group has recovered an amount of \$1,685,000 from the debtor. Accordingly, the Group has made reversal of allowance for doubtful receivables up to the amount recovered.

	Group	
	2015	2014
	\$'000	\$'000
Bad debts directly written off to profit or loss	<u>38</u>	<u>-</u>

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

15. OTHER RECEIVABLES (CURRENT)

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Recoverables	<u>1,650</u>	1,817	<u>4</u>	8
Balance of consideration for disposal of a subsidiary and related assets	<u>1,061</u>	1,985	<u>-</u>	-
Other receivables	<u>250</u>	455	<u>1</u>	1
	<u>2,961</u>	<u>4,257</u>	<u>5</u>	<u>9</u>

Sundry debtors are unsecured and non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

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15. OTHER RECEIVABLES (CURRENT) (CONTINUED)

Other receivables that are impaired

	Group	
	2015 \$'000	2014 \$'000
Other receivables – nominal amounts	9,274	10,012
Less: Allowance for impairment	(8,213)	(8,027)
	1,061	1,985
Movements in allowance account:		
At 1 January	8,027	7,895
Charge for the financial year	3	1
Exchange differences	183	131
At 31 December	8,213	8,027
Bad debts directly written off to profit or loss	–	2

Other receivables that are individually determined to be impaired at the end of the financial year relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

16. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2015 \$'000	2014 \$'000
<i>Non-current</i>		
Non-trade	10,912	–
Allowance for impairment	(6,057)	–
	4,855	–
<i>Current</i>		
Trade	1,130	3,371
Non-trade	5,756	11,856
	6,886	15,227
Allowance for impairment	(2,144)	(8,661)
	4,742	6,566
Dividend receivable	1,000	–
	5,742	6,566

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

16. AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)

The trade balances and transactions mainly relate to management fees while the non-trade balances and transactions mainly relate to loans, interest on loans and payments made on behalf of the subsidiaries.

Non-trade amounts due from subsidiaries are unsecured, interest-free and expected to be settled in cash and inter-company settlement within the next twelve months for the current portion.

At the end of the financial year, the Company has provided an allowance of \$8,201,000 (2014: \$8,661,000) for impairment of unsecured loans to subsidiaries with a nominal amount of \$17,236,641 (2014: \$13,020,000).

	Company	
	2015	2014
	\$'000	\$'000
Movement in allowance account:		
At 1 January	8,661	2,480
Charge for the financial year	535	6,395
Written back	(1,279)	(131)
Exchange differences	284	(83)
At 31 December	8,201	8,661

Amounts due from subsidiaries are denominated in the following currencies:

	Company	
	2015	2014
	\$'000	\$'000
Singapore Dollar	4,457	5,701
United States Dollar	5,140	725
Great Britain Pound	-	140
At 31 December	9,597	6,566

NOTES TO THE FINANCIAL STATEMENTS

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17. AMOUNT DUE FROM AN ASSOCIATE AMOUNTS DUE FROM ASSOCIATES

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
<i>Non-current</i>				
Non-trade	<u>4,855</u>	<u>–</u>	<u>–</u>	<u>–</u>
<i>Current</i>				
Trade	<u>3,784</u>	<u>105</u>	<u>–</u>	<u>–</u>
Non-trade	<u>10,717</u>	<u>4,071</u>	<u>81</u>	<u>24</u>
	<u>14,501</u>	<u>4,176</u>	<u>81</u>	<u>24</u>

Amounts due from associates are interest-free, unsecured and expected to be settled in cash and inter-company settlement within the next twelve months. The non-trade balances and transactions mainly relate to loans and payments made on behalf of the associates.

Amounts due from associates that are impaired

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Amounts due from associates				
– nominal amounts	<u>485</u>	<u>459</u>	<u>58</u>	<u>55</u>
Less: Allowance for impairment	<u>(482)</u>	<u>(456)</u>	<u>(58)</u>	<u>(55)</u>
	<u>3</u>	<u>3</u>	<u>–</u>	<u>–</u>
Movement in allowance account:				
At 1 January	<u>456</u>	<u>401</u>	<u>55</u>	<u>14</u>
Charge for the financial year	<u>–</u>	<u>39</u>	<u>–</u>	<u>39</u>
Exchange differences	<u>26</u>	<u>16</u>	<u>3</u>	<u>2</u>
At 31 December	<u>482</u>	<u>456</u>	<u>58</u>	<u>55</u>

NOTES TO THE FINANCIAL STATEMENTS

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18. AMOUNT DUE FROM A RELATED PARTY

The related party refers to a non-controlling interest of a subsidiary.

Non-current

Amount due from a related party is unsecured, interest-free and has no repayment terms and is repayable when cash flow of the related party permits.

Current

Amount due from a related party was unsecured, interest-free and expected to be settled in cash within the next twelve months.

19. PROVISIONS TRADE AND OTHER PAYABLES

Provisions

	Group	
	2015	2014
	\$'000	\$'000
		(Restated)
Provision for performance guarantee and probable penalty for late delivery of a vessel	4,469	4,180
Provision for commissioning work of a vessel (Note 12)	585	2,532
	5,054	6,712

Movements in provision for performance guarantee and probable penalty for the late delivery of a vessel are as follows:

	Group	
	2015	2014
	\$'000	\$'000
At 1 January	4,180	4,384
Exchange differences	289	(204)
At 31 December	4,469	4,180

NOTES TO THE FINANCIAL STATEMENTS

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19. PROVISIONS

TRADE AND OTHER PAYABLES (CONTINUED)

Provisions (Continued)

Movements in provision for commissioning work of vessel are follows:

	Group	
	2015 \$'000	2014 \$'000
At 1 January	2,532	–
Provided during the financial year	–	2,532
Unused amounts reversed during the year	(1,930)	–
Utilised during the financial year	(138)	–
Exchange differences	121	–
At 31 December	<u>585</u>	<u>2,532</u>

Trade payables

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

Other payables

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Accruals	13,041	18,752	1,312	514
Social security tax payable and welfare expense payable	76	77	–	–
Sundry creditors	982	781	149	164
Accrual for foreign tax liabilities	305	1,100	–	–
Partial proceeds for disposal of an associate (Note 6)	871	1,382	871	1,382
	<u>15,275</u>	<u>22,092</u>	<u>2,332</u>	<u>2,060</u>

Other payables are non-interest bearing and normally settled on 30 – 90 days' terms.

NOTES TO THE FINANCIAL STATEMENTS

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20. GROSS AMOUNT DUE FROM/(DUE TO) CUSTOMER FOR CONSTRUCTION WORK-IN-PROGRESS

	Group	
	2015 \$'000	2014 \$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	1,693	686
Less: Progress billings	(1,687)	(415)
	<u>6</u>	<u>271</u>
Gross amount due from customer for contract work	10	298
Gross amount due to customer for contract work	(4)	(27)
	<u>6</u>	<u>271</u>

21. ADVANCE PAYMENT FROM AN ASSOCIATE

The advance payment from an associate relates to advance for trade purchases.

22. AMOUNTS DUE TO SUBSIDIARIES

Non-current

The amount is non-trade related, unsecured, interest-free and repayment of this amount is neither planned nor likely to occur in the foreseeable future.

Current

Amounts due to subsidiaries are unsecured and interest-free.

The non-trade balance mainly relates to payments made on behalf of the Company by the subsidiaries.

Amounts due to subsidiaries are denominated in the following currencies:

	Company	
	2015 \$'000	2014 \$'000
Singapore Dollar	740	504
United States Dollar	11,914	9,930
At 31 December	<u>12,654</u>	<u>10,434</u>

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23. AMOUNTS DUE TO ASSOCIATES

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade	12	19	-	-
Non-trade	7	822	7	822
	19	841	7	822

The non-trade balances are unsecured, interest-free and expected to be settled in cash within the next twelve months.

24. AMOUNT DUE TO A RELATED PARTY

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Loan from a director of certain subsidiaries	2,166	2,101	-	-

Amount due to a related party is unsecured, interest-free, and expected to be settled in cash within the next twelve months.

25. AMOUNTS DUE TO BANKERS

	Group	
	2015 \$'000	2014 \$'000
Bank overdrafts, secured	975	1,493
Trust receipts, secured	4,806	28,189
	5,781	29,682

Bank overdrafts bear interest at 2.27% – 2.75% (2014: 2.27% – 6.00%) per annum (“p.a.”) and are repayable on demand. Trust receipts bear interest at 1.26% – 3.38% (2014: 1.36% – 5.50%) p.a..

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25. AMOUNTS DUE TO BANKERS (CONTINUED)

Amounts due to bankers are denominated in the following currencies:

	Group	
	2015 \$'000	2014 \$'000
Singapore Dollar	445	1,534
United States Dollar	3,558	16,073
Japanese Yen	–	9,179
Euro	554	1,808
Great Britain Pound	1,224	1,088
At 31 December	<u>5,781</u>	<u>29,682</u>

Securities

Bank overdrafts and trust receipts of certain subsidiaries are secured by legal mortgages on the Group's freehold/leasehold land and buildings and inventories (Note 4 and Note 13).

26. TERM LOANS

	Group	
	2015 \$'000	2014 \$'000
Amounts repayable within one year		
– secured	6,180	11,305
– unsecured	806	4
	<u>6,986</u>	<u>11,309</u>
Amounts repayable after one year but not more than five years		
– secured	–	272
Total term loans	<u>6,986</u>	<u>11,581</u>

The Group obtained term loans and other credit facilities from various financial institutions. Among others, one of the financial institutions, in its financial covenants requirements, sets a threshold of \$60,000,000 (2014: \$60,000,000) of minimum consolidated total net worth (defined as paid-up capital and accumulated losses/capital reserves/revaluation reserves/accumulated profits/retained earnings) for the Group.

NOTES TO THE FINANCIAL STATEMENTS

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26. TERM LOANS (CONTINUED)

In addition to the basic loan terms and specific clauses defining default events, certain term loans with amount \$3,031,000 (2014: \$3,482,000) also include an overriding repayment on demand clause which gives the lender the right to demand repayment at any time at their sole discretion irrespective of whether a default event has occurred. In financial year ended 2015, these loans are schedules for repayment within twelve months have been classified as current based on the guidance on classification of callable term loan issued by the Institute of Singapore Chartered Accountants.

(a) *SGD bank loan at bank's cost of funds + variable rates*

Loan of \$2,000,000 (2014: \$3,000,000) is secured by a legal mortgage on the Group's freehold land and buildings (Note 4), on one of the Group's leasehold building (Note 4) and a corporate guarantee provided by the Company (Note 42) and is repayable within one month to four months. This loan bears interest at 3.45% (2014: 2.44%) p.a..

(b) *SGD bank loan at bank's cost of fund + variable rates*

Prior year loan of \$3,099,000 was secured by a legal mortgage on the Group's freehold land and buildings (Note 4), on one of the Group's leasehold building (Note 4) and a corporate guarantee provided by the Company (Note 42). The loan has been repaid during the year.

(c) *SGD bank loan at prime rate + 0.5% p.a.*

Prior year loan of \$100,000 was secured by a first mortgage over one of the Group's leasehold land and buildings (Note 4) and a corporate guarantee provided by the Company (Note 42). The loan has been repaid during the year.

(d) *SGD bank loan at bank's Enterprise Financing rate minus 0.5% p.a.*

Loan of \$270,000 (2014: \$534,000) is secured by a first mortgage over one of the Group's leasehold land and building (Note 4) and corporate guarantee provided by the Company (Note 42). Repayment of this loan is in an arrangement of monthly installments beginning from February 2007 to December 2016. This loan bears interest at 5.0% (2014: 4.5%) p.a..

(e) *RMB bank loan at 130% p.a. of the China Central Bank base interest rate*

Loan of \$2,225,000 (RMB10,208,000) (2014: \$1,872,000 (RMB8,694,000)) is secured by a Standby Letter of Credit issued by a financial institution, guaranteed by the Company and a related company and is repayable from January through June 2016 (2014: January through June 2015). This loan bears interest at 5.66% (2014: 7.28%) p.a..

NOTES TO THE FINANCIAL STATEMENTS

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26. TERM LOANS (CONTINUED)

- (e) *RMB bank loan at 130% p.a. of the China Central Bank base interest rate (Continued)*

The loan contains a covenant stating that the interest coverage ratio of the subsidiary taking the loan shall not be less than 120%, otherwise the loan will be repayable on demand. Although this covenant was breached as of 31 December 2015, management has obtained a waiver from the bank and the loan was not payable on demand at 31 December 2015.

- (f) *GBP bank loan at Bank of England base rate + 1.75% p.a.*

Loan of \$1,092,000 (£521,000) (2014: \$1,189,000 (£579,000)) is secured by a Standby Letter of Credit issued by a financial institution, guaranteed by the Company and a related company and is repayable in monthly installments commencing from June 2008 through May 2023.

- (g) *GBP bank loan at Bank of England base rate + 1.75% p.a.*

Loan of \$399,000 (£190,000) (2014: \$476,000 (£231,000)) is secured by a Standby Letter of Credit issued by a financial institution, guaranteed by the Company and a related company and is repayable in monthly installments commencing from December 2011 through September 2020.

- (h) *GBP bank loan at Bank of England base rate + 1.75% p.a.*

Loan of \$194,000 (£92,000) (2014: \$231,000 (£112,000)) is secured by a Standby Letter of Credit issued by a financial institution, guaranteed by the Company and a related company and is repayable in monthly installments commencing from December 2011 through September 2020.

- (i) *11% p.a. fixed rate IDR loan*

Prior year loan of \$4,000 (IDR36,958,000) was unsecured and has been repaid during the year.

- (j) *6.90% p.a. fixed rate RMB loan*

Prior year loan of \$1,076,000 (RMB5,000,000) was secured by a fixed deposit of \$161,000 (RMB750,000) and was secured by a corporate guarantee provided by Federal Environmental Engineering (Shanghai) Co., Ltd.. The loan has been repaid during the year.

- (k) *9.85% p.a. fixed rate RMB loan*

Loan of \$806,000 (RMB3,700,000) is secured by a personal guarantee from a key management personnel and is repayable from July 2015 through July 2016. This loan bears interest at 9.85% p.a..

NOTES TO THE FINANCIAL STATEMENTS

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26. TERM LOANS (CONTINUED)

(k) 9.85% p.a. fixed rate RMB loan (Continued)

The loan contains a covenant stating that the ratio of total debt over total assets of the subsidiary taking the loan shall not be more than 65%, otherwise the loan will be repayable on demand. Although this covenant was breached as of 31 December 2015, management has obtained a waiver from the bank and the loan was not payable on demand at 31 December 2015.

27. HIRE PURCHASE CREDITORS

The effective interest rate of these leases in year ended 2014 was 4.2% per annum.

Group	Minimum payments	Present value of payments
	2014 \$'000	2014 \$'000
Within one year	37	37
Total minimum lease payments	37	37
Less: amounts representing finance charges	-	-
Present value of minimum payments	37	37

The carrying amount of property, plant and equipment held under finance leases at the end of the financial year 2014 was \$69,000 (Note 4).

28. ADVANCE PAYMENT TO SUPPLIERS

Amounts that are impaired:

	Group	
	2015 \$'000	2014 \$'000
Advance payment to suppliers – nominal amounts	2,718	2,535
Less: Allowance for impairment	(2,709)	(2,535)
	9	-

Movement in allowance account:

At 1 January	2,535	2,420
Charge for the financial year	-	10
Exchange differences	174	105
At 31 December	2,709	2,535

NOTES TO THE FINANCIAL STATEMENTS

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29. DERIVATIVES

	Group			
	2015		2014	
	Contract/ Nominal amount \$'000	Fair value liability \$'000	Contract/ Nominal amount \$'000	Fair value liability \$'000
<i>Non-hedging instrument</i>				
Forward currency contracts	-	-	7,149	753

The forward currency contracts were used to hedge foreign currency risk arising from the Group's purchases denominated in JPY for which trust receipts have been entered into to pay these purchases. These forward currency contracts had been settled during the year.

Loss in the fair value of non-hedging forward contract amounting to \$84,000 (2014: \$753,000) has been charged to profit or loss for the year.

30. SHARE CAPITAL

	Group and Company			
	2015		2014	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Issued and fully paid ordinary shares				
At 1 January	1,407,675	144,099	1,407,675	144,099
Share consolidation	(1,266,908)	-	-	-
At 31 December	140,767	144,099	1,407,675	144,099

On 18 August 2015, the Company effected and completed its share consolidation exercise by consolidating every ten existing issued ordinary shares of the Company into one ordinary share.

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

NOTES TO THE FINANCIAL STATEMENTS

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31. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2015 \$'000	2014 \$'000 (Restated)
At 1 January	(4,411)	(4,396)
Net effect of exchange differences arising from translation of financial statements of foreign operations	(1,395)	(15)
At 31 December	<u>(5,806)</u>	<u>(4,411)</u>

32. CAPITAL RESERVE

The capital reserve relates mainly to an adjustment for changes in an associate's equity arising from capital enlargement in 2006.

33. REVALUATION RESERVE

The revaluation reserve represents increases in the fair value of freehold and leasehold land and buildings, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

	Group	
	2015 \$'000	2014 \$'000 (Restated)
At 1 January	25,023	15,790
Surplus on revaluation of freehold/leasehold land and buildings	-	9,634
Deferred tax liabilities on revaluation surplus of leasehold land, freehold and leasehold buildings	-	(401)
At 31 December	<u>25,023</u>	<u>25,023</u>

NOTES TO THE FINANCIAL STATEMENTS

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34. OTHER RESERVES

	Group	
	2015 \$'000	2014 \$'000
Statutory reserve fund	(247)	(246)
Premium paid on acquisition of non-controlling interests	1,223	1,223
Share of other reserve of an associate	1	(1)
	977	976

Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the PRC, the subsidiary is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

Premium paid on acquisition of non-controlling interests

This represents the differences between consideration paid and the carrying value of the additional interest acquired from non-controlling interests without a change in control.

35. REVENUE

	Group	
	2015 \$'000	2014 \$'000
Sale of products and installation services	128,298	130,934
Rental income from land rig	-	368
Management fee income	407	328
	128,705	131,630

NOTES TO THE FINANCIAL STATEMENTS

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36. PROFIT/(LOSS) BEFORE TAX

	Group	
	2015 \$'000	2014 \$'000
Other income		
Commission and agency fee income	–	13
Foreign exchange gain	1,132	1,633
Gain on disposal of assets held for sale	–	3,581
Implicit interest income	2	177
Interest on income from banks and fixed deposits	105	21
Interest on trade overdues	19	31
Interest income from a related party (Note 6)	511	–
Share of profits from partnership	–	143
Sundry income	728	825
	2,497	6,424
Selling and distribution costs		
Depreciation of property, plant and equipment	58	95
Staff costs (including directors)		
– salaries and other emoluments	4,217	4,133
– defined pension contributions	451	425
Write back of provision for marketing expense	–	(3,725)
Administrative and general costs		
Depreciation of property, plant and equipment	2,058	1,843
Staff costs (including directors)		
– salaries and other emoluments	5,200	4,075
– defined pension contributions	353	293
Audit fees		
– auditor of the Company	275	287
– other auditors	59	84
Non-audit fees		
– auditor of the Company	24	24
– other auditors	42	40
Reversal of overseas value added and withholding taxes	(871)	(1,188)
Rental expense	852	561

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

36. PROFIT/(LOSS) BEFORE TAX (CONTINUED)

	Group	
	2015 \$'000	2014 \$'000
Other operating (income)/expenses		
Allowance for slow moving inventories	436	877
Bad debts written off	38	2
Impairment loss on doubtful receivables	65	126
Impairment loss on investment in associates	–	2,574
Inventories written off	130	4
Loss on disposal of asset under construction	–	26,029
Loss on disposal of slow moving inventories	1,032	–
Fair value loss on derivatives	84	753
Other expenses	994	288
Reversal of accruals and provisions for vessel disposed off in 2014	(2,416)	–
Write back of allowance for slow moving inventories	(33)	(6)
Write back of impairment loss on doubtful receivables	(28)	(2,799)
Write back of impairment loss on work-in-progress	–	(667)
Write off of amount due to an associate	(762)	–
	<u>(460)</u>	<u>27,181</u>
Finance costs		
Bank overdrafts	84	81
Hire purchase	5	7
Term loans	412	1,580
Trust receipts	292	499
	<u>793</u>	<u>2,167</u>

37. EMPLOYEE BENEFITS

The breakdown of employee benefits expense (including directors) is as follows:

	Group	
	2015 \$'000	2014 \$'000
Salaries and bonuses	9,417	8,208
Employer's contribution to defined contribution plans including Central Provident Fund	804	718
	<u>10,221</u>	<u>8,926</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

38. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 December 2015 and 2014 are:

	Group	
	2015	2014
	\$'000	\$'000
Statement of comprehensive income		
Current income tax		
– Current income taxation	3,471	614
– (Over)/under provision in respect of previous years	(1,500)	721
	<u>1,971</u>	<u>1,335</u>
Deferred income tax		
– Origination and reversal of temporary differences	(131)	931
– Over provision in respect of previous years	–	(17)
	<u>(131)</u>	<u>914</u>
Income tax expense recognised in profit or loss	<u>1,840</u>	<u>2,249</u>

Tax expense relating to each component of other comprehensive income is as follows:

	← 2015 →			← 2014 →		
	Before tax \$'000	Tax charge \$'000	After tax \$'000	Before tax \$'000	Tax charge \$'000	After tax \$'000
Group						
Revaluation adjustment on leasehold land, freehold and leasehold buildings	–	–	–	2,907	(401)	2,506

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

38. INCOME TAX EXPENSE (CONTINUED)

Relationship between tax expense and accounting profit/(loss)

A reconciliation between tax expense and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 is as follows:

	Group	
	2015 %	2014 %
Tax at the domestic rates applicable to profits in the countries where the Group operates	15.9	(18.0)
Adjustments:		
Non-deductible expenses	5.9	30.9
Income not subject to taxation	(3.8)	(9.2)
Benefits from previously unrecognised deferred tax assets	(3.7)	(2.3)
Deferred tax assets not recognised	2.5	0.8
Effect of partial tax exemption	(1.7)	(0.4)
(Over)/under provision in respect of previous years	(6.5)	3.7
Share of result of associates	0.1	5.2
Others	(0.7)	1.0
	8.0	11.7

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

The corporate tax rates applicable to companies incorporated in Singapore and foreign subsidiaries of the Group are 17% (2014: 17%) and from 20% to 25% (2014: 21% to 25%) respectively for the year of assessment 2016 onwards.

39. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing profit/(loss) net of tax attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

On 18 August 2015, the Company effected and completed its share consolidation exercise by consolidating every ten existing issued ordinary shares of the Company into one ordinary share.

The weighted average number of shares used for the calculation of loss per share for the comparative period had been adjusted for the effects of the share consolidation.

As at 31 December 2015 and 2014, diluted earnings/(loss) per share is similar to basic earnings/(loss) per share as there were no dilutive potential ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS

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39. EARNINGS/(LOSS) PER SHARE (CONTINUED)

The following tables reflect the profit/(loss) and share data used in the computation of basic and diluted earnings/(loss) per share for the financial year ended 31 December:

	Group	
	2015 \$'000	2014 \$'000 (Restated)
Profit/(loss) net of tax attributable to owners of the Company used in the computation of earnings/(loss) per share	<u>20,563</u>	<u>(27,438)</u>
	2015 No. of shares '000	2014 No. of shares '000 (Restated)
Weighted average number of ordinary shares for earnings/(loss) per share computation	<u>140,767</u>	<u>140,767</u>

40. CASH AND CASH EQUIVALENTS

Cash and bank balances and fixed bank deposits earn interest at floating rates based on daily bank deposit rates. Fixed deposits are placed with banks and mature within 1 month to 12 months from the balance sheet date and earn interests at the respective short-term deposit rates.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the end of the financial year.

	Group	
	2015 \$'000	2014 \$'000 (Restated)
Cash and bank balances and fixed and bank deposits	<u>20,537</u>	19,557
Cash margin deposit (pledged)	<u>(3,269)</u>	(3,058)
Deposits (pledged)	<u>(1,417)</u>	(2,149)
Cash and cash equivalents	<u>15,851</u>	<u>14,350</u>

The deposits are pledged for banking facilities granted to certain subsidiaries of the Group.

41. DIVIDENDS

The directors have proposed a final tax exempt dividend for 2015 of 1.5 cents per share of approximately \$2,112,000. These financial statements do not reflect these dividends payable, which if approved at the Annual General Meeting of the Company, will be accounted for in the shareholders' equity as an appropriation of accumulated profits in the financial year ending 31 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

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42. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – lessee

The Group leases certain plant and equipment under lease agreements that are non-cancellable within a year. These leases have an average life of between 1 to 30 years with no escalation clauses included in the contracts. Certain leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Certain leases contain renewal options. There were no contingent rent provisions included in contracts. There are no restrictions placed upon the Group by entering into these leases.

Operating lease expenses incurred for the current financial year amounted to approximately \$1,001,000 (2014: \$710,000).

Future minimum lease payments for all non-cancellable leases at the end of the financial year are as follows:

	Group	
	2015	2014
	\$'000	\$'000
Not later than one year	767	639
Later than one year but not later than five years	1,599	1,661
Later than five years	6,964	7,194
	9,330	9,494

Contingent liability

Guarantees

The Company has provided corporate guarantees of \$6.8 million (2014: \$32.8 million) to financial institutions in relation to certain subsidiaries' bank facilities. Based on the expectations at the end of the financial year, the Company consider that it is not likely that any amount will be payable. The directors have assessed the fair value of these financial guarantees to have no material financial impact on the results of the Group and Company for the years ended 31 December 2015 and 31 December 2014.

Capital commitments

Capital expenditure contracted for as at the end of the financial year but not recognised in the financial statements in respect of intangible assets is \$683,846 (2014: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS

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43. FAIR VALUE OF ASSETS AND LIABILITIES

(A) Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – 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); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

(B) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets measured at fair value at the balance sheet date:

	Group 2015			Total \$'000
	Fair value measurements at the balance sheet date			
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	
Recurring fair value measurements				
Non-financial assets				
<u>Property, plant and equipment</u>				
Freehold land	–	–	9,200	9,200
Freehold buildings	–	–	2,182	2,182
Leasehold land and buildings	–	–	14,793	14,793
Total property, plant and equipment	–	–	26,175	26,175

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

43. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

B) *Assets and liabilities measured at fair value (Continued)*

	Group 2014			Total \$'000	
	Fair value measurements at the balance sheet date				
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000		
	\$'000	\$'000	\$'000		\$'000
Recurring fair value measurements					
Non-financial assets					
<u>Property, plant and equipment</u>					
Freehold land	–	–	9,200	9,200	
Freehold buildings	–	–	2,300	2,300	
Leasehold land and buildings	–	–	15,500	15,500	
Total property, plant and equipment	–	–	27,000	27,000	
Liabilities measured at fair value					
Financial liabilities					
<u>Derivatives</u>					
Forward currency contracts	–	753	–	753	

Level 2 fair value measurements

Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The model incorporates various inputs including the foreign exchange spot and forward rates.

Level 3 fair value measurements

Freehold/leasehold land and buildings

The fair values of the Group's freehold/leasehold land and buildings were determined based on the properties' highest and best use by external and independent valuers using direct comparison with recent transactions of comparable properties within the vicinity at 31 December 2015.

The fair value of the freehold/leasehold land and buildings at 31 December 2015 approximates their carrying values.

NOTES TO THE FINANCIAL STATEMENTS

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43. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

B) *Assets and liabilities measured at fair value* (Continued)

Level 3 fair value measurements (Continued)

Freehold/leasehold land and buildings (Continued)

Based on comparison approach, direct comparison was made to recent transactions of comparable properties within the vicinity and elsewhere. Adjustments are made for differences in location, tenure, size, shape, design and layout, age and condition of buildings, dates of transactions and the prevailing market conditions amongst other factors affecting its value. Any significant changes to the adjustments made to market value for differences in location or condition would result in higher or lower fair value measurement.

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

<u>Description</u>	<u>Fair value as at 31 December 2015 \$'000</u>	<u>Valuation technique</u>	<u>Significant unobservable input</u>	<u>Range</u>
Freehold land	9,200	Direct comparison method	Price per ⁽¹⁾ square foot	\$1,136 – \$1,345
Freehold buildings	2,182	Direct comparison method	Price per ⁽¹⁾ square foot	\$1,136 – \$1,345
Leasehold land and buildings	14,793	Direct comparison method	Price per ⁽¹⁾ square foot	\$85 – \$160

NOTES TO THE FINANCIAL STATEMENTS

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43. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(B) *Assets and liabilities measured at fair value* (Continued)

Description	Fair value as at 31 December 2014 \$'000	Valuation technique	Significant unobservable input	Range
Freehold land	9,200	Direct comparison method	Price per ⁽¹⁾ square foot	\$1,215 – \$1,463
Freehold buildings	2,300	Direct comparison method	Price per ⁽¹⁾ square foot	\$1,215 – \$1,463
Leasehold land and buildings	15,500	Direct comparison method	Price per ⁽¹⁾ square foot	\$88 – \$168

⁽¹⁾ Any significant isolated increases (decreases) in the inputs would result in a significantly higher (lower) fair value measurement.

(C) *Movements in Level 3 assets and liabilities measured at fair value*

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair value measurements:

	2015 Freehold/ leasehold land and buildings \$'000	2014 Freehold/ leasehold land and buildings \$'000
Balance at beginning of financial year	27,000	24,700
Surplus recognised in other comprehensive income	–	2,907
Elimination of accumulated depreciation on revaluation	–	(607)
Depreciation charge	(825)	–
	26,175	27,000
Total gains for the financial year included:		
<i>Other comprehensive income for the year, net of tax:</i>		
Revaluation adjustment on property, plant and equipment	–	2,506

NOTES TO THE FINANCIAL STATEMENTS

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43. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(D) Valuation process applied by the Group

For all significant financial reporting valuations using valuation models and significant unobservable input, it is the Group's policy to engage external valuation experts to perform the valuation. The management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance.

For valuation performed by external valuation experts, management reviews the appropriateness of the valuation methodologies and assumptions adopted, including the appropriateness and reliability of the inputs used in the valuations.

(E) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of financial assets and liabilities including current trade and other receivables and payables, provisions, cash and cash equivalents, financial receivable, amounts due to bankers, loans and borrowings (current), amounts due from/to subsidiaries/associates and a related party are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are repriced to market interest rates on or near the end of the financial year.

The carrying amount of floating rate loans approximate fair value as the loans are repriced within 1 to 6 months from the end of the financial year. The fair value determination is classified in Level 3 of the fair value hierarchy.

(F) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

Group	2015		2014	
	Carrying amount \$'000	Fair Value \$'000	Carrying amount \$'000	Fair Value \$'000
Financial assets:				
Investment in partnership, at cost	20	(a)	20	(a)
Amount due from a related party	6,564	(b)	6,141	(b)
Amount due from an associate	4,855	(c)	—	—

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

43. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(F) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value* (Continued)

Company	2015		2014	
	Carrying amount \$'000	Fair Value \$'000	Carrying amount \$'000	Fair Value \$'000
Financial assets:				
Loans to subsidiaries	11,704	(d)	11,806	(d)
Amount due from subsidiary	4,855	(c)	—	—
Financial liability:				
Amount due to a subsidiary	9,847	(e)	9,211	(e)

(a) Fair value information has not been disclosed for the Group's investment in equity instruments that are carried at cost because fair value cannot be measured reliably. The equity instrument represents ordinary shares in a Brunei partnership entity that is not quoted on any market and does not have any comparable industry peer that is listed. The Group does not intend to dispose of this investment in the foreseeable future.

(b) Fair value information has not been disclosed for the Group's amount due from a related party because fair value cannot be measured reliably. The amount has no repayment terms and is not expected to be repaid in the near future.

(c) Fair value information has not been disclosed for the Company's amount due from subsidiary and the Group's amount due from an associate because fair value cannot be measured reliably. The amount has no repayment terms and is not expected to be repaid in the near future.

(d) Fair value information has not been disclosed for the Company's loans to subsidiaries because fair value cannot be measured reliably. Management determined that the loans to subsidiaries are quasi-equity in nature which have no repayment terms and are repayable only when cash flows of the subsidiaries permit.

(e) Fair value information has not been disclosed for the Company's amount due to a subsidiary because fair value cannot be measured reliably. The amount has no repayment terms and is not expected to be repaid in the near future.

Intra-group financial guarantees

The value of financial guarantees provided by the Group and Company to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the banks with these guarantees made available, with the estimated rates that the banks would have charged had these guarantees not been available. The directors have assessed the fair value of these financial guarantees to have no material financial impact on the results and the accumulated losses of the Group and the Company for the financial years ended 31 December 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks comprise credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

The following sections provide details regarding the Group's and 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 exposure to these financial risks or the manner in which it manages and measures these risks.

(a) **Credit risk**

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables, amounts due from subsidiaries, associates and a related party, and financial receivable. For other financial assets (including other investments, fixed and bank deposits and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

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 to reduce the Group's exposure to bad debt. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the directors. Trade receivables are arranged to be settled via letters of credits issued by reputable banks in countries where the customers are based for first-time customers who wish to trade on credit terms in order to mitigate heightened credit risks arising from revenue growth strategies.

Exposure to credit risk

At the end of the financial year, the Group's and the Company's maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets; and
- a nominal amount of \$6.8 million (2014: \$32.8 million) relating to corporate guarantees provided by the Company to financial institutions in relation to certain subsidiaries' bank facilities.

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) **Credit risk** (Continued)

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the financial year is as follows:

	Group			
	2015	%	2014	%
	\$'000	of total	\$'000	of total
By country:				
Singapore	2,538	24.4	3,502	11.0
United Kingdom	10	0.1	27	0.1
Indonesia	1,516	14.6	2,622	8.2
Malaysia	730	7.0	4,840	15.2
People's Republic of China	4,200	40.4	10,196	32.0
United Arab Emirates	260	2.5	29	0.1
India	184	1.8	–	–
Vietnam	468	4.5	1,438	4.5
Thailand	332	3.2	7,621	24.0
Korea	–	–	753	2.4
Others	163	1.5	790	2.5
	10,401	100.0	31,818	100.0
By industry sectors:				
Oil and Gas	8,961	86.2	30,368	95.4
Petrochemical	364	3.5	5	–
Marine	10	0.1	9	–
Others	1,066	10.2	1,436	4.6
	10,401	100.0	31,818	100.0

At the end of the financial year, approximately:

- 39.9% (2014: 65.5%) of the Group's trade receivables were due from 5 major customers who are from the oil and gas, marine and petrochemical industries located in the Asia Pacific region, of which 14.1% (2014: 22.3%) were due from the Group's largest customer; and
- 39.7% (2014: 18.2%) of the Group's trade and other receivables were due from related parties while almost all of the Company's other receivables were balances with related parties.

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) **Credit risk** (Continued)

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Fixed and bank deposits, cash and bank balances and other investments that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 14 and Note 15 (Current trade and other receivables) and Notes 16 to 18 (Amounts due from subsidiaries, associates and a related party).

(b) **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's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is that the maturity of loans and borrowings would match that of the estimated future cash flows of the projects and trading activities. The Group maintains sufficient liquid financial assets and stand-by credit facilities with 10 different financial institutions. At the end of the financial year, approximately 100% (2014: 99%) of the Group's loans and borrowings (Note 25 and Note 26) will mature in less than one year based on the carrying amount reflected in the financial statements.

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) *Liquidity risk* (Continued)

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the financial year based on contractual undiscounted repayment obligations.

Group	2015				2014			
	1 year or less	1 to 5 years	Over 5 years	Total	1 year or less	1 to 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Financial assets:								
Other investments	-	-	20	20	-	-	20	20
Trade and other receivables	13,363	-	218	13,581	36,076	-	215	36,291
Deposits	154	-	-	154	175	-	-	175
Financial receivable	2,295	1,662	-	3,957	816	2,977	-	3,793
Fixed and bank deposit, cash and bank balances	20,539	-	-	20,539	19,559	-	-	19,559
Amounts due from associates	14,501	4,855	-	19,356	4,176	-	-	4,176
Amount due from a related party	-	-	6,564	6,564	-	-	6,141	6,141
Total undiscounted financial assets	<u>50,852</u>	<u>6,517</u>	<u>6,802</u>	<u>64,171</u>	<u>60,802</u>	<u>2,977</u>	<u>6,376</u>	<u>70,155</u>
Financial liabilities:								
Provisions	5,054	-	-	5,054	6,712	-	-	6,712
Trade and other payables	23,031	-	-	23,031	37,576	-	-	37,576
Amounts due to associates	19	-	-	19	841	-	-	841
Amount due to a related party	2,166	-	-	2,166	2,101	-	-	2,101
Loans and borrowings	12,979	-	-	12,979	41,414	278	-	41,692
Total undiscounted financial liabilities	<u>43,249</u>	<u>-</u>	<u>-</u>	<u>43,249</u>	<u>88,644</u>	<u>278</u>	<u>-</u>	<u>88,922</u>
Total net undiscounted financial assets/ (liabilities)	<u>7,603</u>	<u>6,517</u>	<u>6,802</u>	<u>20,922</u>	<u>(27,842)</u>	<u>2,699</u>	<u>6,376</u>	<u>(18,767)</u>
Derivative financial instruments:								
Forward exchange contracts								
- gross receipts	-	-	-	-	7,149	-	-	7,149
- gross payment	-	-	-	-	(7,940)	-	-	(7,940)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(791)</u>	<u>-</u>	<u>-</u>	<u>(791)</u>

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) *Liquidity risk* (Continued)

Company	2015				2014			
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Financial assets:								
Trade and other receivables	5	-	-	5	9	-	-	9
Deposits	6	-	-	6	4	-	-	4
Amounts due from subsidiaries	5,742	4,855	-	10,597	6,566	-	-	6,566
Loans to subsidiaries	-	-	19,438	19,438	-	-	19,375	19,375
Amounts due from associates	81	-	-	81	24	-	-	24
Cash and fixed deposits	1,489	-	-	1,489	1,488	-	-	1,488
Total undiscounted financial assets	7,323	4,855	19,438	31,616	8,091	-	19,375	27,466
Financial liabilities:								
Trade and other payables	1,461	-	-	1,461	678	-	-	678
Amounts due to associates	7	-	-	7	822	-	-	822
Amounts due to subsidiaries	2,807	-	9,847	12,654	1,223	-	9,211	10,434
Total undiscounted financial liabilities	4,275	-	9,847	14,122	2,723	-	9,211	11,934
Total net undiscounted financial assets	3,048	4,855	9,591	17,494	5,368	-	10,164	15,532

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

Company	2015				2014			
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Financial guarantees	6,818	-	-	6,818	32,794	-	-	32,794

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) **Interest rate risk**

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and interest-bearing loans given to related parties.

The Group's policy is to manage interest cost by using a mix of fixed and floating rate debts. At the end of the financial year, approximately 24% (2014: 29%) of the Group's borrowings are at fixed rates of interest.

Sensitivity analysis for interest rate risk

The sensitivity analysis for interest rate is not disclosed as the effect on the profit or loss is considered not significant.

(d) **Foreign currency risk**

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, USD and GBP. The foreign currencies in which these transactions are denominated are mainly USD, GBP and SGD. In 2014, the Group uses forward exchange contracts to hedge 78% of expected future purchases from supplier denominated in JPY for which the Group has firm commitments at the end of the reporting date.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the financial year, such foreign currency balances are mainly in USD and GBP for the Group and the Company.

The Group does not use derivative financial instruments to protect against the volatility associated with its foreign currency investments. The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including United Kingdom, Indonesia, the PRC and Thailand. The Group's investment in its Singapore incorporated subsidiaries are hedged by USD denominated bank loans, which mitigates structural currency in exposures arising from the subsidiaries' net assets. The Group's net investments in subsidiaries in USD, GBP, IDR, RMB and THB functional currency are not hedged as these currencies positions are considered to be long-term in nature.

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) *Foreign currency risk* (Continued)

The Group's and the Company's foreign currency exposure against the respective functional currencies of the Group and the Company entities based on the information provided by key management is as follows:

2015

Group	Denominated in USD \$'000	Denominated in GBP \$'000
<u>Financial assets</u>		
– Trade receivables	3,474	399
– Other receivables	1	–
– Amounts due from associates	8,218	–
– Amounts due from subsidiaries	5,140	–
– Fixed deposits	1,448	–
– Cash and bank balances	2,720	421
	<u>21,001</u>	<u>820</u>
<u>Financial liabilities</u>		
– Trade payables	1,354	471
– Other payables	202	–
– Amounts due to bankers	3,040	249
– Amounts due to subsidiaries	11,914	–
	<u>16,510</u>	<u>720</u>
Currency exposure on net financial assets	<u>4,491</u>	<u>100</u>

2014

Group

<u>Financial assets</u>		
– Trade receivables	18,371	306
– Other receivables	2,014	–
– Amounts due from associates	107	–
– Amounts due from subsidiaries	725	140
– Fixed deposits	1,352	–
– Cash and bank balances	7,748	162
	<u>30,317</u>	<u>608</u>
<u>Financial liabilities</u>		
– Trade payables	4,310	132
– Other payables	241	–
– Amounts due from subsidiaries	9,930	–
– Amounts due to associates	821	–
– Amounts due to bankers	14,382	113
	<u>29,684</u>	<u>245</u>
Currency exposure on net financial assets	<u>633</u>	<u>363</u>

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) *Foreign currency risk* (Continued)

2015

Company	Denominated in USD \$'000	Denominated in GBP \$'000
<u>Financial assets</u>		
– Amounts due from subsidiaries	5,140	–
– Loans to subsidiaries	5,460	–
– Fixed deposits	1,448	–
– Cash and bank balances	13	–
	<u>12,061</u>	<u>–</u>
<u>Financial liabilities</u>		
– Other payables	202	–
– Amounts due to subsidiaries	11,914	–
	<u>12,116</u>	<u>–</u>
Currency exposure on net financial liabilities	<u>(55)</u>	<u>–</u>

2014

Company		
<u>Financial assets</u>		
– Amounts due from subsidiaries	725	140
– Loans to subsidiaries	5,107	271
– Other receivables	1	–
– Fixed deposits	1,352	–
– Cash and bank balances	2	–
	<u>7,187</u>	<u>411</u>
<u>Financial liabilities</u>		
– Other payables	189	–
– Amounts due to subsidiaries	9,930	–
– Amounts due to associates	813	–
	<u>10,932</u>	<u>–</u>
Currency exposure on net financial (liabilities)/assets	<u>(3,745)</u>	<u>411</u>

NOTES TO THE FINANCIAL STATEMENTS

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44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) *Foreign currency risk* (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of a reasonably possible change in the USD exchange rates (against SGD), with all other variables held constant, of the Group's and the Company's profit/(loss) net of tax.

		Increase/(decrease)	
		Profit/(loss) net of tax	
		2015	2014
		\$'000	\$'000
Group			
USD	- strengthened 5.0% (2014: 5.0%)	186	(26)
	- weakened 5.0% (2014: 5.0%)	(186)	26
Company			
USD	- strengthened 5.0% (2014: 5.0%)	(3)	187
	- weakened 5.0% (2014: 5.0%)	3	(187)

(e) *Offsetting financial assets and financial liabilities*

The Company entered into a sale and purchase agreement with PT Petroflexx Prima Daya ("PT Petroflexx") for the disposal of the Company's 40% shares in Federal JWR Energy Pte. Ltd.. Consideration is payable over a period stated in the agreement and partial proceeds for the disposal has been received. The disposal will only be completed upon receipts of the full proceeds. The Group and Company has recorded the partial proceeds received of \$1,382,000 (2014: \$1,382,000) and off-set by interest income receivable from PT Petroflexx of \$511,000 (2014: \$Nil) as "other payables" (Note 19).

	Gross carrying amounts	Gross amount offset	Net carrying amount
	\$'000	\$'000	\$'000
2015			
<i>Other payables</i>			
Partial proceeds for disposal of an associate	1,382	(511)	871
Interest receivable	511	(511)	-

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45. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 2014.

As disclosed in Note 34, subsidiaries in the PRC are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2015 and 2014.

The Group monitors capital using a gearing ratio, which is total debt divided by equity. The Group's policy is to ensure that the gearing ratio does not exceed 2.0. The Group's total debt includes amounts due to bankers, term loans and hire purchase creditors. Equity includes the amount attributable to the owners of the Company less other reserves (Note 34).

	Group 2015 \$'000	2014 \$'000 (Restated)
Amounts due to bankers (Note 25)	5,781	29,682
Term loans (Note 26)	6,986	11,581
Hire purchase creditors (Note 27)	-	37
	12,767	41,300
Equity attributable to the owners of the Company	79,467	60,300
Less: Other reserves (Note 34)	977	976
Total capital	80,444	61,276
Gearing ratio	0.16	0.67

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46. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below are the carrying amounts of the Group's and Company's financial assets and financial liabilities that are carried on the balance sheets:

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Assets				
Trade receivables	10,401	31,818	–	–
Other receivables	3,029	4,322	5	9
Deposits	154	175	6	4
Financial receivable	2,127	2,745	–	–
Amounts due from subsidiaries	–	–	10,597	6,566
Loans to subsidiaries	–	–	17,786	17,704
Amounts due from associates	19,356	4,176	81	24
Amount due from a related party	6,564	6,141	–	–
Fixed and bank deposits	4,890	5,265	1,448	1,352
Cash and bank balances	15,647	14,292	39	134
Loans and receivables	62,168	68,934	29,962	25,793
Available-for-sale financial assets (Note 8)	20	20	–	–
Liabilities				
Amounts due to bankers	5,781	29,682	–	–
Provisions	5,054	6,712	–	–
Trade payables	8,627	16,866	–	–
Other payables	14,404	20,710	1,461	678
Amounts due to subsidiaries	–	–	12,654	10,434
Amounts due to associates	19	841	7	822
Amount due to a related party	2,166	2,101	–	–
Term loans	6,986	11,581	–	–
Hire purchase creditors	–	37	–	–
Liabilities at amortised cost	43,037	88,530	14,122	11,934
Liabilities measured at fair value through profit or loss				
Derivatives	–	753	–	–

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47. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has six reportable operating segments as follows:

- I. Trading segment is a supply of assembly and distribution of flowline control products, distribution of oilfield drilling equipment for use on onshore and offshore rigs and drilling platforms, provision of complete fire protection and detection systems, as well as electrical products for the marine, coal mining, oil and gas, petrochemical and pharmaceutical industries. In these respects, the Group offers products and related services in the areas of oil and gas, power, petrochemical and pharmaceutical industries.
- II. Manufacturing/Design/Research and Development segment is involved in research, development, design and manufacture of flowline control products, high pressure and temperature valves and related oilfield products.
- III. Marine Logistics segment is in the business of chartering of vessels to the offshore oil and gas and other related industries.
- IV. Energy and Utilities segment is involved in procurement and construction projects of waste water treatment facility and provision of wastewater treatment services to the end-users.
- V. Resources segment is in the business of sales and mining of coal and other natural resources.
- VI. Corporate and Others segment is involved in Group level corporate services and treasury functions and operating and maintenance of oil and gas facility services.

Geographical Information

The Group's geographical segments are based on the location of the Group's assets except for the Group's vessel which is not practicable to be allocated based on location due to the nature of the asset. This vessel is allocated based on the country of incorporation of the subsidiary which owns the vessel. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. Others include countries such as Japan, Australia and Philippines.

Non-current assets consist of property, plant and equipment, investment in associates and intangible asset (excluding goodwill) as presented in the Group's balance sheet.

Information about major customers

The following is an analysis of the Group's major customers which contributed at least 10% of the Group's revenue during the respective financial years. These revenue are attributable to the trading segment:

- During the financial year ended 31 December 2015, there were 2 such customers which contributed revenue of \$34,456,000 and \$18,158,000 respectively.
- During the financial year ended 31 December 2014, there were 2 such customers which contributed revenue of \$54,057,000 and \$16,601,000 respectively.

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47. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

	Trading		Manufacturing/ Design/Research and Development		Marine Logistics		Energy and Utilities		Resources		Corporate/Others		Eliminations		Per consolidated financial statements	
	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Assets:	117,308	141,292	2,961	6,694	11,791	12,664	15	13	102,534	99,836	(145,823)	(139,900)	E	119,066	145,707	
Investment in associates	79	-	-	-	2,002	1,781	-	-	868	968	(91)	-		2,858	2,749	
Unallocated assets	-	-	-	-	-	-	-	-	-	-	-	-		273	90	
Total assets														<u>122,197</u>	<u>148,546</u>	
Liabilities:	(52,621)	(95,298)	(5,387)	(8,713)	(14,639)	(14,707)	(55,480)	(53,888)	(50,164)	(46,603)	231,570	222,948	F	(52,029)	(98,741)	
Unallocated liabilities	-	-	-	-	-	-	-	-	-	-	-	-		(2,566)	(2,531)	
Total liabilities														<u>(54,595)</u>	<u>(101,272)</u>	
Other segment information:																
Additions to non-current assets	1,628	235	153	4	1	13	-	-	962	1	-	-	G	2,744	253	

NOTES TO THE FINANCIAL STATEMENTS

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47. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

Notes:

A Inter-segment revenue are eliminated on consolidation.

B The following items are added to/(deducted from) segment profit/(loss) to arrive at the segment results.

	2015	2014
	\$'000	\$'000
Interest income from inter-segments	493	924
Interest expense from inter-segments	(576)	(1,039)
(Loss)/profit from inter-segments operation	(5,298)	1,563
Exchange differences on quasi-equity loans	(4,694)	(4,454)
Dividend from an associate	-	(17)
Dividend from a subsidiary	(1,000)	(472)
	(11,075)	(3,495)

C Impairment loss on non-financial assets consists of:

	2015	2014
	\$'000	\$'000
Impairment loss on investment in associates	-	2,574

D Other non-cash (expenses)/income consist of write back of impairment loss on doubtful receivables, write back of allowance for slow moving inventories, allowance for slow moving inventories, inventories written off, bad debts written off, impairment loss on doubtful receivables, reversal of accruals and provisions for vessel disposed off in 2014 and impairment loss on work-in-progress as presented in the respective notes to the financial statements.

E The elimination refers to inter-segment assets.

F The elimination refers to inter-segment liabilities.

G Additions to non-current assets consist of additions to property, plant and equipment and intangible assets.

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47. SEGMENT INFORMATION (CONTINUED)

Geographical segments

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

	Revenue		Non-current assets	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000 (Restated)
People's Republic of China	36,718	65,688	29	33
Indonesia	48,334	8,131	9,127	11,365
Malaysia	4,096	9,759	-	-
Singapore	16,292	17,093	30,294	27,375
Thailand	13,555	18,016	79	1
India	-	288	-	-
United States of America	3,464	3,418	-	-
United Kingdom	130	178	334	365
United Arab Emirates	648	701	-	-
Vietnam	2,946	2,244	-	-
Oman	236	805	-	-
Italy	6	-	-	-
Japan	-	-	429	890
Others	2,280	5,309	-	-
Consolidated	<u>128,705</u>	<u>131,630</u>	<u>40,292</u>	<u>40,029</u>

Non-current assets information presented above consist of property, plant and equipment, investment in associates and intangible assets (excluding goodwill) as presented in the Group's balance sheet.

48. RELATED PARTY TRANSACTIONS

(a) Sale and purchase of goods and services

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2015 \$'000	2014 \$'000
Sales of goods and services to associates	2,006	120
Purchase of goods and services from associates	397	669
Shareholder's loans to an associate (Note 17)	10,221	2,111
Conversion costs paid on behalf of an associate	374	1,389
Conversion costs paid on behalf by an associate	-	1,261
Loan from a director of certain subsidiaries	65	(66)
Secretarial fee paid to a director-related firm	20	22
Professional fees paid to a director-related firm	148	162

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

48. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) *Sale and purchase of goods and services* (Continued)

Company/firm related to the directors

During the financial year, two of the directors of the Company who are also the directors of a secretarial and professional firm, respectively provided secretarial and professional services to the Group for total amount of approximately \$156,000 (2014: \$184,000). Approximately \$49,000 (2014: \$28,000) was outstanding at the end of the financial year.

(b) *Compensation of key management personnel*

	Group	
	2015	2014
	\$'000	\$'000
Short-term employee benefits	2,956	2,131
Defined contributions	86	98
Other short-term benefits	65	54
Total compensation paid to key management personnel	3,107	2,283
Comprise amounts paid to:		
Directors of the Company	1,068	1,146
Other key management personnel	1,030	1,137
	2,098	2,283

49. COMPARATIVE FIGURES

(a) During the financial year ended 31 December 2014, management has applied the equity method of accounting based on the management accounts of an associate as the audit was still in process. Adjustments of the Group's share of the associate results based on the audited financial statements for the year ended 31 December 2014 for the following:

- Revenue for work related to unanticipated change orders on certain projects for which customer's approval has not been obtained; and
- Fair value adjustment for land and buildings in line with the Group's accounting policies.

The above adjustments have no impact to the carrying value of the Group's and Company's investment in associates as at 31 December 2014 as the investment has been fully impaired to its recoverable value of \$Nil.

(b) Reclassification of cash margin deposit from provisions to fixed and bank deposits.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2015

49. COMPARATIVE FIGURES (CONTINUED)

The comparative figures have been restated as follows:

Group	As previously reported \$'000	Reclassifications \$'000	As restated \$'000
At 31 December 2014			
Balance Sheet			
Investment in associates	2,749	–	2,749
Fixed and bank deposits	2,207	3,058	5,265
Provisions	3,674	3,058	6,712
Foreign currency translation reserve	(4,567)	156	(4,411)
Revaluation reserve	16,598	8,425	25,023
Accumulated losses	(97,632)	(8,581)	(106,213)
Consolidated Income Statement			
Other operating expenses	(26,301)	(880)	(27,181)
Share of results of associates	(5,941)	(3,986)	(9,927)
Consolidated Statement of Comprehensive Income			
Foreign currency translation	(796)	169	(627)
Share of revaluation gain on freehold/leasehold land and buildings of an associate	–	6,727	6,727
Consolidated Statement of Cash Flows			
Net cash flows generated from investing activities	11,039	3,058	14,097
Net cash flows used in financing activities	(25,074)	(3,058)	(28,132)
1 January 2014			
Balance Sheet			
Investment in associates	10,159	(2,030)	8,129
Foreign currency translation reserve	(4,383)	(13)	(4,396)
Revaluation reserve	14,092	1,698	15,790
Accumulated losses	(75,047)	(3,715)	(78,762)

50. AUTHORISATION OF FINANCIAL STATEMENT FOR ISSUE

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 4 April 2016.

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2016

Class of shares	:	Ordinary shares
Total number of shares	:	140,767,484 Ordinary shares
Voting rights	:	One vote per ordinary share

The Company does not have any Treasury Shares as at 18 March 2016.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of		Number of Shares	
	Shareholders	%		%
1-99	189	3.96	2,711	0.00
100-1,000	767	16.07	426,173	0.30
1,001-10,000	2,544	53.30	11,529,623	8.19
10,001-1,000,000	1,255	26.29	58,972,087	41.90
1,000,001 and above	18	0.38	69,836,890	49.61
	4,773	100.00	140,767,484	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Fame Asia Limited	16,055,989	11.41
2.	Koh Kian Kiong	11,130,000	7.91
3.	United Overseas Bank Nominees Pte Ltd	9,239,160	6.56
4.	Yang Yi-Chung (Joseph Yang)	7,698,974	5.47
5.	KGI Fraser Securities Pte Ltd	5,053,000	3.59
6.	Phillip Securities Pte Ltd	2,933,552	2.08
7.	OCBC Securities Private Ltd	2,271,895	1.61
8.	HL Bank Nominees (S) Pte Ltd	2,030,000	1.44
9.	DB Nominees (S) Pte Ltd	1,923,400	1.37
10.	Ling Kee Poh	1,650,000	1.17
11.	UOB Kay Hian Pte Ltd	1,544,595	1.10
12.	DBS Nominees Pte Ltd	1,450,013	1.03
13.	Chew Kong Huat	1,335,000	0.95
14.	OCBC Nominees Singapore Pte Ltd	1,157,062	0.82
15.	Bank of Singapore Nominees Pte Ltd	1,137,570	0.81
16.	Koh Yan Yock	1,119,200	0.80
17.	Tang Joo Kok	1,088,900	0.77
18.	Lim Tchen Nan	1,018,580	0.72
19.	Citibank Nominees Singapore Pte Ltd	992,577	0.71
20.	DBS Vickers Securities (S) Pte Ltd	986,885	0.70
	Total	71,816,352	51.02

STATISTICS OF SHAREHOLDINGS

AS AT 18 MARCH 2016

SHAREHOLDING OF THE SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 18 March 2016)

Name	Direct Interest	%	Deemed Interest	%
Fame Asia Limited	16,055,989	11.41	–	–
Leung Kwok Hung, Jonathan ⁽ⁱ⁾	–	–	16,055,989	11.41
Yang Yi-Chung	7,698,974	5.47	–	–
Koh Kian Kiong ⁽ⁱⁱ⁾	11,130,000	7.91	11,750,000	8.35

Notes:

- (i) Mr Leung Kwok Hung, Jonathan has a deemed interest in 16,055,989 ordinary shares held by Fame Asia Limited.
- (ii) Mr Koh Kian Kiong has 6,750,000 ordinary shares held under the name of United Overseas Bank Nominees (Pte) Ltd and 5,000,000 ordinary shares held under the name of KGI Fraser Securities Pte Ltd.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 18 March 2016, there were approximately 66.58% of the Company's total number of issued ordinary shares (excluding preference shares, convertible equity securities and treasury shares) held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of FEDERAL INTERNATIONAL (2000) LTD (the “Company”) will be held at 47 Genting Road, Singapore 349489 on Friday, 29 April 2016 at 10:00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Auditor’s Report thereon. **(Resolution 1)**
2. To approve the first and final one-tier tax-exempt cash dividend of 1.5 Singapore cents per ordinary share of the Company for the financial year ended 31 December 2015. **(Resolution 2)**
3. To re-elect the following Directors of the Company retiring pursuant to Regulation 91 of the Constitution of the Company:

Mr Koh Kian Kiong **(Resolution 3)**
Mr Khoo Boo Yeow, Andrew **(Resolution 4)**

Mr Khoo Boo Yeow, Andrew will, upon re-election as a Director of the Company, remain as a member of the Audit Committee and Remuneration Committee of the Company, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited.
4. To approve the Directors’ fees of S\$190,000 to Non-Executive Directors of the Company for the financial year ending 31 December 2016, to be paid quarterly in arrears (FY2015: S\$190,000). **(Resolution 5)**
5. To re-appoint Baker Tilly TFW LLP as the Auditor of the Company and to authorise the Directors of the Company to fix its remuneration. **(Resolution 6)**
6. To transact any other ordinary business which may be properly transacted at the Annual General Meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING

AS SPECIAL BUSINESS

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

7. Authority to issue shares in the capital of the Company

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”), the authority be given to the Directors of the Company to:–

- (1) (i) issue shares (“**Shares**”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into Shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may, in their absolute discretion deem fit;

- (2) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty percent (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a pro-rata basis to all shareholders of the Company shall not exceed twenty percent (20%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company;
- (b) (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 (a) above, the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (i) new Shares arising from the conversion or exercise of any convertible securities;

NOTICE OF ANNUAL GENERAL MEETING

- (ii) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution; and
 - (iii) any subsequent bonus issue, consolidation or subdivision of Shares;
- (c) and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of Instruments.

[See Explanatory Note (i)]

(Resolution 7)

NOTICE OF BOOKS CLOSURE DATE AND PAYMENT DATE FOR FIRST AND FINAL DIVIDEND

NOTICE IS HEREBY GIVEN that subject to shareholders' approval being obtained at the Annual General Meeting of Federal International (2000) Ltd (the "**Company**") to be held at 47 Genting Road, Singapore 349489 on Friday, 29 April 2016 at 10:00 a.m.:

1. A first and final one-tier tax-exempt cash dividend of 1.5 Singapore cents per ordinary share of the Company for the financial year ended 31 December 2015 will be paid on 27 May 2016.
2. The Share Transfer Book and Register of Members of the Company will be closed on 13 May 2016 for the preparation of payment for the proposed first and final dividend. Duly completed registrable transfers received by the Company's Share Registrar, B.A.C.S. Private Limited, 8 Robinson Road, #03-00 ASO Building, Singapore 048544 up to 5:00 p.m. on 12 May 2016 will be registered to determine shareholders' entitlement to the proposed first and final dividend.

Shareholders whose securities accounts maintained with The Central Depository (Pte) Limited are credited with ordinary shares of the Company at 5:00 p.m. on 12 May 2016 will be entitled to the proposed first and final dividend.

By Order of the Board

Loh Chee Meng
Noraini Binte Noor Mohamed Abdul Latiff
Yvette Lim Pei Yung
Company Secretaries

Singapore, 13 April 2016

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note

- (i) The Ordinary Resolution 7 proposed in item 7 above, if passed, will authorise the Directors of the Company from the date of the Annual General Meeting of the Company to allot and issue shares and Instruments up to the total number of issued shares (excluding treasury shares) not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty percent (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company may be issued other than on a pro-rata basis to all shareholders of the Company.

The authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier or (ii) in the case of shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of Instruments.

Notes

1. A member of the Company who is not a relevant intermediary (defined under Section 181 of the Companies Act, Chapter 50 of Singapore) entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead at the Annual General Meeting of the Company. A proxy need not be a member of the Company. Where a member of the Company appoints more than one proxy, the member shall specify the number of shares to be represented by each proxy.
2. A member of the Company who is a relevant intermediary (defined in Section 181 of the Companies Act, Chapter 50 of Singapore) entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting of the Company. A proxy need not be a member of the Company. Where a member of the Company appoints more than one proxy, the member shall specify the number of shares to be represented by each proxy.
3. If the appointor is a corporation, the instrument appointing a proxy or proxies must be executed under its seal or under the hand of an officer or attorney duly authorised in writing.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 47 Genting Road, Singapore 349489 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting of the Company.

Personal Data Privacy

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

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FEDERAL INTERNATIONAL (2000) LTD

(Incorporated in the Republic of Singapore)
(Company Registration No: 199907113K)

PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

IMPORTANT:

- For CPF/SRS investors who have used their CPF monies to buy Federal International (2000) Ltd's shares, this Proxy Form is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective agents if they have any queries regarding their appointment as proxies.

*I/We, _____ NRIC/Passport/Registration No. _____

of _____

being a member/members of FEDERAL INTERNATIONAL (2000) LTD (the "Company"), hereby appoint:

Name	NRIC/Passport No.	No. of Shares to be Represented by Proxy
Address		

and/or (delete as appropriate)

Name	NRIC/Passport No.	No. of Shares to be Represented by Proxy
Address		

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Friday, 29 April 2016 at 47 Genting Road Singapore 349489 at 10:00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder.

If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote for, against or abstain from voting at *his/her discretion.

No.	Ordinary Resolutions relating to:	No. of Shares For**	No. of Shares Against**
1.	To receive and adopt Directors' Statement and Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with Auditor's Report thereon		
2.	To approve the first and final one-tier tax-exempt cash dividend of 1.5 Singapore cents per ordinary share of the Company for the financial year ended 31 December 2015		
3.	To re-elect Mr Koh Kian Kiong as a Director of the Company		
4.	To re-elect Mr Khoo Boo Yeow, Andrew as a Director of the Company		
5.	To approve the Directors' fees to Non-Executive Directors of the Company amounting to S\$190,000 for financial year ending 31 December 2016, to be paid quarterly in arrears		
6.	To re-appoint Baker Tilly TFW LLP as Auditor of the Company and to authorise the Directors to fix its remuneration		
7.	To approve the authority to issue shares		

* Delete where inapplicable

** Each share shall have one vote. If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2016

Total No. of Shares in:	No. of Shares
(a) Depository Register	
(b) Register of Members	

Signature of Shareholder(s)/
and Common Seal of Corporate Shareholder



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register, you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company who is not a relevant intermediary (defined under Section 181 of the Companies Act, Chapter 50 of Singapore) entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint not more than two (2) proxies to attend and vote in his/her stead at the Annual General Meeting of the Company. A proxy need not be a member of the Company. Where a member of the Company appoints more than one proxy, the member shall specify the number of Shares to be represented by each proxy.
3. A member of the Company who is a relevant intermediary (defined in Section 181 of the Companies Act, Chapter 50 of Singapore) entitled to attend and vote at the Annual General Meeting of the Company is entitled to appoint more than two (2) proxies to attend and vote at the Annual General Meeting of the Company. A proxy need not be a member of the Company. Where a member of the Company appoints more than one proxy, the member shall specify the number of Shares to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 47 Genting Road, Singapore 349489 not less than forty-eight (48) hours before the time appointed for the holding the Annual General Meeting of the Company.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised in writing.
6. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument appointing a proxy or proxies, failing which, the instrument appointing proxy or proxies may be treated as invalid.
7. A corporation which is a member of the Company may by resolution of its directors or other governing body authorise such person as it thinks fit to act as its representative at the Annual General Meeting of the Company, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Annual General Meeting of the Company, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2016.



FEDERAL INTERNATIONAL (2000) LTD

(REGISTRATION NO. 199907113K)

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