

GIVING VALUE TO ENVIRONMENT



2014
annual report



CONTENTS

CORPORATE PROFILE	01
CORPORATE INFORMATION	02
CHAIRMAN'S STATEMENT	03
BOARD OF DIRECTORS	05
MANAGEMENT PROFILE	07
FINANCIAL REPORT	08



This Annual Report has been prepared by the Company and its contents have been reviewed by the Company's sponsor, PrimePartners Corporate Finance Pte. Ltd. (the "Sponsor") for compliance with the Singapore Exchange Securities Trading Limited (the "SGX-ST") Listing Manual Section B: Rules of Catalyst. The Sponsor has not verified the contents of this Annual Report.

This Annual Report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the contents of this Annual Report, including the accuracy, completeness or correctness of any of the information, statements or opinions made or reports contained in this Annual Report.

The contact person for the Sponsor is Mr Thomas Lam, Associate Director, Continuing Sponsorship, at 16 Collyer Quay, #10-00 Income at Raffles, Singapore 049318, telephone (65) 6229 8088.

CORPORATE PROFILE

Progen Holdings Limited (“**Progen**” or the “**Company**”, together with its subsidiaries, the “**Group**”) is an investment holding company established under the Progen Group of Companies. The Company has more than a decade of experience in the design, supply, installation and maintenance of air-conditioning and mechanical ventilation systems. The Group comprises of subsidiaries in Singapore and Malaysia.



The Group was founded more than three decades ago when Mr Lee Ee @ Lee Eng started the first company in the Group, Progen Pte Ltd, to supply and install air-conditioning systems. Since then, the Group has grown from strength to strength to become one of the leading corporations in the industry. With the different subsidiaries, Progen is a one-stop service provider that provides a full spectrum of services from delivering proficient before-sales consultation to offering quality after-sales service and top maintenance service for our clients relating to a wide variety of cooling systems for industrial, commercial and residential developments in the public and private sectors.

Progen’s wealth of engineering experience, proficiency and skills as well as strong market positioning has made it one of the top players in the industry. Our team of engineers designs systems that meet the precise needs of customers, and together with our after-sales service consultants, assist clients in minimizing long-term maintenance costs and maximizing the working life of their systems.

In recent years, the Group has undertaken research and development activities to study the possibilities of increasing efficiencies of the cooling systems commonly used in the local market. Through its wholly owned subsidiary, Progen Pte Ltd, the Group is currently collaborating with Nanyang Technological University through its School of Mechanical & Aerospace Engineering to research in areas related to this aspect.

Priding ourselves on our professionalism and engineering expertise, Progen will certainly continue to be in a league of its own in the many years to come.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Executive

Lee Ee @ Lee Eng
(Managing Director)

Non-Executive

Tan Eng Liang
(Independent Chairman)
Ch'ng Jit Koon
(Independent)
Chee Wai Pong
(Independent)
Francis Lau Choo Yew
(Non-Independent)
Johnlin Yuwono
(Non-Independent)

AUDIT & RISK COMMITTEE

Tan Eng Liang (Chairman)
Ch'ng Jit Koon
Chee Wai Pong
Johnlin Yuwono

NOMINATING COMMITTEE

Chee Wai Pong (Chairman)
Tan Eng Liang
Ch'ng Jit Koon
Lee Ee @ Lee Eng

REMUNERATION COMMITTEE

Ch'ng Jit Koon (Chairman)
Tan Eng Liang
Chee Wai Pong
Johnlin Yuwono

INVESTMENT REVIEW COMMITTEE

Tan Eng Liang (Chairman)
Ch'ng Jit Koon
Lee Ee @ Lee Eng

COMPANY SECRETARY

Lynn Wan Tiew Leng
Ngiam May Ling

REGISTERED OFFICE

12 Woodlands Loop
Progen Building
Singapore 738283
Tel: (65) 6752 7787
Fax: (65) 6752 7797
Email: progen@progen.com.sg

COMPANY REGISTRATION NO.

199605118C

SHARE REGISTRAR

Boardroom Corporate & Advisory
Services Pte. Ltd.
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITORS

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583
Audit Partner-in-charge: Low Yen Mei
(Appointed from financial year 2013)

SPONSORS

PrimePartners Corporate
Finance Pte. Ltd.
16 Collyer Quay
#10-00 Income at Raffles
Singapore 049318

BANKERS

United Overseas Bank Limited
80 Raffles Place
UOB Plaza 1
Singapore 048624

Malayan Banking Berhad
2 Battery Road
#02-01 Maybank Tower
Singapore 049907

DBS Bank Ltd
6 Shenton Way
DBS Building
Singapore 068809

CHAIRMAN'S STATEMENT

The Group's earnings per share for FY2014 was 1.800 Singapore cents per share (FY2013: 0.833 Singapore cents per share) and the Group's net asset value improved to 13.213 Singapore cents per share as at 31 December 2014 from 11.420 Singapore cents per share as at 31 December 2013.

With the augmenting global uncertainties and increasing operating and labour costs, 2015 is expected to be another challenging year with intense competition in the industry. Given the challenging economic environment, the Group shall remain cautious with new projects and tighten its credit risk managements with the view of improving profitability. We shall continue to tap on our established track records and networks, together with our acquired experiences and expertise to enhance shareholders' value.

The Group's research collaboration with Nanyang Technology University is expected to conclude by mid 2015 and the redevelopment of its investment property at Riverside Road is also expected to be completed by 2015.

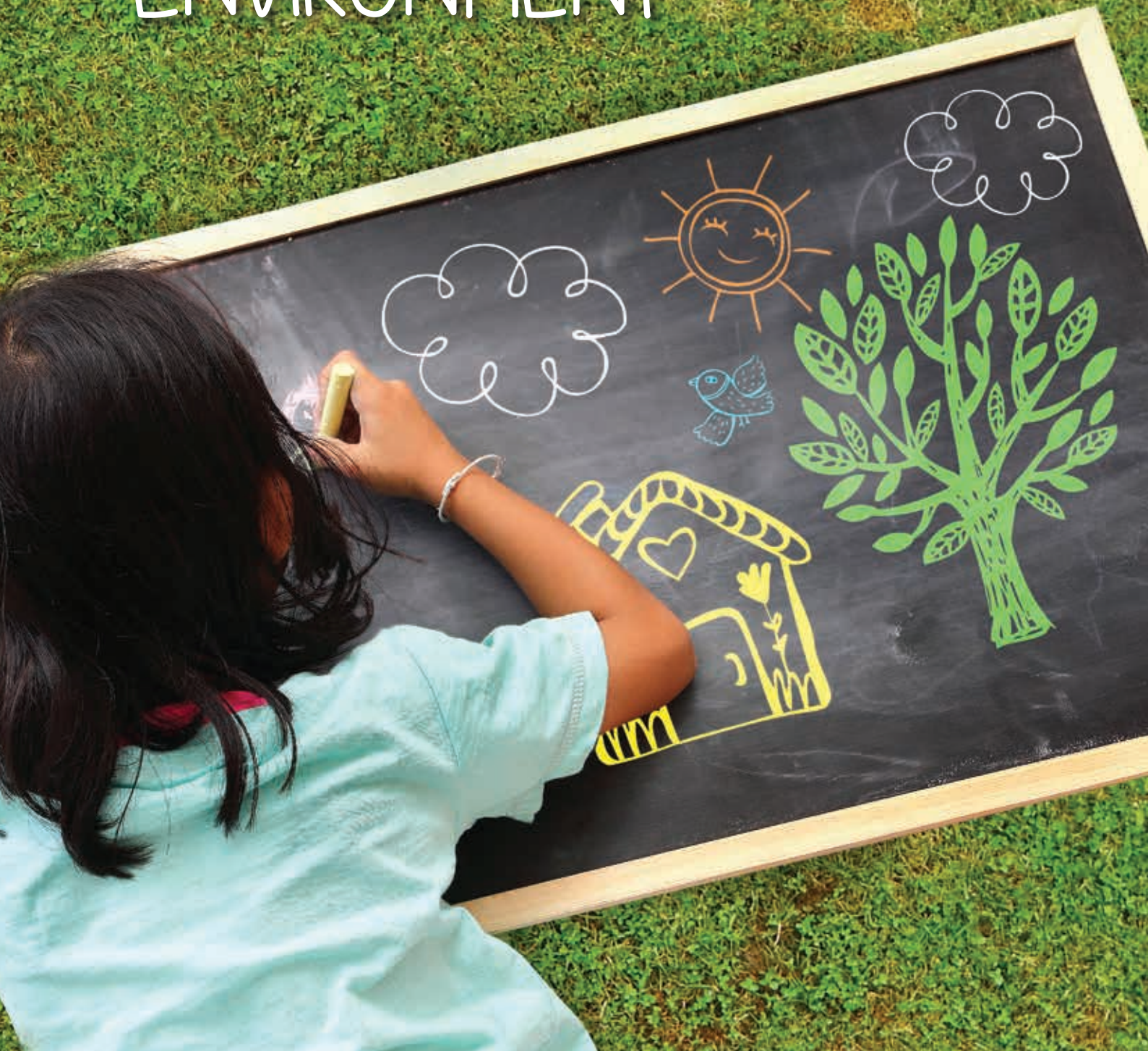
I would like to express my gratitude to my fellow board of directors and the management and staff for their contributions and commitment over the years. I would also like to thank our shareholders, customers and business associates for their steadfast support.

Yours Sincerely
Dr Tan Eng Liang
Chairman

For the financial year under review, the Group's revenue increased by S\$5.4 million from S\$12.4 million (FY2013) to S\$17.8 million (FY2014) and profit before income tax increased by S\$2.8 million from S\$2.3 million (FY2013) to S\$5.1 million (FY2014).



PROJECTING A CLEANER ENVIRONMENT



BOARD OF DIRECTORS



DR TAN ENG LIANG, 77

*Independent Director and
Non-Executive Chairman*

Dr Tan was appointed to our Board of Directors on 24 October 1997 and was last re-appointed on 25 April 2014. Dr Tan was appointed as Non-Executive Chairman on 1 March 2014. He is also the Chairman of the Audit & Risk Committee and Investment Review Committee, and a member of the Nominating Committee and Remuneration Committee.

Dr Tan was a Member of Parliament from 1972 to 1980, the Senior Minister of State for National Development from 1975 to 1978, and Senior Minister of State for Finance from 1978 to 1979. He has a Doctorate from Oxford University, England, and has been awarded the Public Service Star, Public Service Star (BAR) and the Meritorious Service Medal.

Dr Tan currently sits on the boards of SunMoon Food Company Limited and Tung Lok Restaurant (2000) Ltd. He also serves as Vice President in the Singapore National Olympic Council. Dr Tan's past directorships in the last three years include Hartawan Holdings Limited, HG Metal Manufacturing Limited, Sapphire Corporation Limited, UE E&C Ltd and United Engineers Limited.



MR LEE EE @ LEE ENG, 64

Managing Director

Mr Lee is the founder of the Group and was appointed to our Board of Directors on 13 July 1996 when the Company was incorporated. He is also a member of the Nominating Committee and Investment Review Committee.

Mr Lee has more than 40 years of experience in the air-conditioning, refrigeration and climate control industry. He started his career in Amcol Pte Ltd in 1970 and later served as Engineering Sales Manager in Sime Darby (S) Pte Ltd and as Dealer Development Manager in York International. Mr Lee spent 10 years in private companies before setting up his own business, Progen Pte Ltd in 1981.



MR CH'NG JIT KOON, 81

Independent Non-Executive Director

Mr Ch'ng was appointed to our Board of Director on 24 October 1997 and was last re-appointed on 25 April 2014. He is the Chairman of the Remuneration Committee and a member of the Audit & Risk Committee, Nominating Committee and Investment Review Committee.

Mr Ch'ng was a Member of the Singapore Parliament from 1968 to 1996. At the time of his retirement in January 1997, he was the Senior Minister of State for Community Development.

Mr Ch'ng is currently the Non-Executive Chairman of Pan-United Corporation Ltd and sits on the boards of Ho Bee Land Limited and Santak Holdings Limited. He also serves in several community organisations. Mr Ch'ng's past directorships in the last three years include Tung Lok Restaurants (2000) Ltd.

BOARD OF
DIRECTORS**MR CHEE WAI PONG, 67***Independent Non-Executive Director*

Mr Chee was appointed to our Board of Directors on 16 January 2013 and was last re-elected on 22 April 2013. He is the Chairman of the Nominating Committee and a member of the Audit & Risk Committee and Remuneration Committee.

Mr Chee joined the Legal Service and was appointed a Deputy Public Prosecutor/State Counsel from 1971 to 1973. He was appointed a Magistrate and then District Judge and the State Coroner between 1973 and 1976. Mr Chee then joined M/s Osborne Jones & Co as a Partner from August 1976 to December 1978 and was a Partner of M/s Ng Ong & Chee from January 1979 to December 2006. Mr Chee started his own practice under the name and style of Chee Wai Pong & Co on 1 January 2007. He has a Bachelor of Law Degree (LL.B. Hons) from the University of Singapore.

Mr Chee currently sits on the boards of SunMoon Food Company Limited and Tung Lok Restaurant (2000) Ltd. He is the honorary legal advisor to the Medical Alumni and Ling Kwang Home for Senior Citizens. He is also a member of the Management Committee of the Students Care Service and a member of the Yishun Centre Advisory Committee of the Students Care Service. Mr Chee also serves as a Disciplinary Panel Member of the Council for Estate Agency. His past directorships in the last three years include HG Metal Manufacturing Limited.

**MR FRANCIS LAU CHOO YEW, 55***Non-Independent Non-Executive Director*

Mr Lau was appointed to our Board on 9 February 2015 and will be seeking re-election as a Director of the Company in the forthcoming Annual General Meeting.

Mr Lau holds an Honours Degree in Bachelor of Building from the University of New South Wales, Australia and is also a Chartered Quantity Surveyor, Chartered Builder and Registered Quantity Surveyor with professional institutions of Australia, United Kingdom, Malaysia and Brunei Darussalam. He has received several awards in the region including Outstanding Entrepreneur for the Asia Pacific Entrepreneurship Award in Brunei and Overseas Enterprise Award for SME One Asia Awards in Singapore.

Mr Lau is currently the Managing Director of LCY Development Sdn. Bhd. and holds directorships in several private companies in Australia, Brunei, Malaysia and Singapore that specialises in property development and investment.

**MR JOHNLIN YUWONO, 66***Non-Independent Non-Executive Director*

Mr Johnlin was appointed to our Board on 8 May 2002 and was last re-elected on 25 April 2014. He is also a member of the Audit & Risk Committee and Remuneration Committee.

Mr Johnlin has been a Director of several companies across industries such as that of manufacturing, real estate, banking and other financial services. He also has business interests in many countries, including member countries of the ASEAN, the PRC, Hong Kong, Taiwan and the USA.

Mr Johnlin holds a Bachelor of Science degree in Aeronautical Engineering from the State University of California, USA.

MANAGEMENT PROFILE



MR DONG FAGEN is the Project Director. He joined the Group as the Import and Export Manager in 1995. Mr Dong holds a Diploma in Mechanical Engineering from Shanghai Jiaotong University, China, and is presently in charge of the project department of the Group.



MS HAN JING is the Marketing Director. She has been with the Group since 1998. Ms Han graduated with a Master's Degree in Mechanical Engineering from National University of Defense Technology, China in 1984 and is currently responsible for the marketing and business development for the Group.



MS CINDY LEE PUI HOON is the Admin and Corporate Affairs Director. She joined the Group as an Accountant in 1999. Ms Lee graduated from Nanyang Technological University with a Bachelor's Degree in Accountancy and is currently a member of the Institute of Singapore Chartered Accountants. She is currently in charge of the administrative matters and corporate affairs and oversees the finance department of the Group.



MS EVELYN KOH is the Senior Project Manager. She joined the Group as Sales Engineer in 1995 and has more than 20 years of experience in the Air-Conditioning and Mechanical Ventilation (ACMV) industry. Prior to joining the Group, Ms Koh had over 10 years of experience in a consulting firm. She is currently involved in the management and supervision of a few projects in the Group.



MR ANDY LEE YUNG LI is the Senior Manager. He joined the Group in 2009 as Project Manager. Mr Lee graduated with a Bachelor in Electrical Engineering from University of Newcastle, Australia. He is presently responsible for product innovation and development and oversees a few projects in the Group, including the redevelopment of the Group's investment property.



MR DESMOND LING is the Service Manager. He has been with the Group since 1986 and has more than 20 years of hands-on experience in servicing ACMV systems for residential, industrial and commercial developments. Mr Ling is currently overseeing and managing the servicing arm of the Group.



MS LEE BEE BEE is the General Manager. She joined the Group in 2015. Ms Lee holds a Diploma in Mechanical Engineering from Singapore Polytechnics and a Diploma in Sales and Marketing from Marketing Institute of Singapore. Prior to joining the Group, she has close to 30 years of experience in the ACMV industry. Ms Lee is presently involved in the aftersales maintenance of the Group.

CONTENTS

CORPORATE GOVERNANCE REPORT	09
DIRECTORS' REPORT	28
STATEMENT BY DIRECTORS	30
INDEPENDENT AUDITOR'S REPORT	31
BALANCE SHEETS	32
CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME	33
STATEMENTS OF CHANGES IN EQUITY	34
CONSOLIDATED CASH FLOW STATEMENT	35
NOTES TO THE FINANCIAL STATEMENTS	36
SHAREHOLDERS' INFORMATION	75
NOTICE OF ANNUAL GENERAL MEETING	77
PROXY FORM	

CORPORATE GOVERNANCE REPORT

The Board of Directors (the “**Board**”) of Progen Holdings Limited (the “**Company**” and together with its subsidiaries, the “**Group**”) are committed to maintaining high standards of corporate governance and places importance on its corporate governance processes and systems so as to ensure greater transparency, accountability and maximisation of long-term shareholder value.

This report outlines the Company’s corporate governance practices that were in place during the financial year ended 2014 (“**FY2014**”), with specific reference made to the principles of the Code of Corporate Governance 2012 (the “**Code**”) and the disclosure guide developed by the Singapore Exchange Securities Trading Limited (the “**SGX-ST**”) in January 2015 (the “**Guide**”).

Guideline	Code and/or Guide Description	Company’s Compliance or Explanation
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code. (b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines of the Code?	The Company has complied with the principles and guidelines as set out in the Code and the Guide, where applicable. Appropriate explanations have been provided in the relevant sections below where there are deviations from the Code and/or the Guide. Not applicable. The Company did not adopt any alternative corporate governance practices in FY2014.

BOARD MATTERS

The Board’s Conduct of Affairs

1.1	What is the role of the Board?	At the date of this report, the Board has 6 members and comprises the following: <table><tr><th colspan="2">Table 1.1 – Composition of the Board</th></tr><tr><th>Name of Director</th><th>Designation</th></tr><tr><td>Dr Tan Eng Liang</td><td>Non-Executive Independent Chairman</td></tr><tr><td>Mr Lee Ee @ Lee Eng</td><td>Managing Director</td></tr><tr><td>Mr Ch'ng Jit Koon</td><td>Independent Director</td></tr><tr><td>Mr Chee Wai Pong</td><td>Independent Director</td></tr><tr><td>Mr Francis Lau Choo Yew</td><td>Non-Executive Non-Independent Director</td></tr><tr><td>Mr Johnlin Yuwono</td><td>Non-Executive Non-Independent Director</td></tr></table>	Table 1.1 – Composition of the Board		Name of Director	Designation	Dr Tan Eng Liang	Non-Executive Independent Chairman	Mr Lee Ee @ Lee Eng	Managing Director	Mr Ch'ng Jit Koon	Independent Director	Mr Chee Wai Pong	Independent Director	Mr Francis Lau Choo Yew	Non-Executive Non-Independent Director	Mr Johnlin Yuwono	Non-Executive Non-Independent Director
Table 1.1 – Composition of the Board																		
Name of Director	Designation																	
Dr Tan Eng Liang	Non-Executive Independent Chairman																	
Mr Lee Ee @ Lee Eng	Managing Director																	
Mr Ch'ng Jit Koon	Independent Director																	
Mr Chee Wai Pong	Independent Director																	
Mr Francis Lau Choo Yew	Non-Executive Non-Independent Director																	
Mr Johnlin Yuwono	Non-Executive Non-Independent Director																	

CORPORATE
GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company’s Compliance or Explanation																														
		The Board is entrusted to lead and oversee the Company, with the fundamental principle to act in the best interests of the Company. In addition to its statutory duties, the Board’s principal functions are, <i>inter alia</i>,: • setting the business direction for the Company; • monitoring and reviewing the financial performance of the Company; • safeguarding the Company’s assets; • overseeing internal control of the Company; and • setting and approving the Company’s strategic plans, values and standards.																														
1.3	Has the Board delegated certain responsibilities to committees? If yes, please provide details.	The Board has delegated certain responsibilities to the Audit and Risk Committee (the “ARC”), the Remuneration Committee (the “RC”), the Nominating Committee (the “NC”) and the Investment Review Committee (the “IRC”) (collectively, the “Board Committees”). The compositions of the Board Committees are as follows: <table><tr><th colspan="5">Table 1.3 – Composition of the Board Committees</th></tr><tr><th></th><th>ARC</th><th>NC</th><th>RC</th><th>IRC</th></tr><tr><td>Chairman</td><td>Dr Tan Eng Liang</td><td>Mr Chee Wai Pong</td><td>Mr Ch’ng Jit Koon</td><td>Dr Tan Eng Liang</td></tr><tr><td>Member</td><td>Mr Ch’ng Jit Koon</td><td>Dr Tan Eng Liang</td><td>Dr Tan Eng Liang</td><td>Mr Ch’ng Jit Koon</td></tr><tr><td>Member</td><td>Mr Chee Wai Pong</td><td>Mr Ch’ng Jit Koon</td><td>Mr Chee Wai Pong</td><td>Mr Lee Ee @ Lee Eng</td></tr><tr><td>Member</td><td>Mr Johnlin Yuwono</td><td>Mr Lee Ee @ Lee Eng</td><td>Mr Johnlin Yuwono</td><td></td></tr></table> Investment Review Committee The duties of the IRC include the following: 1. to review all investment opportunities that may be identified for the purpose of short-listing investments that fit into the overall expansion plan of the Group; 2. to evaluate short-listed investments and table them for the approval of the Board; and 3. to prepare executive summaries on the investments for the Board. The IRC shall be provided with adequate resources to carry out their duties.	Table 1.3 – Composition of the Board Committees						ARC	NC	RC	IRC	Chairman	Dr Tan Eng Liang	Mr Chee Wai Pong	Mr Ch’ng Jit Koon	Dr Tan Eng Liang	Member	Mr Ch’ng Jit Koon	Dr Tan Eng Liang	Dr Tan Eng Liang	Mr Ch’ng Jit Koon	Member	Mr Chee Wai Pong	Mr Ch’ng Jit Koon	Mr Chee Wai Pong	Mr Lee Ee @ Lee Eng	Member	Mr Johnlin Yuwono	Mr Lee Ee @ Lee Eng	Mr Johnlin Yuwono	
Table 1.3 – Composition of the Board Committees																																
	ARC	NC	RC	IRC																												
Chairman	Dr Tan Eng Liang	Mr Chee Wai Pong	Mr Ch’ng Jit Koon	Dr Tan Eng Liang																												
Member	Mr Ch’ng Jit Koon	Dr Tan Eng Liang	Dr Tan Eng Liang	Mr Ch’ng Jit Koon																												
Member	Mr Chee Wai Pong	Mr Ch’ng Jit Koon	Mr Chee Wai Pong	Mr Lee Ee @ Lee Eng																												
Member	Mr Johnlin Yuwono	Mr Lee Ee @ Lee Eng	Mr Johnlin Yuwono																													

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																																																							
1.4	Have the Board and Board Committees met in the last financial year?	The Board meets on a regular basis, and as and when circumstances require. In FY2014, the number of the Board and Board Committee meetings held and the attendance of each Board member are shown below. <table><tr><th colspan="5">Table 1.4 – Board and Board Committee Meetings in FY2014</th></tr><tr><th></th><th>Board</th><th>ARC</th><th>NC</th><th>RC</th></tr><tr><td>Number of Meetings Held</td><td>5</td><td>4</td><td>2</td><td>2</td></tr><tr><th>Name of Director</th><th colspan="4">Number of Meetings Attended</th></tr><tr><td>Dr Tan Eng Liang</td><td>5</td><td>4</td><td>2</td><td>2</td></tr><tr><td>Mr Lee Ee @ Lee Eng</td><td>5</td><td>N.A.</td><td>2</td><td>N.A.</td></tr><tr><td>Mr Ch'ng Jit Koon</td><td>5</td><td>4</td><td>2</td><td>2</td></tr><tr><td>Mr Chee Wai Pong</td><td>5</td><td>4</td><td>2</td><td>2</td></tr><tr><td>Mr Johnlin Yuwono</td><td>4</td><td>4</td><td>N.A.</td><td>2</td></tr><tr><td>Mr Mohd Amin Liew Abdullah ¹</td><td>3</td><td>N.A.</td><td>N.A.</td><td>N.A.</td></tr><tr><td>Mr Francis Lau Choo Yew ²</td><td>–</td><td>N.A</td><td>N.A.</td><td>N.A.</td></tr></table> N.A. denotes not applicable. Notes: 1 Dr Mohd Amin Liew Abdullah resigned as a Director of the Company with effect from 9 February 2015. 2 Mr Francis Lau Choo Yew was appointed as a Non-Independent Non-Executive Director of the Company with effect from 9 February 2015. The IRC did not hold any meetings during FY2014.	Table 1.4 – Board and Board Committee Meetings in FY2014						Board	ARC	NC	RC	Number of Meetings Held	5	4	2	2	Name of Director	Number of Meetings Attended				Dr Tan Eng Liang	5	4	2	2	Mr Lee Ee @ Lee Eng	5	N.A.	2	N.A.	Mr Ch'ng Jit Koon	5	4	2	2	Mr Chee Wai Pong	5	4	2	2	Mr Johnlin Yuwono	4	4	N.A.	2	Mr Mohd Amin Liew Abdullah ¹	3	N.A.	N.A.	N.A.	Mr Francis Lau Choo Yew ²	–	N.A	N.A.	N.A.
Table 1.4 – Board and Board Committee Meetings in FY2014																																																									
	Board	ARC	NC	RC																																																					
Number of Meetings Held	5	4	2	2																																																					
Name of Director	Number of Meetings Attended																																																								
Dr Tan Eng Liang	5	4	2	2																																																					
Mr Lee Ee @ Lee Eng	5	N.A.	2	N.A.																																																					
Mr Ch'ng Jit Koon	5	4	2	2																																																					
Mr Chee Wai Pong	5	4	2	2																																																					
Mr Johnlin Yuwono	4	4	N.A.	2																																																					
Mr Mohd Amin Liew Abdullah ¹	3	N.A.	N.A.	N.A.																																																					
Mr Francis Lau Choo Yew ²	–	N.A	N.A.	N.A.																																																					
1.5	What are the types of material transactions which require approval from the Board?	Matters that require the Board's approval include, amongst others, the following: • approval of release of financial results to the SGX-ST; • approval of annual results and accounts; • declaration of interim and proposal of final dividends; • approval of corporate strategy; • convening of shareholders' meetings; and • authorisation of major transactions.																																																							
1.6	(a) Are new Directors given formal training? If not, please explain why.	All newly appointed directors will be given briefings by Management on the history and business operations and corporate governance practices of the Company. The Company will, from time to time, organise briefing sessions for the directors to enable them to keep pace with regulatory changes which have a material bearing on the Company and these sessions will be funded by the Company. All newly appointed directors will be provided with formal letters setting out their duties and obligations. First-time directors of listed companies in Singapore will be encouraged to attend relevant training seminars and courses organised by bodies such as the Accounting and Corporate Regulatory Authority of Singapore, SGX-ST and the Singapore Institute of Directors to familiarise themselves on compliance, regulatory and corporate governance matters.																																																							

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(b) What are the types of information and training provided to (i) new Directors and (ii) existing Directors to keep them up-to-date?	During FY2014, the external auditors ("EA") had briefed the ARC on changes or amendments to accounting standards. Mr Francis Lau Choo Yew who was appointed to the Board on 9 February 2015 will be attending relevant training courses to familiarise himself with the duties and responsibilities of a Director of a listed Company such as training courses organised by the Singapore Institute of Directors or other training institutions in connection with his duties as a Director.
Board Composition and Guidance		
2.1 2.2 3.3	Does the Company comply with the guideline on the proportion of Independent Directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Guideline 2.1 of the Code is met as the Independent Directors make up half of the Board.
2.3 4.3	Has the independence of the Independent Directors been reviewed in the last financial year?	The NC has reviewed and confirmed the independence of the Independent Directors in accordance with the Code. The Independent Directors have also confirmed their independence in accordance with the Code.
	(a) Is there any Director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the Director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	There are no Directors who is deemed independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																											
2.4	Has any Independent Director served on the Board for more than nine years since the date of his first appointment? If so, please identify the Director and set out the Board's reasons for considering him independent.	Notwithstanding that Dr Tan Eng Liang and Mr Ch'ng Jit Koon have served beyond nine years since the date of their first appointments to the Board, the Board is of the view that Dr Tan Eng Liang and Mr Ch'ng Jit Koon are independent as each of them has: - contributed constructively throughout his term in the Company; - sought clarification and amplification as he deemed necessary, including through direct access to key management personnel; and - provided impartial advice and insights, and has exercised his independent judgement in doing so.																											
2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees? (b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	The Board's policy in identifying director nominees is primarily to have an appropriate mix of members with complementary skills, core competencies and experience for the Group, regardless of gender. The current Board composition provides a diversity of skills, experience and knowledge to the Company as follows: <table border="1"> <thead> <tr> <th colspan="3">Table 2.6 – Balance and Diversity of the Board</th></tr> <tr> <th></th><th>Number of Directors</th><th>Proportion of Board</th></tr> </thead> <tbody> <tr> <td>Core Competencies</td><td></td><td></td></tr> <tr> <td>– Accounting or finance</td><td>5</td><td>83%</td></tr> <tr> <td>– Business management</td><td>6</td><td>100%</td></tr> <tr> <td>– Legal or corporate governance</td><td>2</td><td>33%</td></tr> <tr> <td>– Relevant industry knowledge or experience</td><td>1</td><td>17%</td></tr> <tr> <td>– Strategic planning experience</td><td>6</td><td>100%</td></tr> <tr> <td>– Customer based experience or knowledge</td><td>6</td><td>100%</td></tr> </tbody> </table>	Table 2.6 – Balance and Diversity of the Board				Number of Directors	Proportion of Board	Core Competencies			– Accounting or finance	5	83%	– Business management	6	100%	– Legal or corporate governance	2	33%	– Relevant industry knowledge or experience	1	17%	– Strategic planning experience	6	100%	– Customer based experience or knowledge	6	100%
Table 2.6 – Balance and Diversity of the Board																													
	Number of Directors	Proportion of Board																											
Core Competencies																													
– Accounting or finance	5	83%																											
– Business management	6	100%																											
– Legal or corporate governance	2	33%																											
– Relevant industry knowledge or experience	1	17%																											
– Strategic planning experience	6	100%																											
– Customer based experience or knowledge	6	100%																											
	(c) What steps have the Board taken to achieve the balance and diversity necessary to maximise its effectiveness?	The Board has taken the following steps to maintain or enhance its balance and diversity: - Annual review by the NC to assess if the existing attributes and core competencies of the Board are complementary and enhance the efficacy of the Board; and - Annual evaluation by the Directors of the skill sets the other Directors possess, with a view to understand the range of expertise which is lacking by the Board. The NC will consider the results of these exercises in its recommendation for the appointment of new directors and/or the re-appointment of incumbent directors.																											
2.8	Have the Non-Executive Directors met in the absence of key management personnel in the last financial year?	The Non-Executive Directors have met at least once in the absence of key management personnel in FY2014.																											

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
Chairman and Chief Executive Officer		
3.1	Are the duties between Chairman and CEO segregated?	The roles of the Chairman and the Managing Director are separate to ensure a clear division of their responsibilities, increased accountability and greater capacity of the Board for independent decision making. The Chairman is not related to the Managing Director. Dr Tan Eng Liang, the Non-Executive Independent Chairman, leads the Board and facilitates its effectiveness on all aspects of its role. Dr Tan schedules and sets the agenda for Board meetings. In addition, he sets guidelines on and ensures quality, quantity, accurateness, and timeliness of information flow between the Board, Management and shareholders of the Company. He encourages and builds constructive relations between the Board and Management, and facilitates the effective contribution of the non-executive directors. He also takes a leading role in ensuring the Company's compliance with corporate governance guidelines. Mr Lee Ee @ Lee Eng, the Managing Director, is responsible for the execution of the Company's strategies and policies made by the Board, and the management of the Company's daily operations.
3.4	Have the Independent Directors met in the absence of key management personnel?	The Independent Directors have met at least once in the absence of key management personnel in FY2014.
Board Membership		
4.1	What are the duties of the NC?	The NC is guided by key terms of reference as follows: 1. to review, assess, make recommendations to the Board on the appointment of directors, including making recommendations on the composition of the Board and provide all newly appointed directors a formal letter setting out his/her duties and obligations; 2. to regularly review the Board structure, size and composition having regard to the scope and nature of the operations, the requirements of the business, the diversity of skills, experience, gender and knowledge of the Company and the core competencies of the directors as a group; and make recommendations to the Board with regards to any adjustments that may be deemed necessary; 3. to review, assess and recommend nominees or candidates for appointment or re-election to the Board, and to consider his/her competencies, commitment, contribution, performance and whether he/she is independent; 4. to make plans for succession, in particular for the Chairman of the Board and Managing Director; 5. to prepare and recommend, for approval of the Board, written guidelines on the division of responsibilities of the Chairman of the Board and the Managing Director; 6. to determine, on an annual basis whether a director is independent; 7. to recommend to the Board for the continuation (or not) in services of any director who has reached the age of seventy years;

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		8. to recommend directors who are retiring by rotation to be put forward for re-election; 9. to decide whether or not a director is able to and has been adequately carrying out his/her duties as a director of the Company, particularly when he has multiple board representations and/or other principal commitments; 10. to recommend to the Board internal guidelines to address the competing time commitments faced by directors who serve on multiple boards and the maximum number of listed company board representations which any Director may hold; 11. to assess the effectiveness of the Board as a whole, and Board Committees and the contribution of each individual director to the effectiveness of the Board; and 12. to review the training and development programs for the Board.
4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number?	The Board has not capped the maximum number of listed company board representations each Director may hold.
	(b) If a maximum has not been determined, what are the reasons?	Although several directors hold directorships in other listed companies, the NC is of the view that such multiple board representations do not hinder them from carrying out their duties as directors of the Company. These directors, through their directorships in other listed companies would also widen the experience of the Board and give it a broader perspective. The NC does not think that it is necessary to set the maximum number of listed board representations that any Director may hold as all the Directors are able to devote sufficient time and attention to the Company's affairs in light of their commitments.
	(c) What are the specific considerations in deciding on the capacity of directors?	The considerations in assessing the capacity of Directors include the following: • Expected and/or competing time commitments of Directors; • Geographical location of Directors; • Size and composition of the Board; and • Nature and scope of the Group's operations and size.
	(d) Have the Directors adequately discharged their duties?	The NC has reviewed the time spent and attention given by each of the Directors to the Company's affairs, and is satisfied that all Directors have discharged their duties adequately for FY2014.
4.5	Are there alternate Directors?	The Company does not have any alternate director.

CORPORATE
GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																		
4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	Table 4.6(a) – Process for the Selection and Appointment of New Directors <table> <tr> <td>1.</td><td>Determination of selection criteria</td><td> - The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills/experience/knowledge to complement and strengthen the Board. </td></tr> <tr> <td>2.</td><td>Search for suitable candidates</td><td> - The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary. </td></tr> <tr> <td>3.</td><td>Assessment of shortlisted candidates</td><td> - The NC would deliberate on the competencies of each shortlisted candidate against the needs of the Board to select a candidate for the directorship role. </td></tr> <tr> <td>4.</td><td>Appointment of director</td><td> - The NC would recommend the selected candidate to the Board for consideration and approval. </td></tr> </table> Table 4.6(b) – Process for the Re-electing Incumbent Directors <table> <tr> <td>1.</td><td>Assessment of director</td><td> - The NC would assess the performance of the director in accordance with the performance criteria set by the Board; and - The NC would also consider the current needs of the Board. </td></tr> <tr> <td>2.</td><td>Re-appointment of director</td><td> - Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval. </td></tr> </table> Article 109 of the Company's Articles of Association ("Articles") requires one-third of directors (other than the Managing Director) to retire from office and submit themselves for re-nomination and re-election at the Annual General Meeting ("AGM"), at least once every three years. In addition, Article 119 provides that a director newly appointed by the Board must submit himself for re-election at the AGM following his appointment. The NC is of the view that each individual director has contributed to the effectiveness of the Board as a whole and has recommended the re-elections of Mr Chee Wai Pong and Mr Lau Choo Yew pursuant to the Articles 109 and 119 respectively, and the re-appointments of Mr Ch'ng Jit Koon and Dr Tan Eng Liang pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore.	1.	Determination of selection criteria	The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills/experience/knowledge to complement and strengthen the Board.	2.	Search for suitable candidates	The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.	3.	Assessment of shortlisted candidates	The NC would deliberate on the competencies of each shortlisted candidate against the needs of the Board to select a candidate for the directorship role.	4.	Appointment of director	The NC would recommend the selected candidate to the Board for consideration and approval.	1.	Assessment of director	- The NC would assess the performance of the director in accordance with the performance criteria set by the Board; and - The NC would also consider the current needs of the Board.	2.	Re-appointment of director	Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval.
1.	Determination of selection criteria	The NC, in consultation with the Board, would identify the current needs of the Board in terms of skills/experience/knowledge to complement and strengthen the Board.																		
2.	Search for suitable candidates	The NC would consider candidates proposed by the Directors, key management personnel or substantial shareholders, and may engage external search consultants where necessary.																		
3.	Assessment of shortlisted candidates	The NC would deliberate on the competencies of each shortlisted candidate against the needs of the Board to select a candidate for the directorship role.																		
4.	Appointment of director	The NC would recommend the selected candidate to the Board for consideration and approval.																		
1.	Assessment of director	- The NC would assess the performance of the director in accordance with the performance criteria set by the Board; and - The NC would also consider the current needs of the Board.																		
2.	Re-appointment of director	Subject to the NC's satisfactory assessment, the NC would recommend the proposed re-appointment of the director to the Board for its consideration and approval.																		

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation								
		Mr Chee, Mr Ch'ng and Dr Tan do not have any relationships including immediate family relationships between themselves and the Directors, the Company and its 10% shareholders. Save for his non-controlling shareholding interest in the Company's substantial shareholder, Golden Wang Holdings Pte. Ltd., Mr Lau does not have any other relationships including immediate family relationships between himself and the Directors, the Company and its other 10% shareholders. The detailed information of these directors can be found on pages 5 and 6. Mr Chee Wai Pong will, upon re-election as a Director of the Company, remain as the Chairman of the NC and a member of the ARC and RC. Mr Francis Lau Choo Yew will, upon re-election as a Director of the Company, remain as a Non-Executive Director. Mr Ch'ng Jit Koon will, upon re-appointment as a Director of the Company, remain as the Chairman of the RC and a member of the ARC, NC and IRC. Dr Tan Eng Liang will, upon re-appointment as a Director of the Company, remain as the Chairman of the ARC and IRC and a member of the RC and NC. Mr Chee, Mr Ch'ng and Dr Tan will be considered independent for the purposes of Rule 704(7) of the Catalist Rules Listing Manual: Section B of the SGX-ST ("Catalist Rules"). Mr Chee, Mr Lau, Mr Ch'ng and Dr Tan had abstained from participating in the discussion and recommendation on their respective nominations.								
4.7	Please provide Directors' key information.	The key information of the Directors, including their appointment dates and directorships held in the past 3 years, are set out on pages 5 to 6 of this annual report.								
Board Performance										
5.1 5.2 5.3	What is the performance criteria set to evaluate the effectiveness of the Board as a whole and its board committees, and for assessing the contribution by each Director to the effectiveness of the Board?	Table 5 sets out the performance criteria, as recommended by the NC and approved by the Board, to be relied upon to evaluate the effectiveness of the Board as a whole, and for assessing the contribution by each Director to the effectiveness of the Board: <table><tr><th colspan="2">Table 5 – Performance Evaluation Criteria</th></tr><tr><th>Board/Individual Directors</th><th>Performance Criteria</th></tr><tr><td>Board</td><td> 1. Size and composition 2. Access to information 3. Board processes 4. Strategic planning 5. Board accountability 6. Risk management 7. Succession planning </td></tr><tr><td>Individual Directors</td><td> 1. Commitment of time 2. Knowledge and abilities 3. Teamwork 4. Independence (if applicable) 5. Overall effectiveness 6. Attendance at Board and Board Committee meetings </td></tr></table>	Table 5 – Performance Evaluation Criteria		Board/Individual Directors	Performance Criteria	Board	1. Size and composition 2. Access to information 3. Board processes 4. Strategic planning 5. Board accountability 6. Risk management 7. Succession planning	Individual Directors	1. Commitment of time 2. Knowledge and abilities 3. Teamwork 4. Independence (if applicable) 5. Overall effectiveness 6. Attendance at Board and Board Committee meetings
Table 5 – Performance Evaluation Criteria										
Board/Individual Directors	Performance Criteria									
Board	1. Size and composition 2. Access to information 3. Board processes 4. Strategic planning 5. Board accountability 6. Risk management 7. Succession planning									
Individual Directors	1. Commitment of time 2. Knowledge and abilities 3. Teamwork 4. Independence (if applicable) 5. Overall effectiveness 6. Attendance at Board and Board Committee meetings									

CORPORATE
GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year?	The review of the performance of the Board is conducted by the NC annually. The review of the performance of each Director is also conducted at least annually and when the individual Director is due for re-election. For FY2014, the review process was as follows: 1. All Directors individually completed a board evaluation questionnaire on the effectiveness of the Board, and the individual Directors based on criteria disclosed in Table 5 above; 2. The Company collated and submitted the questionnaire results to the NC Chairman in the form of a report; and 3. The NC discussed the report and concluded the performance results during the NC meeting. All NC members have abstained from the voting or review process of any matters in connection with the assessment of his performance. No external facilitator was used in the evaluation process.
	(b) Has the Board met its performance objectives?	Yes, the Board has met its performance objectives.

Access to Information

6.1 10.3	What types of information does the Company provide to Independent Directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Table 6 – Types of information provided by key management personnel to Independent Directors	
		Information	Frequency
		1. Board papers (with background or explanatory information relating to the matters brought before the Board, where necessary)	Prior to Board Meetings [held at least half-yearly]
		2. Updates to the Group's operations and the markets in which the Group operates in	As and when necessary
		3. Budgets and/or forecasts (with variance analysis), management accounts	Monthly
		4. Reports on on-going or planned corporate actions	As and when necessary
		5. Enterprise risk framework and internal auditors' ("IA") report(s)	Half yearly
		Key management personnel will also provide any additional material or information that is requested by Directors or that is necessary to enable the Board to make a balanced and informed assessment of the Group's performance, position and prospects.	
6.3	What is the role of the Company Secretary?	The Board has separate and independent access to the senior management and the Company Secretary at all times. The Company Secretary or her representative attends Board and Board Committee meetings and is responsible to ensure that board procedures are followed and applicable rules and regulations are complied with. The appointment and removal of the Company Secretary is a matter that has to be decided for the Board as a whole. The Board also has access to independent professional advice where appropriate.	

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																																																							
REMUNERATION MATTERS																																																									
Developing Remuneration Policies																																																									
7.1	What is the role of the RC?	The RC is guided by key terms of reference as follows: - to review and recommend to the Board, in consultation with the Chairman of the Board, a framework of remuneration and to determine the specific remuneration packages and terms of employment for each of the directors and key management personnel of the Group; - to recommend to the Board, share-based incentives or awards or any long term incentive schemes which may be set up from time to time, reviewing whether directors and key management personnel should be eligible for such schemes, evaluating the cost and benefits of such schemes and to do all acts necessary in connection therewith; - to carry out its duties in the manner that it deemed expedient, subject always to any regulations or restrictions that may be imposed upon the RC by the Board of Directors from time to time; and - to ensure all aspects of remuneration are covered.																																																							
7.3	Were remuneration consultants engaged in the last financial year?	No remuneration consultants were engaged by the Company in FY2014.																																																							
Disclosure on Remuneration																																																									
9	What is the Company's remuneration policy?	The Company's remuneration policy is one that seeks to attract, retain and motivate talent to achieve the Company's business vision and create sustainable value for its stakeholders. The policy articulates to staff the link that total compensation has to the achievement of organisational and individual performance objectives, and benchmarked against relevant and comparative compensation in the market.																																																							
9.1 9.2	Has the Company disclosed each Director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The breakdown for the remuneration of the Directors for FY2014 is as follows: <table><tr><th colspan="5">Table 9 – Directors' Remuneration</th></tr><tr><th>Name</th><th>Directors Fees (%)</th><th>Salary (%)</th><th>Bonus (%)</th><th>Total (%)</th></tr><tr><td colspan="5">S\$1,000,000 – S\$1,250,000</td></tr><tr><td>Mr Lee Ee @ Lee Eng</td><td>–</td><td>87</td><td>13</td><td>100</td></tr><tr><td colspan="5">Below S\$250,000</td></tr><tr><td>Dr Tan Eng Liang</td><td>100</td><td>–</td><td>–</td><td>100</td></tr><tr><td>Mr Ch'ng Jit Koon</td><td>100</td><td>–</td><td>–</td><td>100</td></tr><tr><td>Mr Chee Wai Pong</td><td>100</td><td>–</td><td>–</td><td>100</td></tr><tr><td>Mr Johnlin Yuwono</td><td>100</td><td>–</td><td>–</td><td>100</td></tr><tr><td>Mr Mohd Amin Liew Abdullah ¹</td><td>100</td><td>–</td><td>–</td><td>100</td></tr><tr><td>Mr Francis Lau Choo Yew ²</td><td>–</td><td>–</td><td>–</td><td>–</td></tr></table>	Table 9 – Directors' Remuneration					Name	Directors Fees (%)	Salary (%)	Bonus (%)	Total (%)	S\$1,000,000 – S\$1,250,000					Mr Lee Ee @ Lee Eng	–	87	13	100	Below S\$250,000					Dr Tan Eng Liang	100	–	–	100	Mr Ch'ng Jit Koon	100	–	–	100	Mr Chee Wai Pong	100	–	–	100	Mr Johnlin Yuwono	100	–	–	100	Mr Mohd Amin Liew Abdullah ¹	100	–	–	100	Mr Francis Lau Choo Yew ²	–	–	–	–
Table 9 – Directors' Remuneration																																																									
Name	Directors Fees (%)	Salary (%)	Bonus (%)	Total (%)																																																					
S\$1,000,000 – S\$1,250,000																																																									
Mr Lee Ee @ Lee Eng	–	87	13	100																																																					
Below S\$250,000																																																									
Dr Tan Eng Liang	100	–	–	100																																																					
Mr Ch'ng Jit Koon	100	–	–	100																																																					
Mr Chee Wai Pong	100	–	–	100																																																					
Mr Johnlin Yuwono	100	–	–	100																																																					
Mr Mohd Amin Liew Abdullah ¹	100	–	–	100																																																					
Mr Francis Lau Choo Yew ²	–	–	–	–																																																					

CORPORATE
GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation																
		Notes: 1 Dr Mohd Amin Liew Abdullah resigned as a Director of the Company with effect from 9 February 2015. 2 Mr Francis Lau Choo Yew was appointed as a Non-Independent Non-Executive Director of the Company with effect from 9 February 2015. After reviewing the industry practice and analysing the advantages and disadvantages in relation to the disclosure of remuneration of each Director and key management personnel, the Company is of the view that such disclosure would be prejudicial to its business interest given the highly competitive environment. There are no termination, retirement, post-employment benefits granted to the Directors, the CEO and top 5 key management personnel. The Company does not have any employee share option scheme or other long-term employee incentive scheme.																
9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S\$250,000 or more in detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The breakdown for the remuneration of the Company's key management personnel (who are not Directors or the CEO) for FY2014 is as follows: <table><tr><th colspan="2">Table 9.3 – Remuneration of Key Management Personnel</th></tr><tr><td colspan="2">Below \$250,000</td></tr><tr><td colspan="2">Han Jing</td></tr><tr><td colspan="2">Dong Fagen</td></tr><tr><td colspan="2">Cindy Lee</td></tr><tr><td colspan="2">Evelyn Koh</td></tr><tr><td colspan="2">Andy Lee</td></tr><tr><td colspan="2">Desmond Ling</td></tr></table> The Company has not disclosed the breakdown of the remuneration paid to its key management personnel as it is not in the best interests of the Company and the employees to disclose such details due to the sensitive nature of such information. Currently, the Company does not have any employee share option scheme or other long-term employee incentive scheme.	Table 9.3 – Remuneration of Key Management Personnel		Below \$250,000		Han Jing		Dong Fagen		Cindy Lee		Evelyn Koh		Andy Lee		Desmond Ling	
Table 9.3 – Remuneration of Key Management Personnel																		
Below \$250,000																		
Han Jing																		
Dong Fagen																		
Cindy Lee																		
Evelyn Koh																		
Andy Lee																		
Desmond Ling																		
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not Directors or the CEO).	The total remuneration paid to the top 6 key management personnel for FY2014 was S\$700,000.																
9.4	Is there any employee who is an immediate family member of a Director or the CEO, and whose remuneration exceeds S\$50,000 during the last financial year? If so, please identify the employee and specify the relationship with the relevant Director or the CEO.	The remuneration of employees who are immediate family members of a director for the financial year ended 31 December 2014 is as follows: <table><tr><th>Remuneration band</th><th>Relationship</th></tr><tr><td>\$100,000 to \$150,000</td><td></td></tr><tr><td>Cindy Lee</td><td>Daughter of Managing Director, Mr Lee Ee @ Lee Eng</td></tr><tr><td>Andy Lee</td><td>Son of Managing Director, Mr Lee Ee @ Lee Eng</td></tr></table>	Remuneration band	Relationship	\$100,000 to \$150,000		Cindy Lee	Daughter of Managing Director, Mr Lee Ee @ Lee Eng	Andy Lee	Son of Managing Director, Mr Lee Ee @ Lee Eng								
Remuneration band	Relationship																	
\$100,000 to \$150,000																		
Cindy Lee	Daughter of Managing Director, Mr Lee Ee @ Lee Eng																	
Andy Lee	Son of Managing Director, Mr Lee Ee @ Lee Eng																	

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation		
9.5	Please provide details of the employee share scheme(s).	The Company had no employee share scheme during FY2014.		
9.6	(a) Please describe how the remuneration received by Executive Directors and key management personnel has been determined by the performance criteria.	The remuneration received by the Executive Directors and key management personnel takes into consideration his or her individual performance and contribution towards the overall performance of the Group for FY2014. Their remuneration is made up of fixed and variable compensations. The fixed compensation consists of an annual base salary, fixed allowance and annual wage supplement. The variable compensation is determined based on the level of achievement of corporate and individual performance objectives.		
	(b) What were the performance conditions used to determine their entitlement under the short term and long term incentive schemes?	The following performance conditions for short-term incentives such as performance bonus were chosen for the Group to remain competitive and to motivate the Executive Directors and key management personnel to work in alignment with the goals of all stakeholders: <table><tr><td>Table 9.6(b) – Performance Conditions for Short-term Incentives (such as performance bonus)</td></tr><tr><td>1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 6. Macro-economic factors</td></tr></table>	Table 9.6(b) – Performance Conditions for Short-term Incentives (such as performance bonus)	1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 6. Macro-economic factors
	Table 9.6(b) – Performance Conditions for Short-term Incentives (such as performance bonus)			
1. Leadership 2. People development 3. Commitment 4. Teamwork 5. Current market and industry practices 6. Macro-economic factors				
(c) Were all of these performance conditions met? If not, what were the reasons?	Yes, the RC has reviewed and is satisfied that the performance conditions were met for FY2014.			
ACCOUNTABILITY AND AUDIT				
Risk Management and Internal Controls				
11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	The Board is of the view that the Company's internal controls (including financial, operational, compliance and information technology controls) and risk management systems were adequate and effective for FY2014. The bases for the Board's view are as follows: 1. Assurance has been received from the Managing Director and Finance Manager (refer to Section 11.3(b) below); 2. Internal audits have been performed by the IA and significant matters highlighted to the ARC and key management personnel were appropriately addressed; 3. Key management personnel regularly evaluates, monitors and reports to the ARC on material risks; 4. Discussions were held between the ARC and the EA in the absence of the key management personnel to review and address any potential concerns;		

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		5. Risk appetite statements with tolerance limits have been approved by the Board to contain risks within acceptable levels; and 6. ARC has spoken with the IA and noted that there were no exceptional matters to be reported. The Company is gradually placing emphasis on sustainability and would implement appropriate policies and programmes when the opportunities arise.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the IA that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	Yes, the Board has obtained such assurance from the Managing Director and Finance Manager in respect of FY2014. The Board has additionally relied on IA's internal audit reports issued to the Company since FY2010 as assurances that the Company's risk management and internal control systems are effective.
Audit Committee		
12.1 12.4	What is the role of the AC?	The ARC is guided by the following key terms of reference: 1. to review with the external auditors their audit plan, their evaluation of the system of internal accounting controls, their audit report and their management letter and the Management's response; 2. to ensure co-ordination where more than one audit firm is involved; 3. to review the half-yearly and annual financial statements before submission to the Board for approval; 4. to review any formal announcement relating to the Company's financial performance; 5. to discuss problems and concerns, if any, arising from the interim and final audits, in consultation with the external auditors and internal auditors where necessary; 6. to meet with the external auditors and with the internal auditors without the presence of Management, at least annually, to discuss any problems and concerns they may have; 7. to review the assistance given by Management to the external auditors; 8. to review annually the scope and results of the external audit and its cost effectiveness as well as the independence and objectivity of the external auditors. Where the auditors also provide non-audit services to the Company, to review the nature and extent of such services, in order to balance the maintenance of objectivity and value for money, and to ensure that the independence of the auditors would not be affected;

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		9. to review the internal audit programme and the adequacy and effectiveness of the Company's internal audit function, as well as to ensure coordination between the internal and external auditors and the Management; 10. to review the adequacy and effectiveness of the Company's internal control system, including financial, operational, compliance and information technology controls and to report to the Board annually; 11. to review the scope and results of the internal audit procedures including the effectiveness of the internal audit function and ensure that the internal audit function is adequately resourced and has appropriate standing within the Company; 12. to review and discuss with the external auditors, any suspected fraud or irregularity, or suspected infringement of any law, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and Management's response; 13. to investigate any matter within its Terms of Reference, with full access to and co-operation by Management and full discretion to invite any director or executive officer to attend its meetings, and reasonable resources to enable it to discharge its functions properly; 14. to review arrangements by which staff of the Company, may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters and ensure that arrangements are in place for such concerns to be raised and independently investigated and for appropriate follow up actions to be taken; 15. to report to the Board its findings from time to time on matters arising and requiring the attention of the Board; 16. to review interested person transactions falling within the scope of the Catalist Rules; 17. to recommend to the Board the appointment, re-appointment and removal of the external auditors and approve the remuneration and terms of engagement of the external auditors; 18. to review the audit representation letters before consideration by the Board; 19. to review and advise the Board in formulating its risk policies including the parameters for risk assessments and methodology to be adopted; 20. to oversee the Management in the design and implementation and monitoring of the risk management system; 21. to determine the Company's level of risk tolerance; 22. to develop and guide the Board in establishing a process of effectively identifying and managing the implications of risks tolerance in internal controls and strategic transactions to be undertaken by the Company; 23. to oversee and advise the Board on the current risk exposures, overall risk tolerance, and overall risk strategy of the Company;

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
		24. to annually review the adequacy and effectiveness of the Company's risk management system, including the overall risk assessment processes; 25. to review periodically the risk limits established by the Company and where applicable, report on any material breach of such limits and the adequacy of proposed action(s) to be taken, and if necessary, make recommendations on further action to be taken; 26. to recommend to the Board the statements to be included in the Company's annual report concerning the adequacy and effectiveness of the Company's internal control and risk management systems; 27. to monitor the independence of the risk management function throughout the organization; 28. to review and monitor Management's responsiveness to external and internal auditors' findings and proposed mitigating efforts undertaken by Management; 29. to undertake such other reviews and projects as may be requested by the Board; and 30. to undertake such other functions and duties as may be required by statute, the Code of Corporate Governance or the Catalist Rules.
12.5	Has the AC met with the auditors in the absence of key management personnel?	Yes, the ARC has met with the EA at least once in the absence of key management personnel in FY2014.
12.6	Has the AC reviewed the independence of the EA?	The ARC has reviewed the non-audit services provided by the EA and is satisfied that the nature and extent of such services would not prejudice the independence of the EA, and has recommended the re-appointment of the EA at the forthcoming AGM.
	(a) Please provide a breakdown of the fees paid in total to the EA for audit and non-audit services for the financial year.	Please refer to Note 22 of the Notes to the Financial Statements on page 60 of this Annual Report.
	(b) If the EA have supplied a substantial volume of non-audit services to the Company, please state the bases for the AC's view on the independence of the EA.	The non-audit services rendered during FY2014 were not substantial.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
12.7	Does the Company have a whistle-blowing policy?	Yes. The Company has put in place a whistle-blowing framework, endorsed by the ARC, which provides the mechanism where employees of the Company may, in good faith and in confidence, raise concerns or observations about possible improprieties in financial reporting or other matters directly to members of the ARC. Copies of the whistle blowing policy and procedures, including the contact details of the members of the ARC, have been made available to all employees. It has well defined process which ensures independent investigation of possible improprieties with appropriate follow up action and provides assurance that complainants will be protected from retaliatory action within the limit of laws. The Board will review the whistle-blowing policy and determine if it should be extended to external parties in due course.
12.8	What are the AC's activities or the measures it has taken to keep abreast of changes to accounting standards and issues which have a direct impact on financial statements?	In FY2014, the ARC has been briefed by the EA on changes or amendments to accounting standards which have a direct impact on financial statements.
Internal Audit		
13.1 13.2 13.3 13.4 13.5	Please provide details of the Company's internal audit function, if any.	The Company's internal audit function is outsourced to Wensen Consulting Asia (S) Pte. Ltd. ("Wensen") that reports directly to the ARC on audit matters and to the Managing Director on administrative matters. The ARC reviews and approves the internal audit plan to ensure the adequacy of the scope of audit. The ARC is satisfied that Wensen is adequately qualified (given, <i>inter alia</i>, its adherence to standards set by nationally/internationally recognised professional bodies) and resourced, and has the appropriate standing in the Company to discharge its duties effectively.
SHAREHOLDER RIGHTS AND RESPONSIBILITIES		
Communication with Shareholders		
15.2 15.3 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	In line with the continuous disclosure obligations under the relevant rules, the Board informs shareholders promptly of all major developments that may have a material impact on the Group in a timely manner. Half-year and full year results and other major developments of the Company are published through the SGXNet and/or press releases, as required by the Catalist Rules. The Company ensures that price-sensitive information is publicly released, and is announced within the mandatory period. In addition, if the need arises, the Company may organise media/analyst briefings to enable a better appreciation of the Group's performance and developments, which will also act as platforms to solicit and understand the views of shareholders and investors.

CORPORATE GOVERNANCE REPORT

Guideline	Code and/or Guide Description	Company's Compliance or Explanation
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	The Company does not have a dedicated investor relations team. Cindy Lee Pui Hoon, the Company's Admin and Corporate Affairs Director is responsible for the Company's communication with shareholders.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	Apart from the SGXNET announcements and its annual report, the Company may release press releases or organise media/analyst briefings to keep shareholders informed of corporate developments.
15.5	Does the Company have a dividend policy?	The Company does not have a fixed dividend policy. In considering the declaration of dividends, the Company will have to take into consideration the Group's profit growth, cash position, cash flows, projected capital requirements for business growth and other factors as the Board may deem relevant.
	Is the Company is paying dividends for the financial year? If not, please explain why.	The Board has not declared or recommended dividends for FY2014, as the Company has deemed it more appropriate to retain the cash in the Group for its future growth plans.
CONDUCT OF SHAREHOLDER MEETINGS		
16.1 16.3 16.4 16.5	How are the general meetings of shareholders conducted?	The Company requires all Directors (including the respective chairman of the Board Committees) to be present at all general meetings of shareholders, unless of exigencies. The EA is also required to be present to address shareholders' queries about the conduct of audit and the preparation and content of the independent auditor's report. The Company shall, for the time being, put all resolutions to vote by show of hands as it is of the view that voting by poll is logistically burdensome and not cost effective. The Company would adopt poll voting for its general meetings of shareholders held on or after 1 August 2015. All minutes of general meetings will made available to shareholders upon their request.

CORPORATE GOVERNANCE REPORT

COMPLIANCE WITH APPLICABLE CATALIST RULES		
Catalist Rule	Rule Description	Company's Compliance or Explanation
712, 715 or 716	Appointment of Auditors	The Company confirms its compliance to the Catalist Rules 712 and 715.
1204(8)	Material Contracts	There were no material contracts entered into by the Group involving the interest of the CEO, any Director, or controlling shareholder, which are either still subsisting at the end of FY2014 or if not then subsisting, entered into since the end of the previous financial year.
1204(10)	Confirmation of adequacy of internal controls	The Board and the ARC are of the opinion that the internal controls are adequate to address the financial, operational and compliance risks based on the following: - internal controls and the risk management system established by the Company; - work performed by the IA and EA; - assurance from the Managing Director and Finance Manager; and - reviews done by the various Board Committees and key management personnel.
1204(17)	Interested Persons Transaction ("IPT")	The Group has procedures governing all IPTs to ensure that they are properly documented and reported on a timely manner to the ARC and that they are carried out on normal commercial terms and are not prejudicial to the interests of the Company and its minority shareholders. There were no IPTs transacted during FY2014.
1204(19)	Dealing in Securities	The Company has adopted a code of conduct to provide guidance to its officers in relation to dealings in the Company's securities. The Company, directors, officers and staff of the Group are not allowed to deal in the Company's securities during the period commencing one month before the announcement of the Company's full year or half-year results and ending on the date of the announcement of such results and at any time they are in possession of unpublished material price sensitive information in relation to these securities. Officers are also advised not to deal in the Company's securities on short-term considerations.
1204(21)	Non-sponsor fees	The Continuing Sponsor of the Company was changed from CNP Compliance Pte. Ltd. ("CNPC") to PrimePartners Corporate Finance Pte. Ltd. ("PPCF") with effect from 1 July 2014. There were no non-sponsor fees paid to CNPC and PPCF during FY2014.

DIRECTORS' REPORT

The directors present their report to the members together with the audited consolidated financial statements of Progen Holdings Ltd (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2014.

Directors

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

Tan Eng Liang
Lee Ee @ Lee Eng
Ch'ng Jit Koon
Chee Wai Pong
Johnlin Yuwono
Francis Lau Choo Yew

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' 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 subsidiaries) as stated below:

Name of director	Direct interest			Deemed interest		
	1.1.2014	31.12.2014	21.1.2015	1.1.2014	31.12.2014	21.1.2015
The Company						
<i>Ordinary shares</i>						
Lee Ee @ Lee Eng	50,543,690	75,156,690	77,257,690	913,041	913,041	913,041
Johnlin Yuwono	10,000,000	10,000,000	10,000,000	4,466,000	4,466,000	4,466,000
Ch'ng Jit Koon	—	—	—	200,000	200,000	200,000

Subsidiary company Progen Media Pte Ltd

Ordinary shares

Lee Ee @ Lee Eng	1	*	*	—	*	*
------------------	---	---	---	---	---	---

* Voluntary strike-off within the year

Except as disclosed in this report, 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 of the financial year, or date of appointment if later or at the end of the financial year and at 21 January 2015.

DIRECTORS' REPORT

Directors' contractual benefits

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

Options

The Company does not currently have an Employees' Share Option Scheme. The previous scheme had lapsed on 31 July 2010 and has since been discontinued.

Audit & Risk Committee

The audit & risk committee ("ARC") carried out its functions in accordance with section 201B (5) of the Singapore Companies Act, Cap. 50. The functions performed are detailed in the Report on Corporate Governance.

The ARC recommends to the Board of Directors the nomination of Ernst & Young LLP as external auditors at the forthcoming annual general meeting of the Company.

Board's Opinion on Internal Controls

Based on the reports submitted by the internal auditor and the various management controls put in place, the Board with the concurrence of the ARC is of opinion that the internal controls and risk management systems of the Company are adequate in addressing its financial, operational, compliance and information technology risks.

Auditor

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Lee Ee @ Lee Eng
Director

Tan Eng Liang
Director

Singapore
19 March 2015

STATEMENT BY DIRECTORS

We, Lee Ee @ Lee Eng and Tan Eng Liang, being two of the directors of Progen Holdings Ltd, do hereby state that, in the opinion of the directors,

- (i) the accompanying balance sheets, consolidated statement of comprehensive income, statements of changes in equity, and consolidated cash flow statement together with the notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, 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.

On behalf of the board of directors:

Lee Ee @ Lee Eng
Director

Tan Eng Liang
Director

Singapore
19 March 2015

INDEPENDENT AUDITOR'S REPORT

For the financial year ended 31 December 2014

Report on the consolidated Financial Statements

We have audited the accompanying financial statements of Progen Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") set out on pages 32 to 74, which comprise the balance sheets of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company, and consolidated statement of comprehensive income and consolidated cash flow statement 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, Chapter. 50 (the "Act") and Singapore Financial Reporting Standards, and devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss account and balance sheet 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 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 auditors consider 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.

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 state of affairs of the Group and of the Company as at 31 December 2014 and the results, 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 subsidiaries incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

19 March 2015

BALANCE
SHEETS

as at 31 December 2014

		Group		Company	
	Notes	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Non-current assets					
Property, plant and equipment	4	252	367	102	157
Investment property	5	13,800	8,800	–	–
Intangible assets – Development cost	6	166	166	–	–
Fixed deposits	7	2,000	8,000	–	–
Investment in subsidiaries	9	–	–	9,023	9,173
Deferred tax asset	18	8	–	–	–
		16,226	17,333	9,125	9,330
Current assets					
Cash and bank balances	7	8,607	7,715	2,988	3,411
Fixed deposits	7	12,253	7,212	7,185	7,108
Trade receivables	10	1,978	3,069	–	–
Prepayments		73	75	33	17
Deposits		96	30	47	–
Other receivables	11	51	115	–	–
Investment securities	12	68	74	–	–
Amounts due from subsidiaries	13	–	–	1,014	820
Inventories	14	253	160	–	–
Deferred rental income	8	–	52	–	125
Gross amount due from customers for contract work-in-progress	15	765	640	–	–
		24,144	19,142	11,267	11,481
Current liabilities					
Trade payables	16	(677)	(607)	(43)	(33)
Deferred revenue		(133)	(129)	–	–
Other payables	17	(2,261)	(3,146)	(839)	(790)
Provision for claims	30	–	–	–	–
Income tax payable		(305)	(97)	(14)	–
Deferred rental expense	8	–	(138)	–	(138)
Amounts due to subsidiaries	13	–	–	(509)	(943)
Gross amount due to customers for contract work-in-progress	15	(1,052)	(1,254)	–	–
		(4,428)	(5,371)	(1,405)	(1,904)
Net current assets		19,716	13,771	9,862	9,577
Non-current liabilities					
Deferred tax liabilities	18	(5)	(44)	–	–
Net assets		35,937	31,060	18,987	18,907
Equity attributable to equity holders of the parent					
Share capital	19	27,224	27,224	27,224	27,224
Foreign currency translation reserve	20	(111)	(93)	–	–
Accumulated profit/(losses)		8,824	3,929	(8,237)	(8,317)
Total equity		35,937	31,060	18,987	18,907

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 2014

		Group	
	Notes	2014 \$'000	2013 \$'000
Revenue			
Products and installation		15,668	8,569
Services and maintenance		460	535
Rental income		1,687	3,254
Total revenue		17,815	12,358
Other items of income			
Dividend income	21	3	2
Other income	22	3,734	972
Total other items of income		3,737	974
Cost and expenses			
Cost of products and installation		(10,708)	(4,294)
Property operating expenses		(1,434)	(2,380)
Salaries and employee benefits	22	(3,161)	(3,086)
Depreciation expense	4	(152)	(167)
Write back/(provision) for claims	30	–	216
Other expenses	22	(1,045)	(1,348)
Finance costs	22	–	(1)
Total cost and expenses		(16,500)	(11,060)
Profit before income tax		5,052	2,272
Income tax expense	23	(157)	(5)
Profit, net of tax, attributable to equity holders of the parent		4,895	2,267
Other comprehensive income			
Foreign currency translation	20	(18)	(19)
Total comprehensive income attributable to equity holders of the parent		4,877	2,248
Earnings per share (cents per share)			
Basic	24	1.800	0.833
Diluted	24	1.800	0.833

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 2014

Group	Attributable to equity holders of the Parent			
	Share capital (Note 19) \$'000	Foreign currency translation reserve (Note 20) \$'000	Accumulated profit \$'000	Total equity \$'000
2014				
At 1 January	27,224	(93)	3,929	31,060
Profit net of tax	–	–	4,895	4,895
Other comprehensive loss for the year	–	(18)	–	(18)
Total comprehensive (loss)/income for the year	–	(18)	4,895	4,877
At 31 December	27,224	(111)	8,824	35,937
2013				
At 1 January	27,224	(74)	1,662	28,812
Profit net of tax	–	–	2,267	2,267
Other comprehensive loss for the year	–	(19)	–	(19)
Total comprehensive (loss)/income for the year	–	(19)	2,267	2,248
At 31 December	27,224	(93)	3,929	31,060

Company	Attributable to equity holders of the Company		
	Share capital (Note 19) \$'000	Accumulated losses \$'000	Total equity \$'000
2014			
At 1 January	27,224	(8,317)	18,907
Profit net of tax	–	80	80
Total comprehensive income for the year	–	80	80
At 31 December	27,224	(8,237)	18,987
2013			
At 1 January	27,224	(9,573)	17,651
Profit net of tax	–	1,256	1,256
Total comprehensive loss for the year	–	1,256	1,256
At 31 December	27,224	(8,317)	18,907

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

CONSOLIDATED CASH FLOW STATEMENT

For the financial year ended 31 December 2014

	2014 \$'000	2013 \$'000
Operating activities		
Profit before income tax	5,052	2,272
Adjustments for:		
Interest income	(132)	(138)
Interest expense	–	1
Gain on disposal of property, plant and equipment	(250)	(51)
Dividend income from investment securities	(3)	(2)
Depreciation of property, plant and equipment	152	167
Allowance for doubtful debt	117	515
Bad debt written off	105	–
Fair value gain on investment property	(3,241)	(689)
Fair value loss/(gain) on investment securities	6	(1)
Fair value gain on equity-linked structured deposit	–	(30)
Currency realignment	(18)	(19)
Operating cash flows before changes in working capital	1,788	2,025
Decrease/(increase) in trade and other receivables	823	(1,197)
(Increase)/decrease in prepayments and deposits	(64)	21
Increase in inventories	(93)	(11)
Decrease in deferred rental income	52	96
(Increase)/decrease in gross amount due from customers for contract work-in-progress	(125)	346
Increase/(decrease) in trade payables	70	(378)
Increase in deferred revenue	4	21
(Decrease)/increase in other payables	(885)	1,372
Decrease in provision for claims	–	(1,757)
Decrease in deferred rental expense	(138)	(222)
(Decrease)/increase in gross amount due to customer for contract work-in-progress	(202)	26
Cash flows generated from operations	1,230	342
Interest paid	–	(1)
Interest received	132	138
Refund/(payment) of taxes	114	(247)
Net cash flows generated from operating activities	1,476	232
Investing activities		
Purchase of property, plant and equipment	(37)	(168)
Proceeds from disposal of property, plant and equipment	250	51
Cash attributed to development cost	–	(106)
Decrease in fixed deposit pledged	6,000	–
Dividends received from investment securities	3	2
Additions to investment property	(1,759)	(311)
Net cash flows generated from/(used in) investing activities	4,457	(532)
Financing activities		
Repayment of hire purchase creditor	–	(25)
Net cash flows used in financing activities	–	(25)
Net increase/(decrease) in cash and cash equivalents	5,933	(325)
Cash and cash equivalents at 1 January	14,927	15,252
Cash and cash equivalents at 31 December (Note 7)	20,860	14,927

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

1. CORPORATE INFORMATION

Progen Holdings 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 12 Woodlands Loop, Singapore 738283.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are set out in Note 9 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

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 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 Dollars (“SGD” or “\$”) which is the Company’s functional currency and all values in the tables are rounded to the nearest thousand (“\$’000”) except when otherwise 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 which are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 *Standards issued but not effective*

The Group has not adopted the following standards that have been issued but are not yet effective:

Description	Effective for annual periods beginning on or after
Amendments to FRS 19 Defined Benefit Plans: Employee Contributions	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 103 Business Combinations	1 July 2014
(b) Amendments to FRS 108 Operating Segments	
(c) Amendments to FRS 113 Fair Value Measurement	1 July 2014
(d) Amendments to FRS 16 Property, Plant and Equipment and FRS 38 Intangible Assets	1 July 2014
(e) Amendments to FRS 24 Related Party Disclosures	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 Business Combinations	1 July 2014
(b) Amendments to FRS 113 Fair Value Measurement	1 July 2014
Improvements to FRSs issued:	
(a) Amendments to FRS 107 Financial Instruments: Disclosures	1 January 2016
(b) Amendments to FRS 19 Employee Benefits	1 January 2016
Amendments to FRS 1 Disclosure Initiative	1 January 2016
Amendments to FRS 16 and FRS 38 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 Investment Entities:	
Applying the Consolidation Exception	1 January 2016
FRS 115 Revenue from Contracts with Customers	1 January 2017
FRS 109 Financial Instruments	1 January 2018

The Group is currently evaluating the impact of FRS 115 and FRS 109 on the financial statements. Except for the adoption of FRS 115 and FRS 109, the directors expect that the adoption of the standards above will have no material impact on the financial statements in the period of initial application.

2.4 *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 end of the reporting period. 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.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation and business combinations (cont'd)

(a) Basis of consolidation (cont'd)

Losses within a subsidiary are attributed to the non-controlling interest 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 controls 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;
- 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.

(b) Business combinations

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.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.5 Foreign currency

The financial statements are presented in Singapore Dollars, 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 closing rate of exchange ruling at the balance sheet date. 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 reporting period are recognised in profit or loss.

(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 balance sheet date and their profit or loss are translated at average exchange rates for the year which approximate the exchange rates at the date of the transactions. The exchange differences arising on the translation are recognised initially in other comprehensive income and accumulated under currency translation reserve in equity. On disposal of a foreign operation, the cumulative amount recognised in currency translation reserve relating to that particular foreign operation is recognised in the profit or loss.

2.6 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation of an asset begins when it is available for use and is computed on a straight-line basis over the estimated useful life of the asset as follows:

Plant and machinery	–	10 years
Furniture, fittings and equipment	–	4 to 10 years
Motor vehicles	–	5 years
Computers	–	3 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 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 arising on derecognition of the asset is included in the profit or loss in the year the asset is derecognised.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 *Investment properties*

Investment properties are properties that are either owned by the Group or leased under a finance lease in order to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment properties is met.

Investment properties are initially measured at cost, including transaction costs.

Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair values of investment properties are included in profit or loss in the year in which they arise.

Investment properties are derecognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gain or loss on the retirement or disposal of an investment property is recognised in profit or loss in the year of retirement or disposal.

2.8 *Intangible assets*

Intangible assets acquired separately are measured initially at cost. The cost of intangible assets acquired in a business combination is their fair value as at the date of acquisition. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is derecognised.

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.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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 such indication exists, or when 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 of disposal 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 exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

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.

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 increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised for the asset in prior years. Reversal of an impairment loss is recognised in the profit or loss unless the asset is measured at revalued amount, in which case the reversal in excess of impairment loss previously recognised through the profit or loss is treated as a revaluation increase.

2.10 *Subsidiaries*

A subsidiary is an investee that is controlled by the Group. The Group controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

In the Company's separate financial statements, investments in subsidiaries are accounted for at cost less any impairment losses.

2.11 *Financial Instruments*

(a) *Financial assets*

Initial recognition and measurement

Financial assets are recognised on the balance sheet 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.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 *Financial Instruments (cont'd)*

(a) *Financial assets (cont'd)*

Subsequent measurement

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

(i) *Financial assets at fair value through profit or loss*

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired principally for the purpose of selling or repurchasing in the near term.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in the profit or loss. Net gains or net losses on financial assets at fair value through profit and loss include exchange differences, interest and dividend income.

(ii) *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, such assets are carried at amortised cost using the effective interest method, less impairment losses. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, as well as through the amortisation process.

Derecognition

A financial asset is derecognised where the contractual rights to receive cash flows from the asset have 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.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(b) *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.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.11 *Financial Instruments (cont'd)*

(b) *Financial liabilities (cont'd)*

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(i) *Financial liabilities at fair value through profit or loss*

Financial liabilities at fair value through profit or loss include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gain or loss arising from changes in fair value of the financial liabilities is recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(ii) *Financial liabilities at amortised cost*

After initial recognition, other financial liabilities 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.

2.12 *Impairment of financial assets*

The Group assesses at each end of the reporting period 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 individually 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.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Impairment of financial assets (cont'd)

(a) Financial assets carried at amortised cost (cont'd)

If there is objective evidence that an impairment loss on financial assets carried at amortised cost has 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.

To determine whether there is objective evidence that an impairment loss on financial assets has 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.

2.13 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand and demand deposits that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts, if any that form an integral part of the Group's cash management.

For the purposes of the consolidated cash flow statement, cash and cash equivalents comprise cash and bank balances and unpledged fixed deposits, net of bank overdrafts, if any.

2.14 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost incurred in bringing the inventories to their present location and condition, includes cost of finished goods and other direct attributable costs and is accounted for on a first-in-first-out basis. Cost of finished goods comprises direct materials, labour and an appropriate proportion of production overhead expenditure.

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 based on estimated selling price in ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.15 *Construction 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 balance sheet date, when the outcome of a construction contract can be estimated reliably.

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.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date and the estimated costs to complete. Stage of completion is determined by the actual cost incurred to date over the budgeted cost.

2.16 *Provisions*

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, and 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 each balance sheet date 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. Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.17 *Borrowing costs*

Borrowing costs are capitalised if they are directly attributable to the acquisition, construction or production of a qualifying 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 ready for their intended use or sale. All other borrowing costs are recognised in the profit or loss as incurred. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds.

2.18 *Employee benefits*

(a) *Defined contribution plan*

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.

(b) *Employee leave entitlement*

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The estimated liability for leave is recognised for services rendered by employees up to the balance sheet date.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.19 Leases

(a) *As lessee*

Operating lease payments are recognised as an expense in the 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.

(b) *As lessor*

Leases where the Group retains 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 rental income. The accounting policy for rental income is set out in Note 2.21(c). Contingent rents are recognised as revenue in the period in which they are earned.

2.20 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and that 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.

(a) *Products and installation*

Revenue from the sale of goods is recognised upon transfer of significant risks and rewards of ownership of the goods to the customer.

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.

Revenue from the contracting of installation is recognised by reference to the stage of completion at the balance sheet date. Stage of completion is determined by reference to contract costs incurred to date as a percentage of total estimated costs.

(b) *Services and maintenance*

Revenue from the provision of services is recognised upon the performance of services to the customer. Revenue from such services which is billed or collected in advance of the services being rendered, is deferred and reflected as deferred revenue.

(c) *Rental income*

Rental income arising from the rental of leasehold building space is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

(d) *Dividend income*

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

(e) *Interest income*

Interest income is recognised using the effective interest method.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 *Income taxes*

(a) *Current tax*

Current 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 amounts are those that are enacted or substantively enacted at the balance sheet date, in countries where the Group operates or generates taxable income.

Current taxes are recognised in the profit or loss except to the extent that tax relates to items recognised outside profit or loss, are recognised 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 recognises provisions where appropriate.

(b) *Deferred tax*

Deferred income tax is provided using the liability method on temporary differences at the balance sheet date 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 income 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 subsidiary companies, 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 income 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, associates and interests in joint ventures, deferred income 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.

The carrying amount of deferred tax asset is reviewed at each balance sheet date 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 each balance sheet date 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 to 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.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.21 *Income taxes (cont'd)*

(b) *Deferred tax (cont'd)*

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.

(c) *Sales tax*

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

- Where the sales tax incurred in 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.

2.22 *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.

2.23 *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 FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and the disclosure of contingent liabilities at the balance sheet date. However, 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 Judgements made in applying accounting policies

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

(a) Income taxes

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 amount of the Group's income tax payables, deferred tax asset and deferred tax liabilities at 31 December 2014 was \$305,000 (2013: \$97,000), \$8,000 (2013: nil) and \$5,000 (2013: \$44,000) respectively.

(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, judgement 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.

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(a) Impairment of loans and receivables

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

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES (CONT'D)

3.2 Key sources of estimation uncertainty (cont'd)

(a) Impairment of loans and receivables (cont'd)

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 amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 29 to the financial statements. If the net present value of estimated future cash flows decrease by 10% from management's estimates for all past due loans and receivables, the Group's allowance for impairment will increase by \$38,000 (2013: \$59,000).

(b) Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Significant assumptions are required to estimate the total contract costs and the recoverable variation works that will affect the stage of completion. The estimates are made based on past experience and knowledge of the project engineers. The carrying amounts of assets and liabilities arising from construction contracts at the end of each reporting period are disclosed in Note 15 to the financial statements. If the estimated total contract cost had been 5% higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been \$568,000 (2013: \$77,000) lower and \$1,808,000 (2013: \$1,805,000) higher respectively.

(c) Revaluation of investment property

The Group carries its investment property at fair value, with changes in fair value being recognised in profit or loss. The fair value of investment property is determined by independent real estate valuation expert using market comparable approach. The determination of the fair values of the investment property requires the use of estimates on adjustments such as location, size, tenure, age and condition. These estimates are based on local market conditions existing at the end of each reporting date. In relying on the valuation report, management has exercised its judgement to ensure that the valuation method and estimates are reflective of current local market conditions existing at the end of each reporting date.

The carrying amount of investment property and the key assumptions used to determine the fair value of the investment property are disclosed in Note 5 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

4. PROPERTY, PLANT AND EQUIPMENT

Group	Plant and machinery \$'000	Furniture, fittings and equipment \$'000	Motor vehicles \$'000	Computers \$'000	Total \$'000
Cost					
At 1 January 2013	9	537	614	41	1,201
Additions	43	7	64	54	168
Disposals	(9)	–	(192)	–	(201)
At 31 December 2013 and 1 January 2014	43	544	486	95	1,168
Additions	8	–	24	5	37
Disposals	–	(429)	–	–	(429)
At 31 December 2014	51	115	510	100	776
Accumulated depreciation					
At 1 January 2013	9	385	409	32	835
Charge for the year	–	85	62	20	167
Disposals	(9)	–	(192)	–	(201)
At 31 December 2013 and 1 January 2014	–	470	279	52	801
Charge for the year	5	49	73	25	152
Disposals	–	(429)	–	–	(429)
At 31 December 2014	5	90	352	77	524
Net carrying amount					
At 31 December 2013	43	74	207	43	367
At 31 December 2014	46	25	158	23	252

Company	Furniture, fittings and equipment \$'000	Motor vehicles \$'000	Computers \$'000	Total \$'000
Cost				
At 1 January 2013	26	372	37	435
Additions	6	–	36	42
Disposal	–	(192)	–	(192)
At 31 December 2013 and 1 January 2014	32	180	73	285
Additions	–	–	1	1
At 31 December 2014	32	180	74	286
Accumulated depreciation				
At 1 January 2013	15	224	28	267
Charge for the year	2	36	15	53
Disposal	–	(192)	–	(192)
At 31 December 2013 and 1 January 2014	17	68	43	128
Charge for the year	2	36	18	56
At 31 December 2014	19	104	61	184
Net carrying amount				
At 31 December 2013	15	112	30	157
At 31 December 2014	13	76	13	102

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

5. INVESTMENT PROPERTY

	Group	
	2014 \$'000	2013 \$'000
At 1 January	8,800	7,800
Additions (subsequent expenditure)	1,759	311
Net gain from fair value adjustment recognised in profit or loss	3,241	689
At 31 December	13,800	8,800
Direct operating expenses (including repairs and maintenance)	154	137

Investment property is stated at fair value as at 31 December 2014. This was determined based on valuation performed by HBA Group Property Consultants Pte Ltd, an accredited independent valuer. The net fair value gain of \$3,241,000 (2013: \$689,000) was recorded in "Other income" in profit or loss. The fair values of investment properties are determined using the Direct Comparison Method at as is basis. In arriving at its estimates of market value, the valuer has used its market knowledge and professional judgement and not only relied on historical transactional comparables.

The investment property held by the Group as at 31 December 2014 is as follows:

Description and Location	Existing Use	Tenure	Unexpired lease term
Proposed 8-storey factory building at 28 Riverside Road, Singapore 739085	Factory*	Leasehold (Note 26)	30-year lease commencing from 1 February 1992. (Option to renew another 30 years)

* Construction work is currently in progress on the proposed building to re-develop the investment property. The new building is scheduled for completion in Q4 2015.

Significant unobservable input used in the fair value measurement of investment property comprises the transacted price of comparable properties of approximately \$4,000 psm. The yield adjustments are made for any difference in the nature, location or condition of the specific property. An increase (decrease) in yield adjustments based on management's assumptions would result in a lower (higher) fair value measurement.

Valuation policies and procedures

The fair value of investment property is determined by external, independent professional valuer with a recognised and relevant professional qualification and with experience in the location and category of the property being valued. Management reviews the appropriateness of the valuation methodology and assumptions adopted, and the reliability of the inputs used in the valuation.

6. INTANGIBLE ASSETS – DEVELOPMENT COSTS

Group	2014 \$'000	2013 \$'000
Cost		
At beginning and end of the year	166	166
Accumulated amortisation		
At beginning and end of the year	–	–
Net carrying amount		
At 31 December	166	166

Development costs relate to chilled ceiling air-conditioning system project for tropical climate.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

7. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<i>Current</i>				
Cash and bank balances	8,607	7,715	2,988	3,411
Fixed deposits	12,253	7,212	7,185	7,108
	20,860	14,927	10,173	10,519

Cash balances at bank earn interest at floating rates based on daily bank deposit rates. Current fixed deposits are made for varying periods of between 1 and 12 months, depending on the immediate cash requirements of the Group, and earn interest at the respective deposit rates. The current fixed deposits bear interest ranging from 1.10% to 3.05% (2013: 1.10% to 2.80%) per annum.

Not included in the Group's cash and cash equivalents are:

	Group	
	2014 \$'000	2013 \$'000
<i>Non-current</i>		
Fixed deposits	2,000	8,000
Equity-linked structured deposit		
At 1 January	-	1,970
Net profit from fair value adjustment recognised in profit or loss	-	30
Less: Equity-linked structured deposit matured during the the year	-	(2,000)
At 31 December	-	-

Non-current fixed deposits are pledged to a bank for banking facilities for one of its subsidiary companies. These pledged fixed deposits matured on 4 February 2015 and bear interest of 0.24% (2013: 0.65% to 0.69%) per annum. The fixed deposits were rolled forward at maturity date.

On 7 July 2008, the Group placed a principal sum of \$2,000,000 as an equity-linked structured deposit with a bank. The principal sum was secured by a guarantee as it was placed to maturity date on 8 July 2013. This equity-linked structured deposit was stated at fair value, which was determined based on valuation provided by the bank. There was no fair value gain/loss recognized in the profit or loss during the year (2013: gain of \$30,000).

Included in cash and cash equivalents of the Group are \$3,000 (2013: \$5,000) denominated in US Dollars ("USD") and \$105,000 (2013: \$110,000) denominated in Malaysia Ringgit ("MYR").

8. DEFERRED RENTAL INCOME/EXPENSE

Deferred rental income represents aggregate benefit of incentives and future minimum lease income that remained to be amortised over the lease term on a straight-line basis.

Deferred rental expense relates to the future minimum lease payments that remained to be amortised over the lease term in a straight-line basis.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

9. INVESTMENT IN SUBSIDIARIES

	Company	
	2014 \$'000	2013 \$'000
Unquoted equity shares, at cost	9,123	9,304
Impairment losses	(100)	(131)
	9,023	9,173

Assessment of impairment in investment in subsidiary companies is carried out every year and the necessary allowances are made accordingly. No impairment was made to write down subsidiary to its recoverable amount (2013: \$31,000).

Composition of the Group

The Group has the following investment in subsidiaries.

Name of company (Country of incorporation)	Principal activities (Principal place of business)	Proportion (%) of ownership interest	
		2014	2013
Held by the Company:			
Progen Pte Ltd ⁽¹⁾ (Singapore)	Trading and contracting of engineering works, cooling towers, air-conditioning and mechanical ventilation systems and rental of building space (Singapore)	100	100
D.B. Progen Servicing Pte Ltd ⁽¹⁾ (Singapore)	Servicing and repairing of air-conditioners, cooling towers and other cooling equipment (Singapore)	100	100
Polacel Manufacturing (S.E. Asia) Pte Ltd ⁽¹⁾ (Singapore)	Supply and installation of cooling fans, cooling towers and air-conditioners (Singapore)	100	100
Engpro Sdn Bhd ⁽²⁾ (Malaysia)	Installation and maintenance of air-conditioning systems (Malaysia)	100	100
Dico International Pte Ltd ⁽³⁾ (Singapore)	Dormant (Singapore)	–	100
Progen Media Pte Ltd ⁽³⁾ (Singapore)	Dormant (Singapore)	–	80
Sinsino Fan Pte Ltd ⁽³⁾ (Singapore)	Dormant (Singapore)	–	100
Held through: Progen Pte Ltd			
Progen Industrial Pte Ltd ⁽¹⁾ (Singapore)	Sale and distribution of household electrical appliances and air-conditioners (Singapore)	100	100

⁽¹⁾ Audited by Ernst & Young LLP, Singapore.

⁽²⁾ Audited by Ernst & Young LLP, Malaysia.

⁽³⁾ Not required to be audited under the laws of the country of incorporation [voluntary strike-off in the year]

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

10. TRADE RECEIVABLES

	Group	
	2014 \$'000	2013 \$'000
Trade receivables	1,060	1,372
Retention monies receivables	884	1,277
Rental receivables	34	420
	1,978	3,069
Trade receivables are stated after deducting allowance for doubtful debts of	(665)	(548)
<i>Analysis of allowance for doubtful debts:-</i>		
At 1 January	(548)	(167)
Written off against trade receivables	-	134
Charge for the year		
- Trade receivables	(102)	(3)
- Retention monies receivables	(15)	(512)
At 31 December	(665)	(548)

Trade receivables are non-interest bearing and are generally on 30 to 90 days terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

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

Trade receivables are denominated in SGD.

Receivables that are impaired

At the end of the reporting period, Group allowance of doubtful debts mainly relates to 2 customers that have been placed under judicial management in the current financial year and from the prior financial year. These amounts to \$527,000 (2013: \$512,000) for impairment of the retention monies receivable and \$105,000 (2013: 3,000) for impairment of trade receivables from customers with a nominal amount of \$527,000 (2013: \$512,000) and \$105,000 (2013: 3,000) respectively.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

10. TRADE RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables amounting to \$349,000 (2013: \$443,000) and rental receivables amounting to \$34,000 (2013: \$144,000) that are past due at the balance sheet date but not impaired. These receivables are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group	
	2014 \$'000	2013 \$'000
<i>Trade receivables past due:</i>		
1 to 30 days	228	345
31 to 60 days	15	7
61 to 90 days	1	1
More than 90 days	105	90
	349	443
<i>Rental receivables past due:</i>		
1 to 30 days	–	71
31 to 60 days	–	42
61 to 90 days	–	2
More than 90 days	34	29
	34	144

11. OTHER RECEIVABLES

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Tax refundable	–	108	–	–
PIC cash payout	44	–	–	–
Other receivables	7	7	–	–
Other receivables	51	115	–	–

12. INVESTMENT SECURITIES

	Group	
	2014 \$'000	2013 \$'000
<i>Held for trading investments at fair value</i>		
– Equity instruments (quoted)	68	74

During the financial year, the Group recognised a fair value loss arising from held for trading investments amounting to \$6,000 (2013: gain \$1,000) directly in the profit or loss.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

13. AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts are non-trade in nature, unsecured, interest-free and repayable on demand. These amounts are to be settled in cash.

Amounts due from subsidiaries

	2014 \$'000	2013 \$'000
Non-trade	1,134	940
Allowance for doubtful debts	(120)	(120)
	1,014	820
<i>Analysis of allowance for doubtful debts:</i>		
At 1 January	(120)	(804)
Written off against amounts due from subsidiaries	-	684
At 31 December	(120)	(120)

The non-trade balances relate to management fees due, common cost allocations as well as payment made on behalf of these subsidiaries. At the balance sheet date, the Company has provided an allowance of \$120,000 (2013: \$120,000) for doubtful recovery of amounts due from subsidiaries.

Amounts due from subsidiaries are denominated in SGD.

Amounts due to subsidiaries

The non-trade balances relate to payments made on behalf by the subsidiaries.

Amounts due to subsidiaries are denominated in SGD.

14. INVENTORIES

	2014 \$'000	2013 \$'000
<i>At lower of cost and net realisable value</i>		
Consumables and spares	1	1
Trading stocks	252	159
	253	160
Inventories are stated after deducting allowance for obsolescence	8	9

Inventories recognised as an expense in cost of products and installation are \$10,338,000 and \$3,083,000 for the financial years ended 31 December 2014 and 2013 respectively.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

15. CONSTRUCTION CONTRACTS

	Group	
	2014 \$'000	2013 \$'000
Contract costs incurred to date	29,553	21,534
Recognised profits less recognised losses to date	20,344	17,985
	49,897	39,519
Less: Progress billings	(50,184)	(40,133)
	(287)	(614)
This can be analysed as follows:-		
<i>Current assets</i>		
Gross amount due from customers for contract work-in-progress	765	640
<i>Current liabilities</i>		
Gross amount due to customers for contract work-in-progress	(1,052)	(1,254)
	(287)	(614)

Included in progress billings are retention receivables amounting to \$884,000 (2013: \$1,250,000).

16. TRADE PAYABLES

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trade payables	402	394	43	33
Retention sums payable	275	213	–	–
	677	607	43	33

Trade payables are non-interest bearing and are normally settled on 60 days (2013: 60 days) terms.

Included in trade payables for the Group is an amount of \$51,000 (2013: \$52,000) denominated in Malaysian Ringgit.

17. OTHER PAYABLES

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<i>Current</i>				
Accrued operating expenses	1,508	1,789	519	427
Deposits received	62	974	–	–
Sundry payables	382	152	11	132
Amounts due to Directors	309	231	309	231
	2,261	3,146	839	790

Sundry payables are non-interest bearing and have an average term of 12 months.

Amounts due to Directors are non-interest bearing and repayable on demand.

Included in other payables for the Group is an amount of \$15,000 (2013: \$12,000) denominated in Malaysian Ringgit.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

18. DEFERRED TAX (LIABILITIES)/ASSETS

Deferred income tax as at 31 December relates to the following:

	Group		Company	
	Consolidated balance sheet	Consolidated comprehensive statement	Balance sheet	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
<i>Deferred tax liabilities</i>				
Differences in depreciation for tax purposes	(5)	(57)	51	(28)
Other items	–	(6)	6	–
	(5)	(63)	57	(28)
<i>Deferred tax assets</i>				
Provisions	8	8	–	(25)
Other items	–	11	(11)	–
	8	19	(11)	(25)
Net deferred tax (liabilities)/ assets	3	(44)	–	–
Deferred income tax expense (Note 23)			46	(53)

19. SHARE CAPITAL

	Group and Company	
	2014	2013
	No. of shares '000	No. of shares '000
	\$'000	\$'000
Ordinary shares issued and fully paid:		
At 1 January and 31 December	271,981	27,224

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 restrictions. The ordinary shares have no par value.

20. 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
	2014 \$'000
	2013 \$'000
At 1 January	(93)
Net effect of exchange differences arising from translation of financial statements of foreign operations	(18)
At 31 December	(111)

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

21. DIVIDEND INCOME

	Group	
	2014 \$'000	2013 \$'000
Quoted investment securities	3	2

22. OTHER INCOME, SALARIES AND EMPLOYEE BENEFITS, OTHER EXPENSES AND FINANCE COSTS

	Group	
	2014 \$'000	2013 \$'000
Other income		
Fair value gain on investment property (Note 5)	3,241	689
Fair value gain on equity-linked structured deposit (Note 7)	–	30
Foreign exchange gain	17	17
Fair value gain on investment securities (Note 12)	–	1
Gain on disposal of property, plant and equipment	250	51
Interest income		
– Fixed deposits	112	123
– Current account	20	15
PIC cashpayout and bonus	74	–
Others	20	46
	3,734	972
Salaries and employee benefits		
Salaries and bonuses	(2,549)	(2,607)
Central Provident Fund contributions	(112)	(134)
Other short term benefits	(500)	(345)
	(3,161)	(3,086)
Finance costs		
Interest expense:		
– Hire purchase	–	(1)
Other expenses		
The following items have been included in arriving at other expenses:		
Legal fees	–	(10)
Rental expense	(208)	(162)
Audit fees:		
– Auditor of the Company	(78)	(78)
– Other auditors	(2)	(2)
Non-audit fees:		
– Other auditors	(11)	(11)
Directors' fees	(237)	(188)
Fair value loss on investment securities (Note 12)	(6)	–
Bad debt written off	(105)	–
Allowance for doubtful debts (Note 10)	(117)	(515)

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

23. INCOME TAX EXPENSE

Statement of comprehensive income:

Current income tax

- Current income taxation
- Overprovision in respect of previous years

Deferred income tax

- Origination and reversal of temporary differences

Income tax expense recognised in profit or loss

Group	
2014 \$'000	2013 \$'000
262	57
(59)	(105)
203	(48)
(46)	53
(46)	53
157	5

Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 are as follows:

Profit before income tax

Tax calculated at corporate tax rate of 17% (2013: 17%)

Non-deductible expenses

Income not subject to taxation

Effect of productivity and innovation credit

Effect of partial tax exemption and tax relief

Overprovision in respect of prior years

Others

Income tax expense recognised in the profit or loss

Group	
2014 \$'000	2013 \$'000
5,052	2,272
859	386
61	67
(602)	(181)
(13)	(24)
(93)	(153)
(59)	(105)
4	15
157	5

24. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by dividing the net profit for the year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year (adjusted for the effects of any dilutive options).

The following reflects the net profit and share data used in the basic and diluted earnings per share computations for the years ended 31 December:

Group	
2014 \$'000	2013 \$'000
4,895	2,267
No. of shares	
'000	'000
271,981	271,981

Weighted average number of ordinary shares in issue applicable to basic and diluted earnings per share

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

25. DIRECTORS' REMUNERATION

In compliance with the requirements of the Singapore Exchange Securities Trading Limited, the number of directors whose remuneration falls within the following bands are as follows:–

	Number of Directors	
	2014	2013
\$500,000 and above	1	1
\$250,000 to \$499,999	–	–
Below \$250,000	5	5
	6	6

26. COMMITMENTS

(a) Operating lease commitments – As lessee

The Company had entered into two years leasing agreement effective from 1 August 2014. In addition, a subsidiary holds another leasehold building under an agreement with the Housing and Development Board. There are no restrictions placed upon the Company by entering into these leases.

Minimum lease payments, recognised as an expense in profit or loss for the financial year ended 31 December 2014 amounted to \$1,564,000 (2013: \$2,299,000).

Future minimum lease payments for all leases with initial or remaining terms of one year or more are as follows:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Within one year	348	1,598	249	1,504
After one year but not more than five years	598	429	146	–
More than five years	277	399	–	–
	1,223	2,426	395	1,504

- (i) Commercial leases entered by the Company in 2004 related to a sale and leaseback agreement entered with Ascendas Real Estate Investment Trust expired in July 2014. Subsequently, the Company entered into leasing agreement with Ardentec Singapore Pte Ltd for period of two years.
- (ii) Leasehold building held by a subsidiary has option to renew the lease of leasehold land for another 30 years after the expiry of the current leasehold period of 30 years on 1 February 2022. Lease rental is subject to an annual revision as specified in the agreement. The leasehold building is classified as investment property (Note 5).

(b) Operating lease commitments – As lessor

A subsidiary had entered into sub-lease agreements on the leasehold building, of which the rights and obligation of commercial leases had been assigned by the Company to the subsidiary. The sub-lease agreement expired in July 2014.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

26. COMMITMENTS (CONT'D)

(b) Operating lease commitments – As lessor (cont'd)

Future minimum lease receivables for all leases with initial or remaining terms of one year or more were as follows:

	Group	
	2014 \$'000	2013 \$'000
Within one year	–	1,264
After one year but not more than five years	–	–
	<u>–</u>	<u>1,264</u>

(c) Contingent liabilities

The Company has undertaken to provide continuing financial support for 1 (2013: 1) subsidiary company to enable it to operate as a going concern for at least twelve months from the date of its financial statement and to meet its liabilities as and when it falls due.

(d) Capital Commitment

Capital expenditure contracted for as at 31 December 2014, but not recognised in the financial statements in respect of investment property amounted to \$8,892,000 (2013: nil).

27. RELATED PARTY DISCLOSURES

An entity or individual is considered a related party of the Group for the purpose of the financial statements if,

- (i) It possesses the ability (directly or indirectly) to control or exercise significant influence over the operating and financial decisions of the Group or vice versa; or
- (ii) It is subject to common control or common significant influence.

During the financial year, other than those disclosed elsewhere in the financial statement, the transactions between the key management personnel and the Group are as follows:

Compensation of key management personnel

	Group	
	2014 \$'000	2013 \$'000
Salaries and other emoluments	1,599	1,690
Central Provident Fund contributions	70	81
Other short-term benefits	291	207
	<u>1,960</u>	<u>1,978</u>
Comprise amounts paid to:		
– Directors of the Company	1,219	1,201
– Other key management personnel	741	777
	<u>1,960</u>	<u>1,978</u>

The remuneration of key management personnel is determined by the remuneration committee having regard to the performance of individuals and market trends.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk 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 management. The Audit & Risk 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.

(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 and amounts due from subsidiaries. For other financial assets (including investment securities and cash and cash equivalents), 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 ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the balance sheet date, 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.

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 at the balance sheet date is as follows:

	Group			
	2014		2013	
	\$'000	% of total	\$'000	% of total
By country:				
Singapore	<u>1,978</u>	<u>100</u>	<u>3,069</u>	<u>100</u>
By industry sectors:				
Products and installation	<u>1,898</u>	<u>96</u>	<u>2,619</u>	<u>85</u>
Services and maintenance	<u>46</u>	<u>2</u>	<u>30</u>	<u>1</u>
Property	<u>34</u>	<u>2</u>	<u>420</u>	<u>14</u>
	<u>1,978</u>	<u>100</u>	<u>3,069</u>	<u>100</u>

Financial assets that are neither past due nor impaired

Trade and other receivables and amount due from subsidiaries that are neither past due nor impaired are creditworthy debtors with good payment record with the Group and the Company. Cash and cash equivalents are placed with reputable financial institutions with high credit ratings and no history of default.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(a) Credit risk (cont'd)

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 10 (Trade receivables), Note 11 (Other receivables) and Note 13 (Amounts due from subsidiaries).

(b) Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulties 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 and the Company manage liquidity risk by maintaining a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the balance sheet date based on contractual undiscounted payments.

Group	Notes	2014				2013			
		Within 1 year \$'000	After 1 year but within 5 years \$'000	After 5 years \$'000	Total \$'000	Within 1 year \$'000	After 1 year but within 5 years \$'000	After 5 years \$'000	Total \$'000
Financial assets									
Trade receivables	10	1,978	—	—	1,978	3,069	—	—	3,069
Other receivables	11	51	—	—	51	115	—	—	115
Cash and bank balances	7	8,607	—	—	8,607	7,715	—	—	7,715
Deposits		96	—	—	96	30	—	—	30
Investment securities	12	68	—	—	68	74	—	—	74
Fixed deposits	7	12,253	2,019	—	14,272	7,212	8,217	—	15,429
Total undiscounted financial assets		23,053	2,019	—	25,072	18,215	8,217	—	26,432
Financial liabilities									
Trade payables	16	677	—	—	677	607	—	—	607
Other payables	17	2,261	—	—	2,261	3,146	—	—	3,146
Total undiscounted financial liabilities		2,938	—	—	2,938	3,753	—	—	3,753
Total net undiscounted financial assets		20,115	2,019	—	22,134	14,462	8,217	—	22,679
Company									
Financial assets									
Cash and bank balances	7	2,988	—	—	2,988	3,411	—	—	3,411
Fixed deposits	7	7,185	—	—	7,185	7,108	—	—	7,108
Deposit		47	—	—	43	—	—	—	—
Amounts due from subsidiaries	13	1,014	—	—	1,014	820	—	—	820
Total undiscounted financial assets		11,234	—	—	11,234	11,339	—	—	11,339
Financial liabilities									
Trade payables	16	43	—	—	43	33	—	—	33
Other payables	17	839	—	—	839	790	—	—	790
Amounts due to subsidiaries	13	509	—	—	509	943	—	—	943
Total undiscounted financial liabilities		1,391	—	—	1,391	1,766	—	—	1,766
Total net undiscounted financial assets		9,843	—	—	9,843	9,573	—	—	9,573

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(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 cash and bank balances and fixed deposits. All of the Group's and the Company's financial assets and liabilities at floating rates are contractually repriced at intervals of less than 12 months (2013: less than 12 months) from the balance sheet date. The following table sets out the carrying amount by maturity of the Group's and the Company's financial instruments that are exposed to interest rate risk.

2014 Group	Notes	Within 1 year \$'000	After 1 year but within 5 years \$'000	After 5 years \$'000	Total \$'000
<i>Fixed rate</i>					
Fixed deposits	7	12,253	–	–	12,253
<i>Floating rate</i>					
Cash and bank balances	7	8,607	–	–	8,607
Fixed deposits	7	–	2,000	–	2,000
Company					
<i>Fixed rate</i>					
Fixed deposits	7	7,185	–	–	7,185
<i>Floating rate</i>					
Cash and bank balances	7	2,988	–	–	2,988
2013 Group					
<i>Fixed rate</i>					
Fixed deposits	7	7,212	–	–	7,212
<i>Floating rate</i>					
Cash and bank balances	7	7,715	–	–	7,715
Fixed deposits	7	–	8,000	–	8,000
Company					
<i>Fixed rate</i>					
Fixed deposits	7	7,108	–	–	7,108
<i>Floating rate</i>					
Cash and bank balances	7	3,411	–	–	3,411

Sensitivity analysis for interest rate risk

At the balance sheet date, if the SGD interest rates had been 75 (2013: 75) basis points higher/lower with all other variables held constant, the Group's profit net of tax would have been \$76,000 (2013: \$93,000) higher/lower, arising mainly as a result of higher/lower interest income on floating rate cash and bank balances and fixed deposits.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) Foreign currency risk

The Group has no transactional currency exposures arising from sales or purchases that are denominated in currencies other than the respective functional currencies of Group entities.

The Group holds cash and cash equivalents denominated in foreign currencies for working capital purposes. At the balance sheet date, such foreign currency balances amount to \$108,000 (2013: \$115,000).

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity to a reasonably possible change in the USD exchange rate against the respective functional currencies of the Group's entities, with all other variables held constant.

	Group	
	2014 \$'000	2013 \$'000
	Profit net of tax	Profit net of tax
USD/SGD – strengthened 5% (2013: 5%)	*	*
– weakened 5% (2013: 5%)	(*)	(*)

* Denotes less than \$1,000

(e) Market price risk

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its equity-linked structured deposit and investment securities. The investment securities are quoted on the SGX-ST in Singapore and are classified as held for trading. The equity-linked structured deposit is linked to equities quoted on the SGX-ST in Singapore and is classified as financial asset at fair value through profit or loss. The Group does not have exposure to commodity price risk. The equity-linked structure deposit matured in July 2014.

Sensitivity analysis for equity price risk

At the balance sheet date, if the Straits Time Index had been 2% (2013: 2%) higher/lower with all other variables held constant, the Group's profit net of tax would have been \$1,000 (2013: \$1,000) higher/lower, arising as a result of higher/lower fair value gains on investment securities.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

29. FAIR VALUE OF ASSETS AND LIABILITIES

Fair value is defined as the amount at which the instrument could be exchanged in a current transaction between knowledgeable willing parties in an arm's length transaction, other than in a forced or liquidation sale. Fair values are obtained from quoted market prices, discounted cash flow models and option pricing models as appropriate.

The financial instruments of the Group and Company as at 31 December by classes are as follows:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Loans and receivables				
Fixed deposits (non-current)	2,000	8,000	–	–
Cash and bank balances	8,607	7,715	2,988	3,411
Fixed deposits (current)	12,253	7,212	7,185	7,108
Trade receivables	1,978	3,069	–	–
Deposits	96	30	47	–
Other receivables	51	115	–	–
Amounts due from subsidiaries	–	–	1,014	820
	24,985	26,141	11,234	11,339
Financial assets at fair value through profit or loss				
Investment securities	68	74	–	–
	68	74	–	–
Financial liabilities at amortised cost				
Trade payables	(677)	(607)	(43)	(33)
Other payables	(2,261)	(3,146)	(839)	(790)
Amounts due to subsidiaries	–	–	(509)	(943)
	(2,938)	(3,753)	(1,391)	(1,766)

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and
- Level 3 – Unobservable inputs for the asset or liability.

Transfers between levels of the fair value hierarchy are deemed to have occurred on the date of the event or change in circumstances that caused the transfers.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

29. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

	Group 2014 \$'000		
	Fair value measurements at the end of the reporting period using:		
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)
			Total
Assets measures at fair value			
Financial assets:			
Quoted equity instruments (Note 12)	68	–	–
Financial assets as at 31 December 2014	68	–	–
Non-financial assets:			
Investment property			
– Commercial (Note 5)	–	–	13,800
Non-financial assets as at 31 December 2014	–	–	13,800

There have been no transfers between Level 1, Level 2 and Level 3 during 2014 and 2013.

(c) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

Observable inputs are quoted prices for assets in a market. Where the market price for an asset is not available, unobservable inputs are used and they are developed using assumptions that market participants would use when pricing the asset.

Where necessary, these inputs have been adjusted to reflect specific circumstances of the investment property and developed using the best information available about the assumptions that market participants would use when pricing the assets.

Significant unobservable inputs used in the fair value measurement of investment property are disclosed in Note 5 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

29. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(c) Level 3 fair value measurements (cont'd)

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

The following table presents the reconciliation for all assets and liabilities measured at fair value based on significant unobservable inputs:

	Group 2014 \$'000
	Investment property Commercial
At 1 January	<u>8,800</u>
Total gains or losses for the period	
Included in profit or loss	3,241
Included in other comprehensive income	–
Purchases, issues, sales and settlements	
Purchases	<u>1,759</u>
At 31 December	<u>13,800</u>

(iii) Valuation policies and procedures

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 fair value measurement guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The Finance Manager documents and reports its analysis and results of the external valuations to the Audit & Risk Committee on a yearly basis. The Audit & Risk Committee performs a high-level independent review of the valuation process and results and recommends if any revisions need to be made before presenting the results to the Board of Directors for approval.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

29. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(d) Assets and liabilities not carried at fair value but for which fair value is disclosed

The carrying amounts of these financial assets and liabilities are reasonable approximation of fair values due to their short term nature: Cash and bank balances (Note 7), fixed deposits (Note 7), trade receivables (Note 10), deposits and other receivables (Note 11), amounts due from subsidiaries (Note 13), trade payables (Note 16), other payables (Note 17) and amounts due to subsidiaries (Note 13).

The carrying amount of non-current fixed deposits approximates its fair values as the interest rate approximates market rates.

30. PROVISION FOR CLAIMS

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Provision for claims as at 1 January	-	1,757	-	1,757
(Write back)/provision for claims during the year	-	(216)	-	(216)
Payments made during the year	-	(1,541)	-	(1,541)
Provision for claims as at 31 December	-	-	-	-
Included in profit or loss:-				
(Write back)/provision for claims	--	(216)	--	(216)
Provision for claims as disclosed in profit or loss	-	(216)	-	(216)

In September 2007, subsequent to the winding-up order received for the liquidation of PEPL, a legal summons for repayment was taken up against the Company by PEPL's liquidators in respect of allegation that the Company has accorded undue preferences of \$18 million by the said subsidiary.

On 1 December 2009, the High Court passed a judgment dismissing the liquidator's claim against the Company. In response, the liquidators filed a notice of appeal against the High Court's decision. The Company was advised by its legal counsel that there exists a fair chance that their defense against the appeal will succeed and accordingly no provision for any liability was made in the financial statements as at 31 December 2009.

On 31 August 2010, the Liquidators for PEPL successfully appealed to the Court of Appeal against the decision of the High Court of Singapore made on 1 December 2009. The Company was served a legal letter from the liquidator to pay for a sum of \$5,289,000 (the "Demand"), which had been fully provided for during the year ended 31 December 2010. While the Company had provided for the full amount, the Company was in the process of seeking clarifications on these balances.

The said sum comprised:

- (a) Payment to the liquidators of the admitted proofs of debts filed by the unrelated creditors of PEPL to an aggregate of \$4,944,000,
- (b) The liquidators' professional fees up to 31 December 2010 amounting to \$265,000,
- (c) The liquidators' estimated professional fees (up to the conclusion of the liquidation) for the sum of \$65,000, and
- (d) The petitioner's cost (in relation to the winding up application) for the sum of \$15,000.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

30. PROVISION FOR CLAIMS (CONT'D)

In addition to the above, there were two other amounts mentioned in the legal letter:

- (e) Debts known to the liquidators amounting to the sum of \$156,000 for which the relevant creditors have yet to file proofs of debts; and
- (f) Claims by certain unrelated creditors amounting to the sum of \$1,191,000 which have been rejected by the liquidators but are open to challenge by these unrelated creditors.

For (e) and (f) above, the Company believed that the likelihood of claim was highly improbable. Accordingly, no provision was made during the year ended 31 December 2010.

During the year ended 31 December 2011, a reversal of \$82,000 in provision was made and payments comprised of the followings were made:

- Claims filed by the unrelated creditors that have been adjudicated and admitted by the liquidators amounting to \$3,154,000 (for item (a) above),
- The liquidators' professional fees up to 11 May 2011 amounting to \$330,000 (for items (b) and (c) above).

During the year ended 31 December 2012, the Company further paid out the sum of \$411,000 and made a net provision of \$445,000 relating to the following:

- Reversal of \$280,000 following the acceptance of a "without prejudice" offer of a lower settlement sum from the Company by one of the unrelated creditors
- Additional liquidators' professional fees for FY2012 and estimated professional fees (up to the conclusion of the liquidation) of \$239,000
- Additional claims relating to proofs of debts filed by the unrelated creditors of PEPL that have been adjudicated and admitted by liquidators amounting to \$486,000. While the Company has provided for this balance amount, the Company is in the process of seeking further clarifications on these balances.

In addition to the above, the liquidators had also indicated that they have the right to adjudicate any new proofs of debts which may be lodged at any time prior to them making the final distribution and will seek payment from the Company to settle such debts pursuant to the Order of the Court of Appeal dated 31 August 2010 (the "Order").

In February 2013, the Company made a further payout of \$1,000,000.

In July 2013, the Company reached an agreement with the Liquidators and paid \$541,000 as the full and final settlement for all its obligations under paragraph 3 of the Order and the Demand. Henceforth, the remaining overprovision of \$216,000 was reversed out during the year ended 31 December 2013.

31. SEGMENT INFORMATION

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

- I. The products and installation segment relates to trading and contracting of engineering works, cooling towers, air-conditioning and mechanical ventilation systems.
- II. The services and maintenance segment relates to servicing and repairing of air-conditioners, cooling towers and other cooling equipment.
- III. The rental segment relates to the leasing of factory and office space.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

31. SEGMENT INFORMATION (CONT'D)

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

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on operating profit or loss which in certain respects, as explained in the table below, is measured differently from operating profit or loss in the consolidated financial statements.

Segment revenue, expenses and results incurred are transferred between business segments. Those transfers are eliminated on consolidation.

Transfer prices between operating segments are set on an arm's length basis in a manner similar to transactions with third parties.

As the Group operates substantially in Singapore, no segment information by geographical segment is presented.

Revenue from 3 (2013: 5) major customers amount to \$13,559,000 (2013: \$7,194,000) arising from sales under the products and installation segment.

The following table presents revenue and results information regarding the Group's business segments for the years ended 31 December 2014 and 2013:

Business segments	Products and installation		Servicing and maintenance		Rental		Others		Eliminations		Notes	Group	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000		2014 \$'000	2013 \$'000
Segment revenue													
Sales to external customers	15,640	8,569	488	535	1,687	3,254	-	-	-	-	-	17,815	12,358
Intersegment sales	67	100	87	14	-	-	-	-	(154)	(114)	A	-	-
Total revenue												17,815	12,358
Segment results													
Interest income	34	35	6	5	4	13	88	85	-	-		132	138
Dividend income	3	1	-	-	-	1	-	-	-	-		3	2
Fair value gain on structured deposit	-	22	-	-	-	8	-	-	-	-		-	30
Fair value gain on investment property	-	-	-	-	3,241	689	-	-	-	-		3,241	689
Depreciation	(72)	(83)	(18)	(7)	(6)	(24)	(56)	(53)	-	-		(152)	(167)
Provision for legal claim	-	-	-	-	-	-	-	216	-	-		-	216
Other non-cash expenses	200	373	-	-	22	142	-	1	-	-	B	222	516
Segment profit before tax	1,361	1,437	50	115	3,367	499	120	108	154	113		5,052	2,272
Income tax expense	(124)	(4)	(10)	-	(14)	-	(9)	(1)	-	-		(157)	(5)
Profit, net of tax												4,895	2,267
Segment assets and liabilities													
Segment assets	17,089	11,239	2,414	2,073	10,392	12,295	10,475	10,868	-	-		40,370	36,475
Segment liabilities	3,084	3,442	194	179	192	894	963	900	-	-		4,433	5,415
Capital expenditure	10	44	24	64	1	17	2	43	-	-		37	168

Notes:

Nature of adjustments and eliminations to arrive at amounts reported in the consolidated financial statements.

A Inter-segment revenues are eliminated on consolidation.

B Other non-cash expenses include exchange losses, fair value loss on investment and write off of property, plant and equipment.

NOTES TO FINANCIAL STATEMENTS

For the financial year ended 31 December 2014

32. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios 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. There were no changes made to the objectives, policies or processes during the years ended 31 December 2014 and 2013.

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group aims to maintain a sustainable gearing ratio. The Group includes within net debt, trade payables, other payables, less cash and cash equivalents.

	Group	
	2014	2013
	\$'000	\$'000
Trade payables (Note 16)	(677)	(607)
Other payables (Note 17)	(2,261)	(3,146)
Less: Cash and cash equivalents (Note 7)	20,860	14,927
Cash and cash equivalents in excess of total debt	17,922	11,174
Equity attributable to the equity holders of the parent	35,937	31,060

At the balance sheet date, the Group's cash and cash equivalents were in excess of the total debts.

33. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 19 March 2015.

SHAREHOLDERS' INFORMATION

As at 17 March 2015

Number of equity securities	:	271,980,729
Number of treasury shares	:	Nil
Class of equity securities	:	Ordinary share
Voting rights	:	One vote per share

STATISTICS OF SHAREHOLDINGS

Size of Shareholdings	Number of Shareholders	%	Number of Shares	%
1 – 99	8	0.51	216	0.00
100 – 1,000	152	9.73	80,114	0.03
1,001 – 10,000	548	35.08	3,037,152	1.12
10,001 – 1,000,000	832	53.27	47,421,609	17.43
1,000,001 and above	22	1.41	221,441,638	81.42
	1,562	100.00	271,980,729	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

Name of Shareholders	Direct Interest	%	Deemed Interest	%
Lee Ee @ Lee Eng ⁽¹⁾	79,083,690	29.08	913,041	0.34
Golden Wang Holdings Pte. Ltd.	54,400,000	20.00	–	–
Lau Kung Ching ⁽²⁾	2,742,000	1.01	54,400,000	20.00
Ting Jack Hing ⁽³⁾	–	–	54,400,000	20.00
Johnlin Yuwono and/or Chu Jang Lie ⁽⁴⁾	10,000,000	3.68	4,466,000	1.64

Notes:

- Out of the 79,083,690 shares directly interested by Mr Lee Ee @ Lee Eng, 6,349,500 shares are held by United Overseas Bank Nominees (Private) Limited. Mr Lee is deemed to be interested in the 913,041 shares held by his wife, Mdm Koh Moi Huang.
- Mr Lau Kung Ching is deemed to be interest in the 54,400,000 shares held by Golden Wang Holdings Pte. Ltd. ("GW") pursuant to Section 7 of the Companies Act of Singapore, Chapter 50 as he is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares in GW. Based on the records of the Central Depository Pte Limited as at 17 March 2015, Mr Lau has a direct interest of 2,025,000 shares in the Company.
- Mr Ting Jack Hing is deemed to be interest in the 54,400,000 shares held by GW pursuant to Section 7 of the Companies Act of Singapore, Chapter 50 as he is entitled to exercise or control the exercise of not less than 20% of the votes attached to the voting shares in GW.
- The 10,000,000 shares directly interested by Mr Johnlin Yuwono and/or Mdm Chu Jang Lie are held by United Overseas Bank Nominees (Private) Limited in favour of Mr Johnlin Yuwono and/or Mdm Chu Jang Lie. Mr Johnlin Yuwono and/or Mdm Chu Jang Lie are deemed interested in the 4,466,000 shares held by UOB Kay Hian Private Limited in favour of Yong Kang International Ltd. Mr Johnlin Yuwono and/or Mdm Chu Jang Lie are directors and shareholders of Yong Kang International Ltd.

SHAREHOLDERS' INFORMATION

As at 17 March 2015

TWENTY LARGEST SHAREHOLDERS

	Name	Number of Shares	%
1.	Lee Ee @ Lee Eng	72,734,190	26.74
2.	Golden Wang Holdings Pte Ltd	54,400,000	20.00
3.	United Overseas Bank Nominees (Private) Limited	20,543,350	7.55
4.	Lee Kong Lai	13,564,000	4.99
5.	PT Kestrel Sekuritas Indonesia	11,680,000	4.29
6.	UOB Kay Hian Private Limited	11,374,000	4.18
7.	Han Jing	4,813,800	1.77
8.	HSBC (Singapore) Nominees Pte Ltd	3,920,000	1.44
9.	Tan Ann Ni (Chen Anni)	3,453,000	1.27
10.	Koh May Kiaw	3,256,000	1.20
11.	DBS Nominees (Private) Limited	2,721,535	1.00
12.	Ooi Thian Huang	2,354,000	0.87
13.	Lee Kai Heng	2,100,000	0.77
14.	Maybank Nominees (Singapore) Private Limited	2,030,000	0.75
15.	Lau Kung Ching	2,025,000	0.74
16.	OCBC Nominees Singapore Private Limited	1,850,250	0.68
17.	Lee Yung Li Andy	1,624,000	0.60
18.	Lee Pui Hoon (Li Peifen)	1,620,001	0.60
19.	Maybank Kim Eng Securities Pte. Ltd.	1,460,500	0.54
20.	Forte Engineering Pte Ltd	1,455,000	0.53
		218,978,626	80.51

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

As at 17 March 2015, to the best of our knowledge, approximately 37% of the Company's Ordinary Shares listed on the SGX-ST were held in the hands of the public. Accordingly, the Company has complied with Rule 723 of the SGX-ST's Listing Manual Section B: Rules of Catalist.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Progen Holdings Limited (the “**Company**”) will be held at 12 Woodlands Loop, Singapore 738283 on Wednesday, 22 April 2015 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and the Audited Accounts of the Company for the financial year ended 31 December 2014 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect the following directors of the Company who are retiring pursuant to Articles 109 and 119 of the Company’s Articles of Association:

Mr Chee Wai Pong	(Retiring under Article 109)	(Resolution 2)
Mr Francis Lau Choo Yew	(Retiring under Article 119)	(Resolution 3)

[See Explanatory Note (i)]
3. To approve the payment of Directors’ fees of S\$208,900 for the financial year ended 31 December 2014 (2013: S\$194,500). **(Resolution 4)**
4. To re-appoint Messrs Ernst & Young LLP as the Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**
5. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

6. **Re-appointment of Directors pursuant to Section 153(6) of the Companies Act, Chapter 50**

To re-appoint the following Directors of the Company who are retiring pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company:

Mr Ch’ng Jit Koon		(Resolution 6)
Dr Tan Eng Liang		(Resolution 7)

[See Explanatory Note (ii)]

7. **Authority to issue shares**

That pursuant to Section 161 of the Companies Act, Chapter 50 of Singapore and Rule 806 of the Singapore Exchange Securities Trading Limited Listing Manual Section B: Rules of Catalyst (the “**Catalist Rules**”), the Directors of the Company be authorised and empowered to:

- (a) (i) issue shares in the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, 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; and

NOTICE OF ANNUAL GENERAL MEETING

- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed one hundred per centum (100%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the Singapore Exchange Securities Trading Limited ("SGX-ST")) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) 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:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier. **(Resolution 8)**

[See Explanatory Note (iii)]

By Order of the Board

Ngiam May Ling
Secretary

Singapore, 7 April 2015

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

- (i) Mr Chee Wai Pong will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit & Risk and Remuneration Committees and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules. Mr Chee does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Further information of Mr Chee can be found under the section entitled 'Board of Directors' on page 6 of the Annual Report 2014.

Mr Francis Lau Choo Yew will, upon re-election as a Director of the Company, remain as a Non-Executive Director. Save for his non-controlling shareholding interest in the Company's substantial shareholder, Golden Wang Holdings Pte. Ltd., Mr Lau does not have any other relationships including immediate family relationships between himself and the Directors, the Company and its other 10% shareholders. Further information of Mr Lau can be found under the section entitled 'Board of Directors' on page 6 of the Annual Report 2014.

- (ii) The effect of the Ordinary Resolutions 6 and 7 proposed in item 6 above, is to re-appoint directors of the Company who are over 70 years of age and if passed, they will hold office until the next Annual General Meeting. Such re-appointments of directors will no longer be subject to shareholders' approval under Section 153(6) of the Companies Act, Chapter 50 of Singapore as repealed when the Companies (Amendment) Act 2014 comes into force. The directors will then be subject to retirement by rotation under the Company's Articles of Association.

Mr Ch'ng Jit Koon will, upon re-appointment as a Director of the Company, remain as the Chairman of the Remuneration Committee and a member of the Audit & Risk, Nominating and Investment Review Committees and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules. Mr Ch'ng does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Further information of Mr Ch'ng can be found under the section entitled 'Board of Directors' on page 5 of the Annual Report 2014.

Dr Tan Eng Liang will, upon re-appointment as a Director of the Company, remain as the Chairman of the Audit & Risk and Investment Review Committees and a member of the Remuneration and Nominating Committees and will be considered independent for the purposes of Rule 704(7) of the Catalist Rules. Dr Tan does not have any relationships including immediate family relationships between himself and the Directors, the Company and its 10% shareholders. Further information of Dr Tan can be found under the section entitled 'Board of Directors' on page 5 of the Annual Report 2014.

- (iii) The Ordinary Resolution 8 in item 7 above, if passed, will empower the Directors of the Company, effective 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 or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 50% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "Meeting") is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.
2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 12 Woodlands Loop, Singapore 738283 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM 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 proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (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.

PROGEN HOLDINGS LIMITED

(Company Registration No. 199605118C)
(Incorporated in the Republic of Singapore)

PROXY FORM

(Please see notes overleaf before completing this Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy **Progen Holdings Limited's** shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.

2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, _____

of _____

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

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

and/or (delete as appropriate)

Name	NRIC/Passport No.	Proportion of Shareholdings	
		No. of Shares	%
Address			

or failing the person, or either or both of the persons, referred to above, 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 at 12 Woodlands Loop, Singapore 738283 on Wednesday, 22 April 2015 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 or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

No.	Resolutions relating to:	To be used on a show of hands		To be used in the event of a poll	
		For ¹	Against ¹	For ²	Against ²
1	Adoption of Directors' Report, Audited Accounts and Auditors' Report for the financial year ended 31 December 2014				
2	Re-election of Mr Chee Wai Pong as a Director of the Company				
3	Re-election of Mr Francis Lau Choo Yew as a Director of the Company				
4	Approval of Directors' fees amounting to S\$208,900 for the financial year ended 31 December 2014				
5	Re-appointment of Messrs Ernst & Young LLP as Auditors and authority for Directors to fix their remuneration				
6	Re-appointment of Mr Ch'ng Jit Koon as a Director of the Company				
7	Re-appointment of Dr Tan Eng Liang as a Director of the Company				
8	Authority for Directors to issue shares				

¹ Please indicate your vote "For" or "Against" with a tick [✓] within the box provided.

² 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 _____ 2015

Total number of Shares in:	No. of Shares
(a) CDP Register	
(b) Register of Members	

Signature of Shareholder(s)
or, Common Seal of Corporate Shareholder

* Delete where inapplicable



Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), 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 entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 12 Woodlands Loop, Singapore 738283 not less than 48 hours before the time appointed for the Meeting.
6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. 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.
7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 7 April 2015.

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 name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

This page has been intentionally left blank

This page has been intentionally left blank



PROGEN

PROGEN HOLDINGS LIMITED

12 Woodlands Loop,
Singapore 738283

T: 6752 7787

F: 6752 7797

E: progen@progen.com.sg

Company Registration No. 199605118C