

Hoe Leong Corporation Ltd.

STEERING TOWARDS VALUE



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was incorporated in 1994 and was successfully admitted to the Official List of the Singapore Exchange Securities Trading Limited (“SGX-ST”) in 2005.





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CORPORATE PROFILE

Hoe Leong Corporation Ltd. (“Hoe Leong” or the “Group”) was incorporated in Singapore on 18 November 1994 and was successfully admitted to the Official List of the Singapore Exchange Securities Trading Limited (“SGX-ST”) on 5 December 2005.



The Group’s principal business activities entail trading and distribution of an extensive range of equipment parts for both heavy equipment and industrial machinery which include brands such as Caterpillar, Cummins, Hitachi, Hyster, Kato, Kobelco, Komatsu, Mitsubishi, P&H and Sumitomo. The Group also designs and manufactures equipment parts for both heavy equipment and industrial machinery under its own in-house brand names, “KBJ”, “OEM” and “ROSSI”. Since 2004, it commenced manufacturing certain equipment parts through its subsidiaries in the People’s Republic of China (“PRC”). The Group sells directly to end-users as well as through distributors in Singapore and overseas markets including Indonesia, Malaysia, PRC and the emerging markets such as the Middle East. The end-users of its products are generally operators of heavy equipment and industrial machinery in the building and infrastructure construction, forestry, marine, mining and plantation industries. Currently, the Group serves over 1,200 customers and carries about 20,000 types of equipment parts in 25 categories for over 100 brands of products. The Group can readily provide assistance to customers and fulfil their requirements, because of its extensive experience in the industry. Its large and varied inventories and regional sales network are beneficial to its customers as it has easy accessibility to replacement parts that shortens their equipment downtime.

In 2013, the Group established Arkstar Offshore Pte Ltd, its offshore marine arm division, to consolidate all vessels chartering operations and resource management.



Owners of offshore support vessels

Building on Hoe Leong’s successful foray into the offshore oil & gas industry in 2008, Arkstar Offshore is the incorporated arm that represents the Group’s fervent advancement into the vessel chartering business. Continued efforts are made to enhance Arkstar Offshore’s presence as an owner of offshore support vessels, through close partnerships with strong and credible industry players, gainful ventures into diverse geographic markets, and sound investments in young and modern vessels.

Commitment to client expectations

Possessing a sizeable fleet of anchor handling tug supply vessels, platform supply vessels and a mud-processing barge, Arkstar Offshore is keen on fleet expansion to better serve the needs of its clients. The establishment of a dedicated in-house ship management team, led by experienced professionals, bolsters Arkstar Offshore’s commitment to client responsiveness.

OWNED VESSELS

ARKSTAR VOYAGER



Platform Supply Vessel designed to transport supplies and cargo to and from offshore infrastructures.

Type: 10000bhp Platform Supply Vessel
Notation: Fire Fighting Class 1+AMS+DPS 2
Year Built: 2009
Class: ABS

ARKSTAR UNICORN



Vessel designed to perform a range of tasks like transportation to carry equipments, goods, and personnel to offshore platform.

Type: 3200bhp Utility Support Vessel
Notation: NS,MNS
Year Built: 2010
Class: ABS

ARKSTAR EAGLE 1



Anchor Handling Tug Supply Vessel provides anchor handling and towage services to offshore platforms, production vessels and barges.

Type: 5150bhp AHTS
Notation: Fire Fighting Class 1+AMS+DPS 1
Year Built: 2009
Class: ABS

ARKSTAR EAGLE 3



Anchor Handling Tug Supply Vessel provides anchor handling and towage services to offshore platforms, production vessels and barges.

Type: 5150bhp AHTS
Notation: Fire Fighting Class 1+AMS+DPS 1
Year Built: 2009
Class: ABS

ARKSTAR ENERGY



Mud Processing Barge to facilitate on-site production of mud for drilling operations, while serving as an excellent cargo carrying vessel.

Type: Mud Processing barge , 5000 bhp
Notation: N/A
Year Built: 2004
Class: ABS

CHAIRMAN'S STATEMENT



“ The Group will continue to execute its planned diversification of the traditional industrial Equipment Parts business while focusing on building up sustainable and high growth income streams through the provision of vessel-chartering services for the oil and gas industry. ”

On behalf of the board, I am pleased to present the annual report for the financial year ended 31 December 2014 ("FY2014").

Performance Review

In FY2014, our total revenue decreased by 6.4% to S\$66.4 million as compared to S\$70.9 million for the year ended 31 December 2013 ("FY2013"). The drop in revenue was due to a decline in revenues for the Design and Manufacture segment and Trading and Distribution segments, which was partially offset by the increase in revenue from the Vessel Chartering segment.

The Group recorded a decrease in sales revenue by 6.5% to S\$38.3 million in FY2014 for our Design and Manufacture segment, as well as a decrease in sales revenue by 18.1% to S\$19.9 million for our Trading and Distribution segment

as compared to FY2013. On the other hand, revenue for the Vessel Chartering segment increased by 44.7% to S\$8.2 million in FY2014.

Correspondingly, gross profit contributions from the Design and Manufacture, and Trading and Distribution segments decreased by S\$5.8 million while gross profit contributions from the Vessel Chartering segment increased by S\$1.5 million in FY2014. This led to overall gross profit margin decreasing to 14.5% in FY2014 as compared to 19.7% in FY2013.

Together with the share of losses of associates of S\$12.3 million attributable to Semua International Sdn Berhad and its subsidiaries ("Semua Group"), the Group recorded a loss after tax of S\$23.3 million for FY2014.

Business Overview

Industrial Equipment Parts

In FY2014, the Group's heavy equipment parts division faced challenges as the demand for parts continued to remain stagnant due to the persistent weakness in the global macroeconomic environment. We believe that this challenge will continue in 2015 and our business market will remain competitive. On our part, we will continue to streamline our manufacturing capabilities in order to improve operating efficiencies and stay vigilant in the areas of cost management while the market recovers.

Vessel Chartering

Notwithstanding the current uncertainties in the oil and gas sector, the Group in FY2014 had started to focus on growing its vessel chartering business progressively in terms of fleet size and capabilities. The Group currently owns a sizeable fleet under its subsidiary Arkstar Offshore Pte. Ltd. ("Arkstar Offshore") which comprises: Platform Supply Vessel ("PSV"), Mud Processing Barge, Anchor Handling Tug Supply ("AHTS") Vessel and Utility Vessel.

With an extensive network across Asia to the Middle East, the Group is always on the lookout to extend our vessel chartering business network through geographical expansion.

The Group has made significant forays into the Middle East with a 3+2 years charter for its PSV named Arkstar Voyager to a major Saudi Arabian upstream oil company, which commenced in the second half of FY2014. Arkstar Voyager has met with the client's stringent standards and is currently deployed to support marine operations for the transport of supplies and cargos to offshore assets in the Arabian Gulf. To further expand the Middle East business, the Group has also acquired a Utility Vessel which was renamed Arkstar Unicorn for approximately US\$6.1 million. Arkstar Unicorn was awarded a 5+2 years chartering contract from 2014 by the same Saudi Arabian upstream oil company and is currently deployed in the Middle East waters.

The Group continues to actively bid for long term contracts for all its vessels. It has also taken steps to complete dry docking and upgrading of the vessels to customers' specifications so that they can be fully utilised in the financial year ended 31 December 2015 ("FY2015") with minimal downtime.

Disposal of Oiltanker Business

The Group decided to restructure its oiltanker business by entering into a binding heads of agreement in January 2015 with Reachmont Logistics Sdn Bhd ("RLSB") and Asia

Bioenergy Technologies Berhad ("ABT", and collectively, the "HOA Parties") for the eventual disposal of the Group's entire indirect equity interests in two wholly-owned subsidiaries of Semua International Sdn Bhd ("SISB"), namely Semua Shipping Sdn Bhd ("SSSB") and Semado Maritime Sdn Bhd ("SMSB") to ABT (the "Proposed Disposal").

The rationale for the Proposed Disposal is because of the weak performance of SISB and its subsidiaries (the "Semua Group"). The proposed disposal will be executed over a series of transactions and the proposed transactions will allow the Group to free up its cash, strengthen its balance sheet and settle various liabilities and disputes that occurred in FY2014. The disposal is in line with the Group's ongoing objective of sourcing for alternative sustainable sources of revenue and improving returns to the shareholders.

Looking ahead

Moving ahead, the Group will continue to execute its planned diversification of the traditional industrial Equipment Parts business while focusing on building up sustainable and high growth income streams through the provision of vessel-chartering services for the oil and gas industry.

The macroeconomic and Singapore's outlook for the oil and gas industry has been dampened by the uncertainty of plunging oil prices. However, the Group is of the view that as its vessels are deployed by customers more in shallow waters which has a lower overall oil production cost as compared to deep sea production, the effect of the lower oil prices has not directly impacted its charters.

In Appreciation

In closing, I would like to express my gratitude to the shareholders for their continuous faith in us through this challenging FY2014. I would also like to thank my fellow board members for their valuable advice over the years, as well as the support of our business partners, suppliers, and dedication of our staff and management.

James Kuah Geok Lin

Chairman and Chief Executive Officer

BOARD OF DIRECTORS



Mr Ang Mong Seng

Mr James Kuah Geok Lin

Geoffrey Yeoh

Mr Quah Yoke Hwee

Hoon Ching Sing

Mr Paul Kuah Geok Khim

Mr James Kuah Geok Lin is our Chairman and CEO. He has been one of our Executive Directors since 18 November 1994. He was last re-elected as a Director on 25 April 2014. Mr Kuah is a member of the Nominating Committee.

Mr Kuah holds a Bachelor degree in Architecture from the University of Singapore. He started as an architect in 1974 with the Housing Development Board. In 1978, Mr James Kuah joined the Company as a Director in charge of operations and played a key role in the Company's regional drive into Indonesia and Malaysia. Under his leadership, the Company was ranked 24th in the 2000 Enterprise 50 Award organized by Andersen Consulting and The Business Times with support from the Economic Development Board. His other advisory positions include that of Permanent Honorary Chairman of the Singapore Metal and Machinery Association, Chairman of Nanyang Kuah Si Association, Honorary council member of the Singapore Chinese Chamber of Commerce & Industry, Vice-Chairman of the Singapore Ann Kway Association and Corporate member of the Singapore Institute of Architects.

Mr Paul Kuah Geok Khim has been our Sales and Marketing Director (Overseas) since 22 December 1994 and was last re-elected as a Director on 29 April 2013. He began his career with our Group in 1979. Prior to his present position, he was in charge of warehousing and inventory control, gaining valuable experience in this field. Presently, as a Sales and Marketing Director, he oversees all our branches' operations and major export markets. With a team of business development personnel under him, he ensures that every business opportunity in the emerging markets is well tapped.

Mr Quah Yoke Hwee is our Sales and Marketing Director (Singapore). He joined the Board on 18 November 1994 and was appointed the Managing Director of the Company since 15 January 1996. He was last re-elected as a Director on 14 May 2012. He is responsible for overseeing the Company's daily trading and distribution operations in Singapore and the after-sales and front office services. Mr Quah has extensive experience in the equipment parts trading and distribution business. He holds a H.S.C. "A" level certificate. "A" level certificate.

Mr Ang Mong Seng was appointed as an Independent Director on 29 September 2005 and was last re-elected as a Director on 25 April 2014. He is the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee.

Mr Ang was a former Member of Parliament for Hong Kah GRC and the ex-Chairman of Hong Kah Town Council. Mr Ang

has more than 33 years of experience in Estate Management. Mr Ang is also an Independent Director of United Fiber System Limited, Ecovise Holdings Limited, AnnAik Ltd, Gaylin Holdings Limited and Chip Eng Seng Corporation Ltd. Mr Ang obtained a Bachelor of Arts degree from Nanyang University in 1973.

Yeoh Seng Huat Geoffrey was appointed as an Independent Director on 2 January 2015. He is the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee.

Mr Yeoh holds a Bachelor of Science Degree (First Class Honours) in Economics from the London School of Economics and is a Fellow of the Association of Chartered Certified Accountants in the United Kingdom. He was in banking for 16 years till 1996. After that he took on senior management positions in certain SGX listed companies until 2014. Mr Yeoh is also an Independent Director of Global Testing Corporation Limited.

Hoon Ching Sing was appointed as an Independent Director on 1 October 2014. He is the Chairman of the Audit Committee and a member of the Remuneration Committee.

Mr Hoon is a Fellow of the Institute of Singapore Chartered Accountants and The Association of Chartered Certified Accountants. He is also a Chartered Insurance Practitioner of the Chartered Insurance Institute and an ordinary member of the Singapore Institute of Directors. He has attended training programs at INSEAD and The Wharton School and Financial Risk Management programs. Mr Hoon has more than 31 years of audit and advisory experience. His audit experience covers a wide range of listed and unlisted entities including a large number of banks, insurers, securities brokers, fund managers, and funds. His advisory experience covers the business acquisition, integration, separation and closures, corporate finance, fund-raising, insolvencies, corporate governance, risk management, internal audits, bank treasury controls, and financial investigations.

Mr Hoon was a partner of KPMG till September 2013 and is currently the Chief Executive Officer of JH Advisers Sdn Bhd. He is also an Independent Director and the Audit Committee Chairman of QT Vascular Ltd.

KEY MANAGEMENT TEAM

Mr Lim Lian Tuan

Director of Sales and Marketing

Ho Leong Tractors Sdn. Bhd.

Mr Lim Lian Tuan is the Sales and Marketing Director of our wholly-owned subsidiary, Ho Leong Tractors Sdn Bhd ("HL Tractors") in Malaysia. He joined HL Tractors in 1987 and oversees its sales and marketing operations. From 1984 to 1986, he worked in Ho Leong Machinery Sdn. Bhd. as a Sales Executive for the Malaysian operations. Prior to that, Mr Lim worked as a Sales Executive with TAS Berhad and Trackspare Sdn Bhd, both of whom were distributors of equipment parts for both heavy equipment and industrial machinery. He holds the equivalent of a GCE 'O' certificate.

Mr Bradley Oats

Regional Director

Trackspares (Australia) Pty Ltd and Trackex Pty Ltd.

Mr Bradley Oats is the Resident Director of our wholly-owned subsidiaries, Trackspares (Australia) Pty Ltd (Trackspares) and Trackex Pty Ltd. He joined Trackspares in August 2012 and oversees the management and operations within Eastern Australia and the sales of equipment parts and services to the earthmoving and mining industry in this region. He holds an AD in Business Management & Marketing & has had vast experience in the earthmoving & construction at a management level over the past 16 years.

Mr Cho Hang Lae

President

Korea Crawler Track Ltd

Mr Cho Hang Lae is the President of our wholly-owned subsidiary, Korea Crawler Track Ltd ("Korea Crawler") in South Korea. He joined Korea Crawler in 2010 and oversees its sales and manufacturing operations. Prior to joining us, Mr Cho has been working in the undercarriage industry for more than 13 years in sales, production and operations management. He holds a Bachelor degree in International Trade from the University of Kyungnam in South Korea.

Mdm Kuah Geok Khim

Operations Manager

Mdm Kuah Geok Khim is our Operations Manager. She joined our Company in 1975 and is responsible for the administrative functions of the Group including general office administration, the maintenance and procurement of office equipment and computerization. She is also in charge of our inventory management and management information system. In addition, she is responsible for our sales and purchases, shipping, import and export functions.

Mr Alvin Kuah Han Zhou

Group Business Development Manager

Mr Alvin Kuah Han Zhou is our Group Business Development Manager. He joined our company in 2009 and was promoted to Business Development Manager with effect from 1 April 2010 and subsequently Group Business Development Manager with effect from 1 April 2013. Mr Alvin Kuah is responsible for all the commercial, business development and new market activities for the oil and gas sector, and he also oversees the daily operations and budgeting of our vessel chartering business. Mr Alvin Kuah is also involved in the commercial and business development aspect of Semua Shipping, the shipping arm of the Hoe Leong Corporation Group. Prior to joining our company, Mr Alvin Kuah was in the semiconductor manufacturing industry for two years specializing in application sales engineering. He holds a Bachelor degree in Electrical Electronics and Engineering from Royal Melbourne Institute of Technology from Australia.

Mr Raymond Quah Eng Kiat

Sales and Marketing Manager

Mr Raymond Quah Eng Kiat is our Sales and Marketing Manager. He joined our company in 2008 and was promoted to Sales and Marketing Manager with effect from 1 April 2010. He is responsible for all overseas sales and marketing activities predominantly for Russia and CIS countries. Prior to joining our company, Mr Raymond Quah was in the banking sector for five years specializing in anti-money laundering and compliance matters for Standard Chartered Bank and Citigroup respectively. He holds a Master degree majoring in International Business from the University of New South Wales from Sydney.

Mr Kelvin Kuah Zhichao

Business Development Manager

Mr Kelvin Kuah Zhichao is our Business Development Manager. He joined our company in 2011. He is responsible for the business development and purchasing activities of our equipment parts business and he specialises in overseas sales and marketing activities predominantly for Europe and Asia. Prior to joining our company, he was working in the Credit Control department of Kim Eng Securities Pte Ltd and as a Business Development Manager in Hoe Leong Metal & Machinery Pte Ltd, spending two years in each company. He holds a Bachelor degree in Electrical and Electronic Engineering from Nanyang Technological University in Singapore.

Mr Teh Teong Lay

Group Financial Controller

Mr Teh Teong Lay is our Group Financial Controller. He joined our company in 2012 and oversees the overall financial and accounting functions of the Group. Prior to joining us, Mr Teh held several key finance positions in various organizations. He holds a Bachelor of Business degree majoring in Accounting and Finance and a member of CPA Australia.

OPERATIONS REVIEW



For the year ended 31 December 2014 ("FY2014"), the Group's revenue decreased by S\$4.5 million, or 6.4%, to S\$66.4 million as compared to S\$70.9 million for the financial year ended 31 December 2013 ("FY2013"). The decline in total revenue was mainly due to a decline in revenue from the Group's Design and Manufacture segment of S\$2.6 million and Trading and Distribution segment of S\$4.4 million respectively. This was partially offset by the rise in revenue from Vessel Chartering segment of S\$2.5 million.

Lower demand of in-house brand of equipment parts from our customers caused the sales revenue from the Design and Manufacture segment to fall by S\$2.6 million, or 6.5%, to S\$38.3 million in FY2014 as compared to S\$40.9 million in FY2013.

Charter revenue from the Vessel Chartering segment increased by S\$2.5 million, or 44.7%, to S\$8.2 million in FY2014 as compared to S\$5.6 million in FY2013. The increase in charter revenue was mainly due to our vessel "Arkstar Voyager" and our newly acquired vessel "Arkstar Unicorn".

Sales revenue from Trading and Distribution segment dipped by S\$4.4 million, or 18.1%, to S\$19.9 million in FY2014 as compared to S\$24.3 million in FY2013 due to lower demand of third party brands of equipment parts from our customers.

Overall gross profit margin decreased to 14.5% in FY2014 as compared to 19.7% in FY2013. The Design and Manufacture, and Trading and Distribution segment had contributed to the decline in profit margin with gross profit contribution falling by S\$5.8 million in FY2014, while the gross profit contributions from the Vessel Chartering segment increased by S\$1.5 million in FY2014.

Operating Income and Expenses in FY2014

Other income decreased by S\$2.8 million, or 81.7%, to S\$0.6 million in FY2014 mainly due to a decrease in interest income from associate.

Distribution expenses increased by S\$0.2 million, or 3.8%, to S\$5.6 million in FY2014 mainly due to higher travelling expenses, packing and delivery costs incurred in FY2014 while other expenses decreased by S\$1.2 million, or 15.5%, to S\$6.6 million in FY2014, mainly due to the foreign exchange gain of S\$0.7 million, and the provision of slow moving stock write back of S\$1.0 million. Share of losses of associates of S\$12.3 million in FY2014 was attributed to the Group's associated company-Semua International Sdn Bhd and its subsidiaries ("Semua Group").

Other comprehensive income for FY2014

Foreign currency translation gain of S\$0.7 million arose from foreign operations in FY2014 relates mainly to the Group's net investment in foreign operations which are denominated in United States Dollar ("USD"), as the USD appreciated against the Singapore Dollar ("SGD") in FY2014.

Statement of Financial Position

Property, plant and equipment increased by S\$36.7 million, or 80.5%, to S\$82.3 million at 31 December 2014 mainly due to an acquisition of the new vessel, “Arkstar Unicorn” and the addition of two other vessels, which were previously included as non-current assets held for sales; and foreign currency translation gain arose from the translation of USD denominated property, plant and equipment of certain subsidiaries into SGD as a result of the appreciation of the USD against the SGD in FY2014. This was partially offset by the additional depreciation charged for FY2014.

Investments in associates decreased by S\$12.5 million, or 100%, to S\$nil million at 31 December 2014 mainly due to the share of losses of associates in FY2014. Assets held for sales relates to two vessels which were transferred to Property, Plant and Equipment during the year upon restructuring of Aries Group.

Trade and other receivables decreased by S\$2.3 million, or 4.6%, to S\$48.2 million at 31 December 2014 mainly due to impairment on advances granted to Semua Group in FY2014. Financial liabilities increased by S\$11.2 million, or 16.1%, to S\$80.5 million at 31 December 2014 mainly due to additional bank borrowings.

Deferred income resulted from the sale and leaseback of the Company’s leasehold property and A&A Extension, which was completed on 13 June 2011 and 9 January 2013 respectively. Deferred income, being the excess of the sale consideration over its fair value, is a portion of the total gain on sale of the property and A&A Extension, which is deferred and amortized on a straight-line basis over the applicable non-cancellable lease term. Deferred income decreased by S\$5.2 million, or 40.9%, to S\$7.5 million at 31 December 2014 due to the recognition of additional deferred income on the A&A Extension, which was partially offset by the amortization of deferred income in FY2014.

Trade and other payables increased by S\$2.2 million, or 10.6%, to S\$22.9 million at 31 December 2014 was due mainly to the increase in trade and other payables of S\$7.1 million in FY2014. This was partially offset by the repayment to the immediate and ultimate holding company of S\$4.9 million.

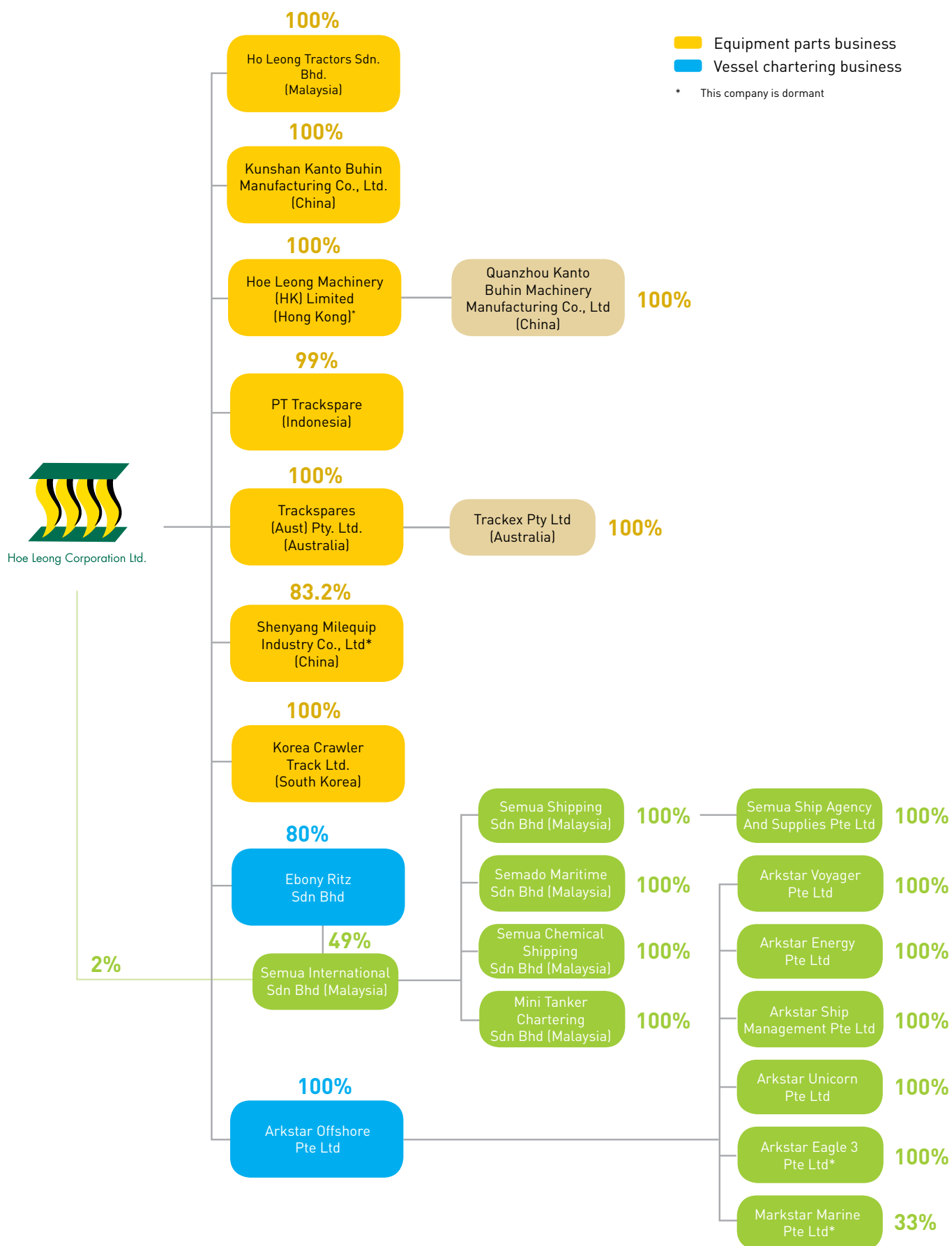
Statement of Cash Flows

For FY2014, the Group generated net cash outflows of S\$4.4 million, comprising net cash outflows from operating activities of S\$11.4 million and investing activities of S\$10.6 million respectively. This was partially offset by net cash inflows from financing activities of S\$17.6 million.

At 31 December 2014, the Group’s cash and cash equivalents amounted to S\$6.0 million (31 December 2013: S\$10.9 million).



GROUP STRUCTURE



CORPORATE GOVERNANCE REPORT

The Board of Directors (the "Board") is committed to ensure high standards of corporate governance to protect the interests of shareholders and at the same time to enhance long term shareholders' value through corporate performance and accountability. The Board observes and adheres to the principles and guidelines set out in the revised Code of Corporate Governance 2012 (the "Code"). Where there are deviations from the Code, appropriate explanations are provided.

A. BOARD MATTERS

The Board's Conduct of its Affairs

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

The Board is entrusted with the responsibility of the overall management of the Company and their main duties are to:-

- (a) provide entrepreneurial leadership, set strategic aims, and ensure that the necessary financial and human resources are in place for the Company to meet its objective;
- (b) approve board policies, strategic plans, and financial objectives of the Group and monitor the performance of Management;
- (c) approve annual budgets, funding, material investment and divestment proposals;
- (d) approve interim and full year results and announcements and annual report;
- (e) ensure an adequate system of internal controls and compliance with financial reporting requirements;
- (f) review the financial performance of the Group, proposal of dividends and review interested person transactions;
- (g) approve the nomination of directors and appointment of key personnel; and
- (h) assume responsibility for corporate governance.

To facilitate effective management, certain functions have been delegated by the Board to various Board Committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee. The Board Committees operate under clearly defined terms of reference. The Chairman of the respective Committees will report to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters are made by the Board as a whole.

The Board holds at least four meetings every year and ad-hoc meetings are convened when circumstances require. Article 106 of the Company's Articles of Association ("AoA") permits meetings of the Directors to be conducted by means of telephone conference or other methods of simultaneous communication by electronic or telegraphic means.

CORPORATE GOVERNANCE REPORT

A record of the Directors' attendances at Board and Board Committee meetings during the financial year ended 31 December 2014 is disclosed as follows:

Name of Director	Board		Audit Committee		Nominating Committee		Remuneration Committee	
	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance	No. of meetings	Attendance
Kuah Geok Lin	5	4	–	–	2	2	–	–
Kuah Geok Khim	5	4	–	–	–	–	–	–
Quah Yoke Hwee	5	4	–	–	–	–	–	–
Lim Kok Hoong ⁽¹⁾	5	4	4	4	–	–	1	1
Ang Mong Seng	5	3	4	3	2	2	1	1
Peter Boo Song Heng	5	4	4	4	2	2	1	1
Hoon Ching Sing ⁽²⁾	1	1	1	1	–	–	1	1

Notes:

(1) Mr Lim Kok Hoong resigned on 30 October 2014.

(2) Mr Hoon Ching Sing was appointed on 01 October 2014.

The Directors are provided with regular updates on changes in the relevant laws and regulations during Board Meetings. Where possible and when opportunity arises, the Directors will be invited to locations within the Group's operating businesses to enable them to obtain a better perspective of the business and enhance their understanding of the Group's operations. The directors of the Company are encouraged to attend seminars and trainings conducted by external organisations at the expense of the Company so that they are able to keep pace with new laws, regulations, changing commercial risk and accounting standards.

Board Composition and Guidance

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

The Board comprises six directors, three of whom are Independent Directors.

Half of the Board is independent. The strong independent element on the Board ensures that it is able to exercise objective and independent judgment on corporate affairs.

The role of the Independent Directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take into account the long term interests of the Group's stakeholders, which includes shareholders, employees, customers and suppliers.

The Executive Directors have extensive experience in the heavy equipment and industrial machinery equipment parts industry and the non-executive directors are experienced and successful in their respective professions. The Board's structure, size and composition is reviewed annually by the Nominating Committee which is of the view that the current size of the Board is appropriate, taking into account the nature and scope of the Group's operations, to facilitate effective decision making. The Nominating Committee is satisfied that the Board comprises directors who as a group provide core competencies such as accounting, finance, business and management experience, industry knowledge, strategic planning experience and customer-based experience and knowledge to lead the company effectively. Profiles of the Directors are set out in the "Board of Directors" section in this Annual Report.

CORPORATE GOVERNANCE REPORT

Chairman and Chief Executive Officer

Principle 3: There should be a clear division of responsibilities at the top of the company – the working of the Board and the executive responsibility of the company's business – which will ensure a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Chairman and Chief Executive Officer ("CEO") of the Company is Mr Kuah Geok Lin. The Board, after careful consideration, is of the opinion that it is not necessary, under current circumstances, to separate the roles of the Chairman and CEO. This is after taking into consideration the size, scope and nature of the operations of our Group, together with the strong presence of our Independent Directors which comprises half of the Board, who ensure that decision-making is based on collective decision and that there is no concentration of power and authority vested in one individual.

Our Chairman and CEO has played an instrumental role in developing the business of our Group. He has extensive industry experience and has also provided our Group with strong leadership and vision. It is hence the view of the Board that it is in the best interests of our Group to adopt a single leadership structure, whereby the Chairman and CEO are the same individual.

The Chairman takes an active role in the management of the Group and also bears responsibility for the workings of the Board, ensuring the integrity and effectiveness of the governance process of the Board, ensuring that Board meetings are held regularly, and setting the Board meeting agenda in consultation with all members of the Board. The Chairman reviews board papers before they are presented to the Board and ensures that Board members are provided with adequate and timely information.

The Board has appointed Mr Hoon Ching Sing as the Lead Independent Director on 30 October 2014, where shareholders with concerns may contact him directly, when contact through the normal channels via the Chairman and Chief Executive Officer has failed to provide satisfactory resolution, or when such contact is inappropriate.

Board Membership

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

The Nominating Committee ("NC") is established for the purposes of ensuring that there is a formal and transparent process for all Board appointments. The NC comprises the following three members, majority of whom are Independent Directors:-

Mr Yeoh Seng Huat Geoffrey (*Chairman, appointed on 02 January 2015*)

Mr Peter Boo Song Heng (*Chairman, resigned on 02 January 2015*)

Mr Ang Mong Seng (*Member*)

Mr Kuah Geok Lin (*Member*)

The NC has adopted written terms of reference defining its membership, administration and duties. Duties and responsibilities of the NC include:

- (a) Reviewing and recommending the (i) Board succession plans of the Directors, in particular the Chairman and Chief Executive Officer, (including Independent Directors) taking into consideration each Director's contribution and performance; (ii) the development of a process for evaluation of the performance of the Board of Directors, the board committees and Directors; (iii) the review of training and professional development programmes for the Board of Directors; (iv) the appointment and re-appointment of Directors (including alternate Directors, if applicable);

CORPORATE GOVERNANCE REPORT

- (b) Reviewing annually the composition of the Board to ensure that our Board has an appropriate balance of expertise, skills, attributes and abilities;
- (c) Determining annually whether or not a Director is independent in accordance with the Code and any other salient factors;
- (d) Reviewing and deciding whether or not a Director is able to and has been adequately carrying out his duties as a Director;
- (e) Reviewing and approving of any new employment of related persons and the proposed terms of their employment; and
- (f) Evaluating the performance and effectiveness of the Board as a whole.

Each member of our NC shall abstain from voting on any resolution in respect of his re-nomination as a director.

The search and nomination process for new directors, if any, will be through search companies, contacts and recommendations that go through the normal selection process, to cast its net as wide as possible for the right candidates.

The AoA of the Company requires one-third of the Directors, or if their number is not a multiple of three, the number nearest to but not less than one-third of our Directors, to retire and subject themselves to re-election by the shareholders at every Annual General Meeting ("AGM"). In addition, all Directors of the Company, including the Managing Director after his initial term of engagement as Managing Director, shall retire from office at least once every three years. A retiring Director is eligible for re-election at the meeting at which he retires.

Pursuant to Article 95(2) of the Company's AoA, Mr Kuah Geok Khim and Mr Quah Yoke Hwee shall retire at the forthcoming AGM. Pursuant to Article 96 of the Company's AoA, the newly appointed Directors, Mr Hoon Ching Sing and Mr Yeoh Seng Huat Geoffrey shall also retire at the forthcoming AGM. The retiring Directors, being eligible, have offered themselves for re-election at the forthcoming AGM. The NC, having considered the attendance and participation of these Directors at the Board and Board committee meetings and in particular, their contribution to the business and operations of the Company, has recommended their re-election. The Board has concurred with the NC's recommendation.

As an individual Director's ability to commit time to the Group's affair is essential, the NC has determined that the maximum number of listed company board representations which any Director of the Company may hold is eight. All the Directors have complied with this requirement.

Mr Ang Mong Seng has served the Board for more than nine years (appointed on 29 September 2005). The Board has determined that Mr Ang Mong Seng has remained independent in character and judgment despite the length of service.

It should also be noted that Mr Lim Kok Hoong and Mr Peter Boo Song Heng, who had served the Board for more than nine years, resigned on 30 October 2014 and 02 January 2015 respectively to pave way for the admission of new Directors to refresh the Board.

CORPORATE GOVERNANCE REPORT

Board Performance

Principle 5: There should be a formal assessment of the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board.

The Board acknowledges the importance of a formal assessment of Board performance. It has adopted a formal system of evaluating Board performance with the use of evaluation forms to assess the effectiveness of the Board and Board Committees and the contribution by each Director. All Directors are required to complete the evaluation questionnaire annually. The Company Secretary compiles the Directors' responses to the evaluation forms into a consolidated report. The report is reviewed at the NC meeting and then reported to the Board.

The evaluation of the Board's performance as a whole deals with matters on Board composition, information flow to the Board, Board procedures and Board accountability. Factors such as the structure, size and processes of the Board and the Board's access to information, management and the effectiveness of the Board's oversight of the Company's performance are applied to evaluate the performance of the Board as a whole. The evaluation of the Board Committees' performance deals with the ideality of the size and composition of the committee, responsibilities, resources and relevant expertise of each of the Directors, Board's access of information, guidance to and communication with the Management and the standard of conduct and performance of the Board's principal functions. The evaluation of the performance of an individual director deals with matters on an individual director's attendance at meetings, observance of the individual directors' duties towards the Company and the individual director's know-how and interaction with fellow directors.

The evaluation of Board performance is conducted annually to identify areas of improvement and as a form of good Board management practice. The last Board of Director's evaluation was conducted in February 2015 and the results have been presented to the NC for discussion. The NC is satisfied that the Board has been effective as a whole and that each and every Director has contributed to the effective functioning of the Board and the Board Committees. In addition, the NC is also satisfied that sufficient time and attention has been given by the Directors to the affairs of the Company, notwithstanding that some of the directors have multiple board representations.

Access to Information

Principle 6: In order to fulfill their responsibilities, Board members should be provided with complete, adequate and timely information prior to Board meetings and on an ongoing basis.

Management provides the Board with adequate and timely information as well as a review of the Group's performance prior to the Board meetings. The Board has separate and independent access to the Group's senior management including the CEO and other key management as well as the Group's internal and external auditors should they have any queries on the affairs of the Group.

As a general rule, board papers are sent to Directors one week in advance in order for Directors to be adequately prepared for the meeting. As and when there are important matters that require the Directors' attention, the information will be furnished to the Directors as soon as practicable.

Should the Directors, whether as a group or individually, require independent professional advice, the Company will bear the expenses incurred if such advice is required to enable the directors to discharge their duties professionally. All Directors have separate and independent access to the advice and services of the Company Secretary. The Company Secretary attends the Board and Board Committee meetings and is responsible for ensuring that Board procedures are followed and that applicable rules and regulations (in particular the Companies Act and the SGX-ST Listing Manual) are complied with. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flow within the Board and its committees and between Management and non-executive Directors.

CORPORATE GOVERNANCE REPORT

Pursuant to the Company's AoA, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

B. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

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

The Remuneration Committee ("RC") is established for the purposes of ensuring that there is a formal and transparent process for developing policy on executive remuneration and for fixing the remuneration packages of individual directors and key executives. The RC comprises the following three Independent Directors:-

Mr Ang Mong Seng (*Chairman*)

Mr Hoon Ching Sing (*Member, appointed on 01 October 2014*)

Mr Yeoh Seng Huat Geoffrey (*Member, appointed on 02 January 2015*)

Mr Lim Kok Hoong (*Member, resigned on 30 October 2014*)

Mr Peter Boo Song Heng (*Member, resigned on 02 January 2015*)

The RC has adopted written terms of reference defining its membership, administration and duties. Duties and responsibilities of the RC include:

- (a) to review and recommend to the Board a framework of remuneration for the Board and key executives;
- (b) to review and determine specific remuneration packages for each Executive Director and the CEO which should cover all aspects of remuneration including but not limited to directors' fees, salaries, allowances, bonuses, share-based compensation and benefits in kind;
- (c) to review and recommend to the Board the terms of renewal of service contracts of Directors;
- (d) to retain such professional consultancy firm as the committee may deem necessary to enable it to discharge its duties satisfactorily;
- (e) to consider various disclosure requirements for Directors' remuneration, particularly those required by regulatory bodies such as the SGX-ST, and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties; and
- (f) to carry out such other duties as may be agreed by the RC and the Board. The RC's recommendations would be made in consultation with the Chairman of the Board and submitted for endorsement by the entire Board and no Director shall participate in decisions on his/her own remuneration.

CORPORATE GOVERNANCE REPORT

Level and Mix of Remuneration

Principle 8: The level of remuneration should be appropriate to attract, retain and motivate the directors needed to run the company successfully but companies should avoid paying more than is necessary for this purpose. A significant proportion of executive directors' remuneration should be structured so as to link rewards to corporate and individual performance.

It is the Group's policy to set a level of remuneration that is appropriate to attract, retain and motivate the directors. The Independent Directors receive directors' fees in accordance with their level of contribution, taking into account factors such as effort and time spent and responsibilities of the directors. The Board may, if it considers necessary, consult experts on the remuneration of non-executive directors and would recommend the remuneration of the non-executive directors for approval at the AGM.

The RC had recommended to the Board an amount of S\$140,000 as Directors' fees to be paid to the Independent Directors for the financial year ending 31 December 2015. These recommendations will be tabled for shareholders' approval at the Company's forthcoming AGM.

Each of the RC members had abstained from deliberating and voting on his own remuneration.

The Company has entered into a service agreement with each of the Executive Directors, namely Mr Kuah Geok Lin, Mr Kuah Geok Khim and Mr Quah Yoke Hwee (collectively the "Appointees"). The service agreements contain non-competition and non-solicitation clauses, which are binding on the Appointees during their period of employment with the Company and for a period of 12 months after the cessation of their employment with the Company. The Executive Directors do not receive directors' fees. The remuneration of the Appointees comprises a fixed basic salary component which includes the 13-month supplement and a variable component which includes an incentive bonus ("Incentive Bonus") at the end of every financial year of the Company based on the audited consolidated profit before tax (before the Incentive Bonus) of our Group. The Appointees are also entitled to other benefits including dental, optical and medical benefits, personal accident, hospitalization and surgical insurance and travelling and entertainment expenses incurred for the purposes of our Group's business.

The service agreements of the Appointees shall be subject to termination:

- (i) by the Company or any of the Appointees giving to the other at least three months' written notice; or
- (ii) without prior notice, upon the occurrence of certain specified events, including willful neglect in the discharge of duties.

The Hoe Leong Performance Share Plan 2009 ("PSP 2009") for the Group employees, including the Group Executive Directors and the Hoe Leong Share Option Scheme 2009 ("ESOS 2009") were approved by the shareholders of the Company at an Extraordinary General Meeting held on 27 April 2009.

The Group employees including the Executive Directors are eligible to participate in the PSP 2009 and the ESOS 2009. More information on the PSP 2009 and ESOS 2009 are set out in the Directors' Report.

The PSP 2009 and ESOS 2009 are components in the Group's package of benefits and incentives to attract, retain and motivate the Directors and employees, and to achieve better performance.

CORPORATE GOVERNANCE REPORT

Disclosure on Remuneration

Principle 9: Each company should provide clear disclosure of its remuneration policy, level and mix of remuneration, and the procedure for setting remuneration, in the company's annual report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key executives, and performance.

A breakdown showing the level and mix of each individual Director's remuneration for the year ended 31 December 2014 is disclosed in the table below:

Name of Directors	Remuneration	Salary (%)	Variable bonus (%)	Fees (%)	Share-based compensation (%)	Other benefits (%)	Total (%)
Kuah Geok Lin ⁽¹⁾	\$420,000	84	7	–	–	9	100
Kuah Geok Khim ⁽¹⁾	\$320,000	85	7	–	–	8	100
Quah Yoke Hwee ⁽¹⁾	\$260,000	85	7	–	–	8	100
Lim Kok Hoong ⁽²⁾	\$45,000	–	–	100	–	–	100
Ang Mong Seng	\$40,000	–	–	100	–	–	100
Peter Boo Song Heng	\$40,000	–	–	100	–	–	100
Hoon Ching Sing ⁽³⁾	\$15,000	–	–	100	–	–	100

Notes:

(1) The Executive Directors, namely Mr Kuah Geok Lin, Mr Kuah Geok Khim and Mr Quah Yoke Hwee are siblings.

(2) Mr Lim Kok Hoong resigned on 30 October 2014 and his fee was pro-rated.

(3) Mr Hoon Ching Sing was appointed on 01 October 2014 and his remuneration was pro-rated.

The table below shows the level and mix of the remuneration of the Group's 5 key executives (who are not directors) for the financial year ended 31 December 2014:

Sn	Name	Remuneration Band	Salary	Variable bonus	Other Benefits & Allowances	CPF	Total
1	Mdm Kuah Geok Khim ⁽¹⁾	\$0 to \$200,000	97%	0%	0%	3%	100%
2	Raymond Quah Eng Kiat		82%	0%	6%	12%	100%
3	Alvin Kuah Han Zhou		82%	0%	6%	12%	100%
4	Kelvin Kuah Zhichao		80%	0%	7%	13%	100%
5	Teh Teong Lay		90%	0%	0%	10%	100%

For financial year ended 2014, the aggregate total remuneration paid to the top 5 key management personnel amounts to S\$620,000.

For financial year ended 2014, there was no termination and post employment benefits granted to the Directors, the CEO and the top 5 key management personnel other than the standard contractual notice period termination payment in lieu of service in respect of management employees.

Note:

(1) Mdm Kuah Geok Khim is the sister of the Executive Directors, namely Mr Kuah Geok Lin, Mr Kuah Geok Khim and Mr Quah Yoke Hwee.

CORPORATE GOVERNANCE REPORT

The table below shows the remuneration of the executives who are immediate family members of the Directors or the CEO, whose remuneration exceeds \$50,000 for the financial year ended 31 December 2014:-

Name	Relationship	Position	Remuneration Band
Mdm Kuah Geok Khim	Sister of Messrs Kuah Geok Lin, Kuah Geok Khim and Quah Yoke Hwee	Operations Manager	\$50,000 - \$200,000
Raymond Quah Eng Kiat	Son of Mr Quah Yoke Hwee	Sales and Marketing Manager	\$50,000 - \$200,000
Alvin Kuah Han Zhou	Son of Mr Kuah Geok Lin	Business Development Manager	\$50,000 - \$200,000
Kelvin Kuah Zhichao	Son of Mr Kuah Geok Khim	Business Development Manager	\$50,000 - \$200,000

C. ACCOUNTABILITY AND AUDIT

Accountability

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

One of the Board's principal duties is to protect and enhance the long-term value and returns to the shareholders of the Company. The accountability of the Board to the shareholders is demonstrated through the presentation of the periodic financial statements as well as the timely announcements and news releases of significant corporate developments and activities so that the shareholders can have a detailed explanation and balanced assessment of the Group's financial position and prospects.

The Management presents to the Audit Committee the quarterly and full-year results for its review and recommendation to the Board for approval. The Board approves the results and authorizes the release of the results to the SGX-ST and the public via SGXNET as required by the SGX-ST Listing Manual.

Negative assurance statements supported by two Executive Directors were issued to the Audit Committee to accompany the Company's quarterly financial results announcements, giving shareholders confirmation that to the best of their knowledge, nothing had come to their attention that would render the Company's quarterly financial results false or misleading.

Risk Management and Internal Controls

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

Risk Management

The Board had assessed and decided not to establish a separate Board Risk Committee to carry out its responsibility of helping the Board in the overseeing of the Group's risk management framework and policies. Instead, this responsibility is assumed by the Audit Committee.

The Company had set up the Enterprise Risk Management ("ERM") system and framework with the help of an external consultant in 2013. The ERM system and framework established was embedded in the internal control system of the Group.

CORPORATE GOVERNANCE REPORT

The external consultant will assist the Management to review and update the risk management framework on an annual basis.

Internal Controls

The Board recognizes the importance of maintaining a sound system of internal controls to safeguard the shareholders' interest and investments and the Group's assets. The Board recognises that no cost effective internal control system can prevent all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group has internal control systems and processes which it considers to be sufficient having regard to the size of the Group and the complexity of its operations. The Board has also received written assurance from the Chairman cum CEO and the Group Financial Controller ("GFC") that the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and the Company risk management and internal control systems in place are effective.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, reviews performed by the Management, various Board Committees and the Board, and the written assurance from the CEO and the GFC, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls, addressing key financial, operational, compliance, and risk management systems were adequate as at 31 December 2014. The Group will review its internal control systems and processes on an on-going basis and make further improvements when necessary.

Audit Committee

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

The AC comprises the following three Independent Directors:-

Mr Hoon Ching Sing (*Chairman, appointed on 30 October 2014*)

Mr Lim Kok Hoong (*Chairman, resigned on 30 October 2014*)

Mr Ang Mong Seng (*Member*)

Mr Yeoh Seng Huat Geoffrey (*Member, appointed on 02 January 2015*)

Mr Peter Boo Song Heng (*Member, resigned on 02 January 2015*)

The Board is of the view that the members of the AC are appropriately qualified, having accounting or related financial management expertise or experience as the Board interprets such qualification, to discharge their responsibilities.

The AC assists the Board in discharging its responsibility to safeguard the Group's assets, maintain adequate accounting records, and develop and maintain effective systems of internal control, with the overall objective of ensuring that the Management creates and maintains an effective control environment in the Group. The AC will also review and supervise the internal audit functions of the Group.

The AC had met four times during the financial year and these meetings were attended by the GFC, and the External Auditors. The AC also met once during the financial year with the external auditors, without the presence of any Executive Director and Management personnel.

Our AC has adopted written terms of reference defining its membership, administration and duties. Duties and responsibilities of the AC include:

CORPORATE GOVERNANCE REPORT

- (a) review with the external auditors the audit plan, their evaluation of the system of internal accounting controls, their letter to management and the management's response;
- (b) review the financial statements of the Company including quarterly and full-year results before submission to our Board for approval, focusing in particular on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, compliance with accounting standards and compliance with the SGX-ST Listing Manual and any other relevant statutory or regulatory requirements;
- (c) review the scope and results of the audit and its cost effectiveness and the independence and objectivity of the external auditors. Where the external auditors also supply a substantial volume of non-audit services to the Company, the AC would keep the nature and extent of such services under review, seeking to balance the maintenance of objectivity and value for money;
- (d) review the internal control procedures and ensure co-ordination between the external auditors and our management, and review the assistance given by our management to the external auditors, and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the external auditors may wish to discuss in the absence of our management at least annually;
- (e) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on our Group's operating results or financial position, and our management's response;
- (f) to review the independence and objectivity of the external auditors annually;
- (g) consider the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the external auditors;
- (h) review interested person transactions (if any) falling within the scope of Chapter 9 of the SGX-ST Listing Manual;
- (i) review potential conflicts of interest, if any;
- (j) undertake such other reviews and projects as may be requested by the Board, and will report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
- (k) generally undertake such other functions and duties as may be required by statute or the SGX-ST Listing Manual, or by such amendments as may be made thereto from time to time.

In the event that any Director has a personal material interest in any contract or proposed contract or arrangement, he will abstain from reviewing that particular transaction or voting on the particular resolution.

The Company has put in place a whistle-blowing policy which is duly endorsed by the AC and approved by the Board.

Apart from the duties listed above, the AC shall commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on our Company's operating results and/or financial position.

In performing its functions, the AC has explicit authority to investigate any matter within its terms of reference, having full access to and co-operation by management and full discretion to invite any director or executive officer to attend meetings, and reasonable resources to enable it to discharge its function properly.

CORPORATE GOVERNANCE REPORT

The AC has reviewed the independence of Company's external auditors and is satisfied with the independence and objectivity of the external auditors.

The aggregate amount of fees paid/ payable to the external auditors of the Company and other auditors of the group companies for annual audit services were S\$228,000 and S\$113,000 respectively for the financial year ended 31 December 2014. There were no non-audit services provided by the external auditors of the Company for the financial year ended 31 December 2014.

The AC has recommended the re-appointment of KPMG LLP as external auditors at the forthcoming AGM.

The Company has complied with Rules 712 and Rule 715 or 716 in relation to its auditors.

The AC members are kept abreast of the changes to accounting standards and issues which have a direct impact on financial statements through periodic meetings with the external auditors.

Internal Audit

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

The Company has engaged the services of an external consultant to perform its internal audit function.

The AC reviews annually the Internal Audit plan independent of the Management. The internal auditors report directly to the Chairman of the AC on any material non-compliance and internal control weaknesses identified in the course of audit.

The Board recognizes the importance of an internal audit function as an integral part of an effective system of good corporate governance and will from time to time review and strengthen the existing control system.

D. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

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

The Group's corporate governance culture and awareness promotes fair and equitable treatment of all shareholders. All shareholders enjoy specific rights under the Singapore Companies Act, Chapter 50 and Articles of Association of the Company. All shareholders are treated fairly and equitably.

The Group respects the equal information rights of all shareholders and is committed to the practice of fair, transparent and timely disclosure.

Shareholders are given the opportunity to participate effectively and vote at general meetings of the Company, where relevant rules and procedures governing the meetings are clearly communicated.

CORPORATE GOVERNANCE REPORT

Communication with Shareholders

Principle 15: Companies should engage in regular, effective and fair communication with shareholders.

The Company endeavors to communicate regularly, effectively and fairly with its shareholders. Timely, as well as, detailed disclosure is made to the public in compliance with SGX-ST guidelines. The Company does not practise selective disclosure. Price sensitive information is first publicly released before the Company meets with any group of investors or analysts.

Shareholders are kept informed of developments and performance of the Group through announcements published via SGXNET and the press when necessary as well as in the annual report. Other announcements are also made on an ad-hoc basis where applicable as soon as possible to ensure timely dissemination of the information to shareholders.

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

All shareholders of the Company receive the annual report of the Company and notice of AGM within the prescribed period. Participation of shareholders is encouraged at the Company's general meetings. The Board of Directors (including the Chairman of the respective Board committees), the Management, as well as the external auditors will attend the Company's AGM to address any questions that shareholders may have.

Each item of special business included in the notice of the meeting will be accompanied by an explanation of the effects of a proposed resolution. Unless the resolution proposed at a meeting are interdependent and linked so as to form one significant proposal, separate resolutions shall be proposed for substantially separate issues at the meeting.

The Company will also prepare minutes of the general meetings that include substantial comments or queries from shareholders and responses from the Board and Management, and will make such minutes or notes available to shareholders upon their request.

E. DEALINGS IN SECURITIES

The Company has adopted the requirements in SGX-ST Rule 1207(19) applicable to dealings in the Company's securities by its Directors, management and officers. Directors, management and officers of the Group who have access to price-sensitive, financial or confidential information are prohibited to deal in the Company's shares during the period commencing two (2) weeks before the announcement of the Company's financial statements for each of the first three quarters of its financial year and one (1) month before the announcement of the Company's full-year financial statements.

Directors, management and officers of the Group are also required to observe insider trading laws at all times even when dealing in securities within the permitted trading period. In addition, the Directors, management and officers of the Group are discouraged from dealing in the Company's securities on short-term considerations.

F. INTERESTED PERSON TRANSACTIONS

The Company has adopted an internal policy governing procedures for the identification, approval and monitoring of transactions with interested persons. All interested person transactions ("IPT") are subject to review by the AC every quarter to ensure that the relevant rules in Chapter 9 of the SGX-ST Listing Manual are complied with.

CORPORATE GOVERNANCE REPORT

There were no IPT (each with a value of \$100,000 or more) during the financial year ended 31 December 2014 except as follows:

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual) \$'000	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 of the SGX-ST Listing Manual (excluding transactions less than \$100,000) \$'000
Hoe Leong Plastic Industry (China) Ltd		
– Rental expense	261	–
Hoe Leong (Co) Pte Ltd		
– Interest payable on shareholder's loan	183	–

The Company has not obtained a general mandate from shareholders for Interest Person Transactions.

G. MATERIAL CONTRACTS

Pursuant to Rule 1207(8) of the SGX-ST Listing Manual, the Company confirms that there was no material contract entered into between the Company and its subsidiaries which involved the interests of any director or controlling shareholder, either still subsisting at the end of the financial year or if not then subsisting, which was entered into since the end of the previous financial year.

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DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2014

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2014.

Directors

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

Kuah Geok Lin	
Quah Yoke Hwee	
Kuah Geok Khim	
Ang Mong Seng	
Hoon Ching Sing	(Appointed on 1 October 2014)
Yeoh Seng Huat Geoffrey	(Appointed on 2 January 2015)

Directors' interests

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the Act), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company, the ultimate holding company (Hoe Leong Co. (Pte.) Ltd.) and its other related corporations are as follows:

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
Kuah Geok Lin		
The Company		
Ordinary shares		
- interests held	8,860,924	15,506,617
Options to subscribe for ordinary shares exercisable at:		
- \$0.39 between 27/04/2011 to 26/04/2020	50,000	50,000
- \$0.39 between 27/04/2012 to 26/04/2020	50,000	50,000
Share awards:		
- vesting on 05/05/2013	147,050	147,050
- vesting on 05/05/2014	147,050	147,050
Ultimate Holding Company		
Ordinary shares		
- interests held	370,951	370,951
Subsidiary - PT Trackspare		
Ordinary shares of US\$1,000 each fully paid		
- interests held	5	5

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2014

Directors' interests (cont'd)

Name of director and corporation in which interests are held	Holdings at beginning of the year/date of appointment	Holdings at end of the year
Quah Yoke Hwee		
The Company		
Ordinary shares		
- interests held	8,750,924	15,314,117
Options to subscribe for ordinary shares exercisable at:		
- \$0.39 between 27/04/2011 to 26/04/2020	50,000	50,000
- \$0.39 between 27/04/2012 to 26/04/2020	50,000	50,000
Share awards:		
- vesting on 05/05/2013	51,450	51,450
- vesting on 05/05/2014	51,450	51,450
Ultimate Holding Company		
Ordinary shares		
- interests held	370,951	370,951
Kuah Geok Khim		
The Company		
Ordinary shares		
- interests held	8,750,924	15,314,117
Options to subscribe for ordinary shares exercisable at:		
- \$0.39 between 27/04/2011 to 26/04/2020	50,000	50,000
- \$0.39 between 27/04/2012 to 26/04/2020	50,000	50,000
Share awards:		
- vesting on 05/05/2013	58,800	58,800
- vesting on 05/05/2014	58,800	58,800
Ultimate Holding Company		
Ordinary shares		
- interests held	370,951	370,951
Ang Mong Seng		
The Company		
Ordinary shares		
- interests held	100,000	100,000
Options to subscribe for ordinary shares exercisable at:		
- \$0.42 between 13/04/2011 to 12/04/2015	25,000	25,000
- \$0.42 between 13/04/2012 to 12/04/2015	25,000	25,000

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2014

Directors' interests (cont'd)

Kuah Geok Lin, Quah Yoke Hwee and Kuah Geok Khim have the following deemed interests in the Company:

	Holdings at beginning of the year	Holdings at end of the year	Holdings at 21 January 2015
The Company			
Ordinary shares			
- interests held	171,268,200	323,749,267	323,749,267

Except as disclosed above, there were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2015.

By virtue of Section 7 of the Act, Kuah Geok Lin, Quah Yoke Hwee and Kuah Geok Khim are deemed to have an interest in all the other wholly-owned subsidiaries of Hoe Leong Co. (Pte.) Ltd., at the beginning and at the end of the financial year.

Except as disclosed in this report, no director who held office at the end of the financial year had interests in shares, debentures, warrants or share options 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.

Except as disclosed under the "Share options and awards" section of this report, 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 in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in the notes to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has a substantial financial interest.

Share options and awards

The Hoe Leong Share Option Scheme 2009 ("ESOS 2009") and the Hoe Leong Performance Share Plan 2009 ("PSP 2009") of the Company were approved and adopted by its members at an Extraordinary General Meeting held on 27 April 2009.

Share options

The ESOS 2009 is administered by the Remuneration Committee whose members are as follows:

Ang Mong Seng	(Chairman)	
Hoon Ching Sing	(Member)	(Appointed on 1 October 2014)
Yeoh Seng Huat Geoffrey	(Member)	(Appointed on 2 January 2015)

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2014

Share options and awards (cont'd)

Share options (cont'd)

Information regarding the ESOS 2009 is set out below:

- The exercise price of the options can be set at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant.
- For options granted to directors, 50% of the options can be exercised after one year from the date of grant and the remaining 50% of the options can be exercised after two years from the date of grant.
- For options granted to employees, 50% of the options can be exercised after two years from the date of grant and the remaining 50% of the options can be exercised after three years from the date of grant.
- The options granted to executive directors and employees will expire after 10 years from the date of grant.
- The options granted to non-executive directors will expire after five years from the date of grant.

Options granted, exercised / cancelled, and outstanding are set out below:

There were no options granted, exercised or cancelled during the financial year. Outstanding options at the end of the financial year under the ESOS 2009, on the unissued ordinary shares of the Company, are as follows:

Date of grant of options	Exercise price per share \$	Options outstanding at 1 January 2014 and 31 December 2014	Number of option holders at 31 December 2014	Exercise period
13 April 2010	0.42	150,000	3	13 April 2011 to 12 April 2015
13 April 2010	0.34*	250,000	4	13 April 2012 to 12 April 2020
27 April 2010	0.39	350,000	4	27 April 2011 to 26 April 2020
27 April 2010	0.31*	130,000	2	27 April 2012 to 26 April 2020
5 May 2011	0.23*	50,000	1	5 May 2013 to 4 May 2021
31 May 2012	0.15*	231,000	5	31 May 2014 to 30 May 2022
		<u>1,161,000</u>		

* These options were granted to the employees of the Group at a 20% discount to the average closing market price of the Company's shares for the last five trading days immediately preceding the date of grant.

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2014

Share options and awards (cont'd)

Share options (cont'd)

Aggregate options granted to directors and associates of controlling shareholders of the Company are as follows:

Name of Participant	Options granted during the financial year ended 31 December 2014 (‘000)	Aggregate options granted since commencement of ESOS 2009 to 31 December 2014 (‘000)	Aggregate options exercised/ cancelled since commencement of ESOS 2009 to 31 December 2014 (‘000)	Aggregate options outstanding at 31 December 2014 (‘000)
Directors				
Kuah Geok Lin	–	100	–	100
Quah Yoke Hwee	–	100	–	100
Kuah Geok Khim	–	100	–	100
Ang Mong Seng	–	50	–	50
Associates of controlling shareholders				
Kuah Geok Koon	–	50	–	50
Mdm Kuah Geok Khim	–	154	–	154
Raymond Quah Eng Kiat	–	77	–	77
Alvin Kuah Han Zhou	–	77	–	77
	–	708	–	708

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted by the Company or its subsidiaries as at the end of the financial year.

Share awards

Participants under the PSP 2009 will receive fully paid shares free of charge, upon the participants satisfying the criteria set out in the PSP 2009. For share awards granted under the PSP 2009, 50% of the share awards will vest after two years from the date of grant and the remaining 50% of the share awards will vest after three years from the date of grant. The number of shares to be allocated to each participant will be determined at the end of the performance period based on the level of attainment of the performance targets and the prevailing market price of the Company's shares at the date of grant.

Details of the share awards granted, vested or cancelled during the financial year under the PSP 2009 are as follows:

Date of grant of share awards	Share awards outstanding at 1 January 2014	Share awards cancelled/lapsed	Share awards outstanding at 31 December 2014
6 May 2011	632,200	(316,100)	316,100
31 May 2012	90,000	–	90,000
	722,200	(316,100)	406,100

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2014

Share options and awards (cont'd)

Share awards (cont'd)

Aggregate share awards granted to directors and associates of controlling shareholders of the Company are as follows:

Name of Participant	Share awards granted during the financial year ended 31 December 2014	Aggregate share awards granted since commencement of PSP 2009 to 31 December 2014	Aggregate share awards vested/ cancelled since commencement of PSP 2009 to 31 December 2014	Aggregate share awards outstanding at 31 December 2014
Directors				
Kuah Geok Lin	–	147,050	–	294,100
Quah Yoke Hwee	–	51,450	–	102,900
Kuah Geok Khim	–	58,800	–	117,600
Associates of controlling shareholders				
Mdm Kuah Geok Khim	–	81,400	–	110,800
Raymond Quah Eng Kiat	–	33,700	–	48,400
Alvin Kuah Han Zhou	–	33,700	–	48,400
	–	406,100	–	722,200

The aggregate number of shares available under the ESOS 2009 and the PSP 2009 (collectively, the "Schemes") must not exceed 15% of the total number of issued shares (excluding treasury shares) from time to time.

Since the commencement of the Schemes, no participant under the Schemes has been granted 5% or more of the total number of shares available under the Schemes.

Audit Committee

The members of the Audit Committee at the date of this report are:

- Hoon Ching Sing (Chairman), non-executive director (Appointed on 1 October 2014)
- Ang Mong Seng, non-executive director
- Yeoh Seng Huat Geoffrey, non-executive director (Appointed on 2 January 2015)

The Audit Committee performs the functions specified in Section 201B of the Act, the SGX-ST Listing Manual and the Code of Corporate Governance.

The Audit Committee has held four meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system. The Company's internal audit function has been outsourced and the Audit Committee has discussed the scope of the work with the appointed firm, the results of their examination and their evaluation of the Company's internal accounting system, where appropriate.

DIRECTORS' REPORT

YEAR ENDED 31 DECEMBER 2014

Audit Committee (cont'd)

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX-ST Listing Manual).

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The Audit Committee also recommends the appointment of the external auditors and reviews the level of audit and non-audit fees.

The Audit Committee is satisfied with the independence and objectivity of the external auditors and has recommended to the Board of Directors that the auditors, KPMG LLP, be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

In appointing the auditors for the Company, its subsidiaries and significant associates, the Company has complied with Rule 712 and 715 of the SGX-ST Listing Manual.

Auditors

The auditors, KPMG LLP, have indicated their willingness to accept re-appointment.

On behalf of the Board of Directors

Kuah Geok Lin

Director

Quah Yoke Hwee

Director

8 April 2015

STATEMENT BY DIRECTORS

YEAR ENDED 31 DECEMBER 2014

In our opinion:

- (a) the financial statements set out on pages 38 to 96 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, changes in equity and cash flows of the Group for the year ended on that date, in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due on the basis as stated in Note 2 to the financial statements.

The Board of Directors has, on the date of this statement, authorised these financial statements for issue.

On behalf of the Board of Directors

Kuah Geok Lin
Director

Quah Yoke Hwee
Director

8 April 2015

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE COMPANY HOE LEONG CORPORATION LTD

Report on the financial statements

We have audited the accompanying financial statements of Hoe Leong Corporation Ltd. ("the Company") and its subsidiaries ("the Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 38 to 96.

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 for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF THE COMPANY HOE LEONG CORPORATION LTD

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards 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 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.

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

8 April 2015

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

	Note	Group		Company	
		2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Assets					
Property, plant and equipment	5	82,303	45,585	3,564	3,822
Investments in subsidiaries	6	–	–	26,919	35,374
Investments in associates	7	–	12,549	–	721
Deferred tax assets	8	578	624	–	–
Non-current assets		82,881	58,758	30,483	39,917
Inventories	9	32,113	32,226	13,411	17,090
Trade and other receivables	10	48,202	50,544	99,801	77,521
Cash and cash equivalents	11	6,043	10,983	1,631	6,445
Non-current assets held for disposal	12	–	21,291	–	20,088
Current assets		86,358	115,044	114,843	121,144
Total assets		169,239	173,802	145,326	161,061
Equity					
Share capital	13	63,870	53,897	63,870	53,897
Treasury shares		(50)	(40)	(50)	(40)
Currency translation reserve	14	(3,391)	(4,102)	–	–
Share-based compensation reserve	15	342	322	342	322
Accumulated (losses)/profits		(4,952)	17,855	2,225	16,426
Equity attributable to owners of the Company		55,819	67,932	66,387	70,605
Non-controlling interests		(1,609)	(1,106)	–	–
Total equity		54,210	66,826	66,387	70,605
Liabilities					
Financial liabilities	16	9,679	21,187	100	18,446
Loan from non-controlling shareholder of a subsidiary	17	3,334	3,397	–	–
Deferred income	18	2,340	7,537	2,340	7,537
Deferred tax liabilities	8	711	774	19	20
Non-current liabilities		16,064	32,895	2,459	26,003
Trade and other payables	19	22,941	20,749	12,160	16,063
Financial liabilities	16	70,828	48,136	59,124	43,194
Deferred income	18	5,196	5,196	5,196	5,196
Current liabilities		98,965	74,081	76,480	64,453
Total liabilities		115,029	106,976	78,939	90,456
Total equity and liabilities		169,239	173,802	145,326	161,061

The accompanying notes form an integral part of these financial statements.

STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2014

	Note	Group 2014 \$'000	2013 \$'000
Revenue	20	66,426	70,962
Cost of sales		(56,762)	(56,963)
Gross profit		9,664	13,999
Other income		637	3,476
Profit earned from construction of property		–	152
Distribution expenses		(5,592)	(5,385)
Administrative expenses		(7,194)	(7,993)
Other expenses		(6,621)	(7,835)
Results from operating activities		(9,106)	(3,586)
Finance income		26	45
Finance costs		(1,597)	(1,585)
Net finance costs	21	(1,571)	(1,540)
Share of results of associates, net of tax	7	(12,382)	(10,726)
Loss before income tax	22	(23,059)	(15,852)
Income tax (expense)/credit	23	(275)	64
Loss for the year		(23,334)	(15,788)
Loss attributable to:			
Owners of the Company		(22,807)	(13,441)
Non-controlling interests		(527)	(2,347)
Loss for the year		(23,334)	(15,788)
Earnings per share			
Basic earnings per share (cents)	24	(7.47)	(4.65)
Diluted earnings per share (cents)	24	(7.47)	(4.65)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2014

	Group	
	2014 \$'000	2013 \$'000
Loss for the year	(23,334)	(15,788)
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences arising from foreign operations	735	1,449
Other comprehensive income, net of income tax	735	1,449
Total comprehensive income for the year	(22,599)	(14,339)
Total comprehensive income attributable to:		
Owners of the Company	(22,096)	(12,060)
Non-controlling interests	(503)	(2,279)
Total comprehensive income for the year	(22,599)	(14,339)

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2014

	Attributable to owners of the Company ----->					
	Share capital \$'000	Treasury shares \$'000	Share-based compensation reserve \$'000	Currency translation reserve \$'000	Accumulated profits \$'000	Total equity \$'000
Group						
At 1 January 2013	53,897	-	260	(5,483)	29,894	78,568
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(13,441)	(13,441)
Other comprehensive income						
Foreign currency translation differences arising from foreign operations	-	-	-	1,381	-	1,381
Total comprehensive income for the year	-	-	-	1,381	(13,441)	(12,060)
Transactions with owners, recorded directly in equity						
Own shares acquired	-	(40)	-	-	-	(40)
Share-based compensation expense	-	-	62	-	-	62
Total contributions by and distributions to owners	-	(40)	62	-	-	22
Changes in ownership interests in subsidiaries						
Acquisition of non-controlling interests without a change in control	-	-	-	-	1,402	1,402
Total transactions with owners	-	(40)	62	-	1,402	1,424
At 31 December 2013	53,897	(40)	322	(4,102)	17,855	67,932
						66,826

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2014

	Attributable to owners of the Company					
	Share capital \$'000	Treasury shares \$'000	Share-based compensation reserve \$'000	Currency translation reserve \$'000	Accumulated profits/(losses) \$'000	Non-controlling interests \$'000
Group						
At 1 January 2014	53,897	(40)	322	(4,102)	17,855	(1,106)
Total comprehensive income for the year						
Loss for the year	-	-	-	-	(22,807)	(527)
Other comprehensive income						
Foreign currency translation differences arising from foreign operations	-	-	-	711	-	24
Total comprehensive income for the year	-	-	-	711	(22,807)	(503)
Transactions with owners, recorded directly in equity						
Contributions by and distributions to owners						
Issue of ordinary shares	9,973	-	-	-	-	-
Own shares acquired	-	(10)	-	-	-	-
Share-based compensation expense	-	-	20	-	-	-
Total contributions by and distributions to owners	9,973	(10)	20	-	-	-
At 31 December 2014	63,870	(50)	342	(3,391)	(4,952)	(1,609)
					55,819	54,210

The accompanying notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2014

	Note	Group 2014 \$'000	2013 \$'000
Operating activities			
Loss before income tax		(23,059)	(15,852)
Adjustments for:			
Amortisation of deferred income	18	(5,197)	(5,139)
Depreciation of property, plant and equipment	5	4,174	3,081
Finance income	21	(26)	(45)
Finance costs	21	1,597	1,585
Share of results of associates, net of tax		12,382	10,726
Property, plant and equipment written off	22	64	3
Profit earned from construction of property		–	(152)
Gain on disposal of property, plant and equipment	22	(41)	(131)
Equity-settled share-based compensation	22	20	62
Impairment loss on investment in joint ventures	22	–	500
Impairment loss on property, plant and equipment	22	985	–
Others		–	24
Operating cash flows before changes in working capital		(9,101)	(5,338)
Changes in working capital:			
Inventories		113	7,082
Trade and other receivables		2,317	51
Trade and other payables		(4,336)	8,047
Cash (used in)/generated from operations		(11,007)	9,842
Income taxes paid		(396)	(306)
Cash flows (used in)/from operating activities		(11,403)	9,536
Investing activities			
Acquisition of interests in associates and joint ventures		–	(721)
Finance income received	21	26	45
Purchase of property, plant and equipment		(11,093)	(4,231)
Proceeds from sale of leasehold property		–	21,028
Proceeds from disposal of property, plant and equipment		411	291
Loans to associates		–	(10,528)
Cash flows (used in)/from investing activities		(10,636)	5,884
Financing activities			
Finance costs paid	21	(1,597)	(1,585)
Proceeds from bills payable and trust receipts		(1,207)	(1,609)
Proceeds from finance lease liabilities		192	–
Payment of finance lease liabilities		(123)	(116)
Proceeds from interest-bearing borrowings		45,330	42,455
Repayment of interest-bearing borrowings		(34,881)	(49,518)
Purchase of treasury shares		(10)	(40)
Proceeds from issuance of ordinary shares	13	9,973	–
Acquisition of non-controlling interests in subsidiaries		–	(6,203)
Cash flows from/(used in) financing activities		17,677	(16,616)
Net decrease in cash and cash equivalents		(4,362)	(1,196)
Cash and cash equivalents at beginning of the year		10,983	11,192
Effect of exchange rate fluctuations		(578)	987
Cash and cash equivalents at end of the year	11	6,043	10,983

Significant non-cash transaction

During the year, the Group acquired two vessels amounting to \$28,263,000 from previously held joint venture entities pursuant to a deed of settlement entered between the Company, the previously held joint venture entities and the joint venture partner. Please see notes 5 and 12 for details.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 8 April 2015.

1 Domicile and activities

Hoe Leong Corporation Ltd. (the Company) is incorporated in the Republic of Singapore. The address of the Company's registered office is at 6 Clementi Loop, Singapore 129814.

The principal activities of the Group and of the Company are those relating to designing, manufacturing, sale and distribution of machinery parts. The Group is also engaged in vessel chartering business.

The immediate and ultimate holding company during the financial year is Hoe Leong Co. (Pte.) Ltd., a company incorporated in the Republic of Singapore.

2 Going concern

The Group incurred a net loss of S\$23,334,000 for the year ended 31 December 2014 and the Group's current liabilities are in excess of its current assets by S\$12,607,000 as at 31 December 2014.

Notwithstanding the above, the financial statements have been prepared on a going concern basis as the Directors of the Company consider that it is appropriate for the Company to prepare its financial statements on a going concern basis because the Company has:

- (i) sufficient cash flows based on the Group's approved cash flow forecast for the next twelve months to meet liabilities as and when they fall due;
- (ii) available unutilised banking facilities amounting to S\$19,100,000 for its working capital requirements for the next twelve months; and
- (iii) received an undertaking from the holding company to continue to provide the Company with financial and other support as is necessary for the next twelve months to enable the Group and Company to continue operations and to meet its liabilities as and when they fall due.

3 Basis of preparation

(a) Statement of compliance

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards (FRS).

(b) Basis of measurement

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

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

3 Basis of preparation (cont'd)

(c) Functional and presentation currency

The financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars have been rounded to the nearest thousand, unless otherwise stated.

(d) Change in accounting policies

Subsidiaries

As a result of FRS 110 *Consolidated Financial Statements*, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. Notwithstanding the above, the change had no impact to the control conclusion made by the Group.

Disclosure of interests in other entities

From 1 January 2014, as a result of FRS 112 *Disclosure of Interests in Other Entities*, the Group has expanded its disclosure about its interest in subsidiaries.

Disclosure of recoverable amount for non-financial assets

FRS 36 *Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets* requires the Group to disclose the recoverable amount for non-financial assets when they are based on fair value less costs of disposals and an impairment is recognised.

The adoption of FRS 36 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

Offsetting of financial assets and financial liabilities

Under the Amendments to FRS 32 *Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities*, to qualify for offsetting, the right to set off a financial asset and a financial liability must not be contingent on a future event and must be enforceable both in the normal course of business and in the event of default, insolvency or bankruptcy of the entity and all counterparties.

The adoption of the amendment to FRS 32 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

(e) Use of estimates and judgements

The preparation of the financial statements in conformity with FRSs requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

3 Basis of preparation (cont'd)

(e) Use of estimates and judgements (cont'd)

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amount recognised in the financial statements are as follows:

- Note 5 – measurement of depreciation of property, plant and equipment. Assets are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these assets to be within 3 to 50 years. Changes in the expected level of usage could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised.
- Note 6 and 7 – impairment of investments in subsidiaries and associates. Investments in subsidiaries and associates are assessed to determine whether they are impaired by assessing the factors that affect the recoverable amount of an investment, and the financial health of and business outlook for the investee. These include factors such as industry and sector performance, changes in technology, and operating and financing cash flows.
- Note 7 – Use of unaudited results for equity accounting. The Group's share of the post acquisition results of its associates and joint ventures is based on their respective unaudited financial statements, with such adjustments as considered appropriate for the Group's equity accounting purposes. Unless materially different, any changes to the share of results will be adjusted in future periods.
- Note 9 – measurement of net realisable value of inventories. Inventories have been written down to estimated net realisable value to be consistent with the view that assets should not be carried in excess of amounts expected to be realised from their sale or use. These estimates take into consideration market demand, the age of the inventory, competition, selling price and events occurring after the end of the financial year to the extent that such events confirm conditions that existed at reporting date.
- Note 10 – measurement of recoverable amounts of loans and receivables. The Group evaluates whether there is any objective evidence that loans and receivables are impaired, and determines the amount of impairment losses as a result of the inability of the customers or counter-parties to make required payments. The Group determines the estimates based on the aging of the loans and receivables, credit-worthiness of customers or counter-parties, future collectability of loans and receivables and historical write-off experience of loans and receivables. If the financial condition of the customers or counter-parties were to deteriorate, actual write-offs could be higher than estimated.
- Note 24 – measurement of income taxes. The Group is subject to income taxes in a number of jurisdictions and significant judgement is involved in determining the group-wide provision for income taxes. The ultimate tax liability takes time to finalise in the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

4 Significant accounting policies

The accounting policies set out below have been applied consistently by the Group to all periods presented in these financial statements, and have been applied consistently by Group entities.

(a) Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interests in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment. When the excess is negative, a bargain purchase is recognised immediately in profit or loss.

The consideration transferred does not include amounts related to the settlement of pre-existing relationships. Such amounts are generally recognised in profit or loss.

Any contingent consideration payable is recognised at fair value at the acquisition date and included in the consideration transferred. If the contingent consideration is classified as equity, it is not re-measured and settlement is accounted for within equity. Otherwise, subsequent changes to the fair value of the contingent consideration are recognised in profit or loss.

When share-based payment awards (replacement awards) are exchanged for awards held by the acquiree's employees (acquiree's awards) and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the acquiree's net assets in the event of liquidation are measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets, at the acquisition date. The measurement basis taken is elected on a transaction-by-transaction basis. All other non-controlling interests are measured at acquisition-date fair value, unless another measurement basis is required by FRSs.

Costs related to the acquisition, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as transactions with owners in their capacity as owners and therefore no adjustments are made to goodwill and no gain or loss is recognised in profit or loss. Adjustments to non-controlling interests arising from transactions that do not involve the loss of control are based on a proportionate amount of the net assets of the subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

4 Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when it is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

The accounting policies of subsidiaries have been changed where necessary to align with the policies adopted by the Group. Losses applicable to the non-controlling interests in a subsidiary are allocated to the non-controlling interests even if doing so causes the non-controlling interests to have a deficit balance.

Loss of control

Upon the loss of control, the Group derecognises the assets and liabilities of the subsidiary, any non-controlling interests and the other components of equity related to the subsidiary. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the previous subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity-accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

Investments in associates (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over their financial and operating policies. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost, which includes transaction costs. Subsequent to initial recognition, the consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies of the equity-accounted investees with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of that interest, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

Acquisition of non-controlling interests

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. Adjustments to non-controlling interests arising from transactions that do not involve a change of control are based on a proportionate amount of the net assets of the subsidiary. Any differences between the adjustment to non-controlling interests and the fair value of consideration paid is recognised directly in equity and presented as part of equity attributable to owners of the Company.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

4 Significant accounting policies (cont'd)

(a) Basis of consolidation (cont'd)

Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with associates and joint ventures are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

Subsidiaries and associates in the separate financial statements

Investments in subsidiaries and associates are stated in the Company's statement of financial position at cost less accumulated impairment losses.

(b) Foreign currency

Foreign currency transactions

Transactions in foreign currencies are translated to the respective functional currencies of Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the end of the reporting period are retranslated to the functional currency at the exchange rate at that date. The foreign currency gain or loss on monetary items is the difference between amortised cost in the functional currency at the beginning of the year, adjusted for effective interest and payments during the year, and the amortised cost in foreign currency translated at the exchange rate at the end of the year.

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss.

Foreign operations

The assets and liabilities of foreign operations are translated to Singapore dollars at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions.

Foreign currency differences are recognised in other comprehensive income, and presented in the currency translation reserve in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests. When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to non-controlling interests. When the Group disposes of only part of its investment in an associate or joint venture that includes a foreign operation while retaining significant influence or joint control, the relevant proportion of the cumulative amount is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

4 Significant accounting policies (cont'd)

(b) Foreign currency (cont'd)

Foreign operations (cont'd)

When the settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, foreign exchange gains and losses arising from such a monetary item are considered to form part of a net investment in a foreign operation and are recognised in other comprehensive income, and are presented in the currency translation reserve in equity.

(c) Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables and deposits on the date that they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred assets. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial assets into loans and receivables.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

Loans and receivables comprise cash and cash equivalents, and trade and other receivables.

Cash and cash equivalents

Cash and cash equivalents comprise cash in hand and bank balances.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

4 Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

Non-derivative financial liabilities

Financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial liability when its contractual obligations are discharged, cancelled or expire.

Financial liabilities for contingent consideration payable in a business combination are initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Group has a legal right to offset the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

The Group classifies non-derivative financial liabilities into the other financial liabilities category. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Other financial liabilities comprise loans and borrowings, and trade and other payables.

Share capital

Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of ordinary shares are recognised as a deduction from equity, net of any tax effects.

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the remitting surplus or deficit on the transaction is presented in non-distributable capital reserve.

Derivative financial instruments

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Derivatives are recognised initially at fair value; any attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

4 Significant accounting policies (cont'd)

(c) Financial instruments (cont'd)

Intra-group financial guarantees

Financial guarantees are financial instruments issued by the Group that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantee is transferred to profit or loss.

(d) Property, plant and equipment

Recognition and measurement

Items of property, plant and equipment are measured at cost less accumulated depreciation and accumulated impairment losses.

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the assets to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

Subsequent costs

The cost of replacing a component of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the component will flow to the Group, and its cost can be measured reliably. The carrying amount of the replaced component is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

4 Significant accounting policies (cont'd)

(d) Property, plant and equipment (cont'd)

Depreciation

Depreciation is based on the cost of an asset less its residual value. Significant components of individual assets are assessed and if a component has a useful life that is different from the remainder of that asset, that component is depreciated separately.

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated.

The estimated useful lives for the current and comparative years are as follows:

Freehold building	–	50 years
Furniture, fittings and office equipment	–	5 to 10 years
Material handling equipment	–	5 to 10 years
Computers	–	3 years
Motor vehicles	–	5 years
Barge and vessel	–	20 to 25 years

Depreciation methods, useful lives and residual values are reviewed at the end of each reporting period and adjusted if appropriate.

(e) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

(f) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is calculated using the weighted average cost method, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

4 Significant accounting policies (cont'd)

(g) Impairment

Non-derivative financial assets

A financial asset not carried at fair value through profit or loss, including an interest in associate and joint venture, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security.

Loans and receivables

The Group considers evidence of impairment for loans and receivables at both a specific asset and collective level. All individually significant loans and receivables are assessed for specific impairment. All individually significant receivables found not to be specifically impaired are then collectively assessed for any impairment that has been incurred but not yet identified. Loans and receivables that are not individually significant are collectively assessed for impairment by grouping together loans and receivables with similar risk characteristics.

In assessing collective impairment, the Group uses historical trends of the probability of default, the timing of recoveries and the amount of loss incurred, adjusted for management's judgement as to whether current economic and credit conditions are such that the actual losses are likely to be greater or less than suggested by historical trends.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount and the present value of the estimated future cash flows, discounted at the asset's original effective interest rate. Losses are recognised in profit or loss and reflected in an allowance account against loans and receivables. Interest on the impaired asset continues to be recognised. When the Group considers that there are no realistic prospects of recovery of the asset, the relevant amounts are written off. If the amount of impairment loss subsequently decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, then the previously recognised impairment loss is reversed through profit or loss.

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds the estimated recoverable amount.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

4 Significant accounting policies (cont'd)

(g) Impairment (cont'd)

Non-financial assets (cont'd)

The recoverable amount of an asset or CGU is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. For the purpose of impairment testing, assets that cannot be tested individually are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of other assets or CGU. Subject to an operating segment ceiling test, for the purposes of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. Goodwill acquired in a business combination is allocated to groups of CGUs that are expected to benefit from the synergies of the combination.

The Group's corporate assets that do not generate separate cash inflows and are utilised by more than one CGU are not significant. Corporate assets are allocated to CGUs on a reasonable and consistent basis and are tested for impairment as part of the testing of the CGU to which the corporate asset is allocated.

Impairment losses are recognised in profit or loss. Impairment losses recognised in respect of CGUs are allocated first to reduce the carrying amount of any goodwill allocated to the CGU (group of CGUs), and then to reduce the carrying amounts of the other assets in the CGU (group of CGUs) on a *pro rata* basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised.

Goodwill that forms part of the carrying amount of an investment in an associate or joint venture is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate or joint venture is tested for impairment as a single asset when there is objective evidence that the investment in the associate or joint venture may be impaired.

(h) Non-current assets held for disposal

Non-current assets, or disposal groups comprising assets and liabilities, that are highly probable to be recovered primarily through sale rather than through continuing use, are classified as held for sale. Immediately before classification as held for sale, the assets, or components of a disposal group, are remeasured in accordance with the Group's accounting policies. Thereafter, the assets, or disposal group, are generally measured at the lower of their carrying amount and fair value less costs to sell. Any impairment loss on a disposal group is first allocated to goodwill, and then to remaining assets and liabilities on *pro rata* basis, except that no loss is allocated to inventories, financial assets, deferred tax assets and employee benefit assets, which continue to be measured in accordance with the Group's accounting policies.

Impairment losses on initial classification as held for sale or distribution and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

4 Significant accounting policies (cont'd)

(h) Non-current assets held for disposal (cont'd)

Property, plant and equipment once classified as held for sale or distribution are not amortised or depreciated. In addition, equity accounting of associates and joint ventures ceases once classified as held for sale or distribution.

(i) Employee benefits

Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligation to pay further amounts.

Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

Short-term employee benefits

Short-term employee benefit obligations are measured on an undiscounted basis and are expensed as the related service is provided. A liability is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee, and the obligation can be estimated reliably.

Share-based compensation transactions

The grant date fair value of equity-settled share-based compensation awards granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees unconditionally become entitled to the awards. The amount recognised as an expense is adjusted to reflect the number of awards for which the related service and non-market vesting conditions are expected to be met, such that the amount ultimately recognised as an expense is based on the number of awards that meet the related service and non-market performance conditions at the vesting date. For share-based compensation awards with non-vesting conditions, the grant date fair value of the share-based payment is measured to reflect such conditions and there is no true-up for differences between expected and actual outcomes.

(j) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

4 Significant accounting policies (cont'd)

(k) Revenue

Sale of goods

Revenue from the sale of goods in the course of ordinary activities is measured at the fair value of the consideration received or receivable, net of returns, trade discounts and volume rebates. Revenue is recognised when significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably.

If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of goods, transfer usually occurs when the product is received at the customer's warehouse; however, for some international shipments, transfer occurs upon loading the goods onto the relevant carrier at the port.

Revenue from vessel chartering

Revenue from vessel chartering under an operating lease is recognised in profit or loss on a straight line basis over the term of the lease.

Rental income receivable under operating lease

Rental income receivable under operating lease is recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease. Contingent rentals are recognised as income in the accounting period in which they are earned.

(l) Dividend income

Dividend income is recognised in profit or loss on the date that the Group's right to receive payment is established.

(m) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance cost and the reduction of the outstanding liability. The finance cost is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

4 Significant accounting policies (cont'd)

(n) Finance income and costs

Finance income, which comprises interest income on loans, is recognised as it accrues in profit or loss, using the effective interest method.

Finance costs, which comprise interest expense on borrowings, are recognised in profit or loss.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

(o) Income tax

Income tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in other comprehensive income.

Current tax is the expected tax payable or receivable on the taxable income or loss for the year, using tax rates enacted or substantively enacted at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss; and
- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

Deferred tax assets and liabilities are offset if there is a legally enforceable right to offset current tax liabilities and assets, and they relate to income taxes levied by the same tax authority on the same taxable entity, or on different tax entities, but they intend to settle current tax liabilities and assets on a net basis or their tax assets and liabilities will be realised simultaneously.

A deferred tax asset is recognised for unused tax losses, tax credits and deductible temporary differences, to the extent that it is probable that future taxable profits will be available against which they can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

In determining the amount of current and deferred tax, the Group takes into account the impact of uncertain tax provisions and whether additional taxes and interest may be due. The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of judgments about future events. New information may become available that causes the Group to change its judgment regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

4 Significant accounting policies (cont'd)

(p) Earnings per share

The Group presents basic and diluted earnings per share (EPS) data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the period, adjusted for own shares held. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise share options and share awards granted to employees.

(q) Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. All operating segments' operating results are reviewed regularly by the Group's CEO (the chief operating decision maker) to make decisions about resources to be allocated to the segment and to assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Group's CEO include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items comprise mainly corporate assets, head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets.

(r) New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014 and have not been applied in preparing these financial statements. Management has assessed that none of these new standards, amendments to standards and interpretations are expected to have a significant effect on the financial statements of the Group and the Company. The Group does not plan to early adopt these standards.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

5 Property, plant and equipment

Group	Freehold land \$'000	Freehold building \$'000	Furniture, fittings and office equipment \$'000	Material handling equipment \$'000	Computers \$'000	Motor vehicles \$'000	Assets under construction \$'000	Barge and vessels \$'000	Total \$'000
Cost									
At 1 January 2013	2,985	4,195	2,439	8,922	1,149	2,015	1,023	33,575	56,303
Additions	2	–	170	1,004	51	43	990	1,971	4,231
Disposals	–	–	(7)	(298)	(5)	(40)	–	–	(350)
Written off	–	–	(20)	–	(12)	–	–	–	(32)
Reclassification	–	2,013	–	–	–	–	(2,013)	–	–
Translation differences on consolidation	70	92	(43)	296	(42)	(96)	–	1,250	1,527
At 31 December 2013	3,057	6,300	2,539	9,924	1,141	1,922	–	36,796	61,679
Additions	–	–	11	1,003	36	253	–	38,053	39,356
Disposals	–	–	(17)	(808)	(60)	(309)	–	–	(1,194)
Written off	–	–	(93)	(79)	(1)	–	–	–	(173)
Translation differences on consolidation	91	(57)	(7)	212	(32)	13	–	1,297	1,517
At 31 December 2014	3,148	6,243	2,433	10,252	1,144	1,879	–	76,146	101,185
Accumulated depreciation and accumulated impairment losses									
At 1 January 2013	–	470	2,151	2,948	815	1,419	–	5,271	13,074
Depreciation charge for the year	–	101	114	924	140	180	–	1,622	3,081
Disposals	–	–	(6)	(139)	(5)	(40)	–	–	(190)
Written off	–	–	(18)	–	(11)	–	–	–	(29)
Translation differences on consolidation	–	(11)	(33)	111	(41)	(80)	–	212	158
At 31 December 2013	–	560	2,208	3,844	898	1,479	–	7,105	16,094
Depreciation charge for the year	–	129	105	1,072	150	199	–	2,519	4,174
Impairment loss	–	–	–	–	–	–	–	(985)	(985)
Disposals	–	–	(17)	(467)	(60)	(280)	–	–	(824)
Written off	–	–	(90)	(19)	–	–	–	–	(109)
Translation differences on consolidation	–	(13)	(2)	178	(20)	10	–	479	632
At 31 December 2014	–	676	2,204	4,608	968	1,408	–	9,118	18,982
Carrying amounts									
At 1 January 2013	2,985	3,725	288	5,974	334	596	1,023	28,304	43,229
At 31 December 2013	3,057	5,740	331	6,080	243	443	–	29,691	45,585
At 31 December 2014	3,148	5,567	229	5,644	116	471	–	67,028	82,303

Included in additions of barge and vessels is an amount of S\$28,263,000 (2013: nil) relating to two vessels acquired from previously held joint venture entities pursuant to a deed of settlement entered between the Company, the joint venture entities and the joint venture partner. Details of this are set out in note 12.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

5 Property, plant and equipment (cont'd)

Company	Freehold land \$'000	Freehold building \$'000	Furniture, fittings and office equipment \$'000	Material handling equipment \$'000	Computers \$'000	Motor vehicles \$'000	Assets under construction \$'000	Total \$'000
Cost								
At 1 January 2013	1,136	–	1,573	835	538	541	1,023	5,646
Additions	–	–	12	207	16	–	990	1,225
Disposals	–	–	–	–	(5)	–	–	(5)
Reclassification	–	2,013	–	–	–	–	(2,013)	–
At 31 December 2013	1,136	2,013	1,585	1,042	549	541	–	6,866
Additions	–	–	2	37	9	26	–	74
Disposals	–	–	–	(54)	–	–	–	(54)
At 31 December 2014	1,136	2,013	1,587	1,025	558	567	–	6,886
Accumulated depreciation								
At 1 January 2013	–	–	1,441	814	242	256	–	2,753
Depreciation charge for the year	–	17	52	32	115	80	–	296
Disposals	–	–	–	–	(5)	–	–	(5)
At 31 December 2013	–	17	1,493	846	352	336	–	3,044
Depreciation charge for the year	–	40	37	53	117	85	–	332
Disposals	–	–	–	(54)	–	–	–	(54)
At 31 December 2014	–	57	1,530	845	469	421	–	3,322
Carrying amounts								
At 1 January 2013	1,136	–	132	21	296	285	1,023	2,893
At 31 December 2013	1,136	1,996	92	196	197	205	–	3,822
At 31 December 2014	1,136	1,956	57	180	89	146	–	3,564

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

5 Property, plant and equipment (cont'd)

The carrying amount of the property, plant and equipment of the Group and the Company includes amounts totalling \$273,000 (2013: \$204,000) and \$173,000 (2013: \$204,000) respectively in respect of computers and motor vehicles held under finance lease agreements.

The following property, plant and equipment are pledged as security to secure credit facilities:

	Group	
	2014	2013
	\$'000	\$'000
Carrying amount of:		
- computers	51	107
- freehold land and building	4,695	4,741
- material handling equipment	3,636	2,206
- motor vehicles	222	199
- barge and vessel	29,380	20,904
	<u>37,984</u>	<u>28,157</u>

Impairment loss in relation to barge and vessel

The recoverable amounts of the Group's barge and vessels were estimated based on fair value less costs of disposal, using external valuations performed by independent professional valuers, having appropriate recognised professional qualifications and experience in the barge and vessels being valued. An impairment loss of \$985,000 (2013: nil) was recognised in the Group's profit or loss.

6 Investments in subsidiaries

	Company	
	2014	2013
	\$'000	\$'000
Unquoted equity shares, at cost	18,093	18,093
Quasi-equity loans	16,645	24,150
	<u>34,738</u>	<u>42,243</u>
Accumulated impairment losses	(7,819)	(6,869)
Carrying amount	<u>26,919</u>	<u>35,374</u>

Quasi-equity loans to subsidiaries are unsecured and non-interest bearing. Repayment of these loans is neither planned nor likely to occur in the foreseeable future. As such, these loans are, in substance, part of the Company's net investments in subsidiaries, they are classified as non-current and stated at the cost less accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

6 Investments in subsidiaries (cont'd)

The movements in accumulated impairment losses during the year were as follows:

	Company	
	2014 \$'000	2013 \$'000
At 1 January	6,869	5,469
Impairment loss charged to profit or loss	950	1,400
At 31 December	7,819	6,869

The management of the Company has performed a review of the recoverable amounts of its investments in its subsidiaries in accordance with the accounting policy stated in note 4(g). Certain subsidiaries are inactive with no revenue generating activities. The recoverable amounts of investments in inactive subsidiaries were determined based on the carrying amounts of their net assets, which comprise mainly monetary items. The recoverable amounts of investments in active subsidiaries were determined based on the value in use of their assets, which was determined by discounting future cash flows generated from continuing use. Cash flows were projected over a period of 5 years at constant profit margins. A terminal value, which is the present value of all future cash flows to perpetuity, assuming a constant growth rate is applied in the fifth year. The cash flow projection is discounted at pre-tax rate of 2.96%.

Details of significant subsidiaries are as follows:

Name of subsidiaries	Country of incorporation	Effective equity held by the Group	
		2014 %	2013 %
Arkstar Offshore Pte. Ltd. ⁽¹⁾	Singapore	100	100
Arkstar Ship Management Pte. Ltd. ⁽¹⁾	Singapore	100	100
Arkstar Voyager Pte. Ltd. ⁽¹⁾	Singapore	100	100
Arkstar Energy Pte. Ltd. ⁽¹⁾	Singapore	100	100
Arkstar Eagle 3 Pte. Ltd. ⁽¹⁾⁽⁶⁾	Singapore	100	–
Arkstar Unicorn Pte. Ltd. ⁽¹⁾⁽⁶⁾	Singapore	100	–
Ho Leong Tractors Sdn. Bhd. ⁽²⁾	Malaysia	100	100
Trackspares (Aust) Pty. Ltd. ⁽³⁾	Australia	100	100
Korea Crawler Track Ltd. ⁽⁴⁾	Korea	100	100
Ebony Ritz Sdn. Bhd. ⁽⁵⁾	Malaysia	80	80

⁽¹⁾ In compliance with Rule 715(1) of the SGX-ST Listing Manual, all Singapore-incorporated subsidiaries are audited by the Company's auditors, KPMG LLP.

⁽²⁾ Audited by KPMG Malaysia.

⁽³⁾ Audited by Moore Stephens (Queensland) Audit Pty. Ltd.

⁽⁴⁾ Audited by Lian Accounting Corporation.

⁽⁵⁾ Audited by Moore Stephens Associates PLT.

⁽⁶⁾ Newly incorporated entities during 2014.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

7 Investments in associates

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Unquoted equity shares, at cost	18,721	18,721	721	721
Share of post-acquisition results	(16,811)	(4,429)	–	–
Share of foreign currency translation differences	(1,910)	(1,743)	–	–
Impairment losses	–	–	(721)	–
	–	12,549	–	721

The Group's share of losses in its associates for the year was \$12,382,000 (2013: \$10,726,000).

The Group's share of post-acquisition results of its associates is based on their respective unaudited financial statements, with such adjustments as considered appropriate for the Group's equity accounting purposes. Unless materially different, any changes to the share of results will be adjusted in future periods.

The management of the Company has performed a review of the recoverable amounts of its investments in its associates in accordance with the accounting policy stated in note 4(g). Where impairment indicators exist, the recoverable amount of the relevant investments in associates has been determined based on the estimated fair value of the respective net assets at the reporting date (i.e. fair value less cost to sell). During the year, an impairment loss of \$721,000 (2013: Nil) had been recorded as the recoverable amounts were determined to be lower than the Company's carrying amounts of investment in the respective associates.

Details of significant associates are as follows:

Name of associates	Principal activities	Country of incorporation	Effective equity held by the Group	
			2014 %	2013 %
Held by subsidiary, Ebony Ritz Sdn. Bhd.:				
Semua International Sdn Bhd ⁽¹⁾	Investment holding	Malaysia	41.2	41.2
Semua Shipping Sdn Bhd ^{(1) (2)}	Owning and chartering of vessels	Malaysia	41.2	41.2
Semado Maritime Sdn Bhd ^{(1) (2)}	Owning and chartering of vessels	Malaysia	41.2	41.2
Semua Chemical Shipping Sdn Bhd ^{(1) (2)}	Owning and chartering of vessels	Malaysia	41.2	41.2
Mini Tanker Chartering Sdn Bhd ^{(1) (2)}	Owning and leasing of an industrial building	Malaysia	41.2	41.2
Semua Ship Agency Pte. Ltd. ⁽²⁾	Dormant	Singapore	41.2	41.2

⁽¹⁾ Audited by Moore Stephens Associates PLT.

⁽²⁾ Wholly-owned subsidiary of Semua International Sdn Bhd.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

7 Investments in associates (cont'd)

The following summarises the financial information of the Group's material associate based on its consolidated financial statements prepared in accordance with FRS.

	Semua International Sdn. Bhd. and its subsidiaries \$'000
2014	
Revenue	46,682
Loss for the year	(29,957)
Other comprehensive income	(6)
Total comprehensive income	(29,963)
Attributable to the Group	(12,345)
Attributable to the other investee's shareholders	(17,618)
Non-current assets	141,104
Current assets	10,470
Non-current liabilities	(48,689)
Current liabilities	(99,750)
Net assets	3,135
Attributable to the Group	1,292
Attributable to the other investee's shareholders	1,843
Group's interest in net assets of investee at beginning of the year	12,549
Group's share of:	
Loss for the year	(12,382)
Other comprehensive income	(167)
Total comprehensive income	(12,549)
Carrying amount of interest in investee at end of the year	—

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

7 Investments in associates (cont'd)

	Semua International Sdn. Bhd. and its subsidiaries \$'000
2013	
Revenue	59,260
Loss for the year	(22,132)
Other comprehensive income	255
Total comprehensive income	(21,877)
Attributable to the Group	(9,013)
Attributable to the other investee's shareholders	(12,864)
Non-current assets	206,848
Current assets	13,372
Non-current liabilities	(86,473)
Current liabilities	(99,887)
Net assets	33,860
Attributable to the Group	13,951
Attributable to the other investee's shareholders	19,909
Group's interest in net assets of investee at beginning of the year	18,721
Group's share of:	
Loss for the year	(4,429)
Other comprehensive income	(1,743)
Total comprehensive income	(6,172)
Carrying amount of interest in investee at end of the year	12,549

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

8 Deferred tax assets and liabilities

Movements in deferred tax assets and liabilities of the Group (prior to offsetting of balances) during the year are as follows:

	At 1 January 2013 \$'000	Recognised in profit or loss (note 23) \$'000	Exchange differences \$'000	At 31 December 2013 \$'000	Recognised in profit or loss (note 23) \$'000	Exchange differences \$'000	At 31 December 2014 \$'000
Group							
Deferred tax assets							
Provisions	428	77	(20)	485	(22)	8	471
Others	186	(29)	(18)	139	(12)	(20)	107
	614	48	(38)	624	(34)	(12)	578
Deferred tax liabilities							
Property, plant and equipment	(836)	112	(50)	(774)	92	(29)	(711)

Deferred tax assets and liabilities of the Company (prior to offsetting of balances) are attributable to the following:

	Company	
	2014 \$'000	2013 \$'000
Deferred tax assets		
Provisions	19	18
Deferred tax liabilities		
Property, plant and equipment	(38)	(38)

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

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Deferred tax assets	578	624	–	–
Deferred tax liabilities	(711)	(774)	(19)	(20)

Deferred tax assets have been recognised in respect of provisions to the extent that these balances will reverse in the foreseeable future and to the extent that their realisation through future taxable profits is probable.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

9 Inventories

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Raw materials	3,094	1,775	–	–
Work-in-progress	5,962	5,058	–	–
Finished goods	22,176	24,612	13,441	16,845
Goods-in-transit	881	781	–	245
	<u>32,113</u>	<u>32,226</u>	<u>13,411</u>	<u>17,090</u>

In 2014, the amount of inventories recognised in cost of sales was \$39,585,000 (2013: \$38,109,000).

Work-in-progress consists primarily of raw material costs. Direct labour and overhead costs are insignificant.

The Group recognises allowance on obsolete inventories when inventory items are identified as obsolete. Obsolescence is based on the physical and internal condition of inventory items and is established when these inventory items are no longer marketable. Obsolete inventory items when identified are written off to profit or loss. In addition to an allowance for specifically identified obsolete inventory, allowances are also estimated based on the age of the inventory items. The Group believes such estimates represent a fair charge of the level of inventory obsolescence in a given year. The Group reviews on a regular basis the condition of its inventories.

Finished goods are stated after deducting an allowance for slow-moving inventories of \$19,988,000 (2013: \$21,064,000) and \$17,026,000 (2013: \$17,830,000) for the Group and the Company, respectively.

Amounts of \$50,000 (2013: nil) and \$48,000 (2013: nil) were written off to the Group and the Company profit or loss for the year respectively.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

10 Trade and other receivables

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Trade receivables due from:				
- third parties	21,377	20,055	12,059	13,236
- subsidiaries	–	–	23,558	16,997
	21,377	20,055	35,617	30,233
Less: allowance for impairment losses	(2,396)	(2,392)	(1,487)	(1,531)
Net trade receivables	18,981	17,663	34,130	28,702
Non-trade receivables due from:				
- subsidiaries	–	–	52,598	20,653
- related parties	2	36	–	–
Loans to associates:				
- interest-bearing	27,168	28,901	23,352	25,049
- interest-free	1,090	977	1,090	977
	28,258	29,878	24,442	26,026
Less: allowance for impairment losses	–	–	(11,579)	–
Net loans to associates	28,258	29,878	12,863	26,026
Advances to suppliers	80	114	–	–
Deposits	152	227	70	67
Tax recoverable	176	131	26	26
Sundry receivables	209	2,034	27	1,909
Loans and receivables	47,858	50,083	99,714	77,383
Prepayments	344	461	87	138
	48,202	50,544	99,801	77,521

Non-trade receivables due from subsidiaries and related parties are unsecured, interest-free and repayable on demand.

The interest-bearing loans to associates are unsecured, bear interest at 8% (2013: 8%) per annum and are repayable on demand.

The maximum exposure to credit risk for loans and receivables at the reporting date (by geographical distribution) is given below:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Singapore	1,415	3,799	53,558	25,726
Other ASEAN countries	37,031	37,304	30,127	39,985
Other Asian countries	7,722	2,817	11,157	9,554
Others	3,690	6,163	4,870	2,118
	47,858	50,083	99,714	77,383

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

10 Trade and other receivables (cont'd)

Impairment losses

The ageing of loans and receivables at the reporting date is:

	Gross 2014 \$'000	Impairment losses 2014 \$'000	Gross 2013 \$'000	Impairment losses 2013 \$'000
Group				
Not past due	34,196	–	40,374	–
Past due 0 - 30 days	3,446	–	2,450	–
Past due 31 - 120 days	7,312	–	4,653	–
Past due more than 120 days	5,300	(2,396)	4,998	(2,392)
	50,254	(2,396)	52,475	(2,392)
Company				
Not past due	82,457	–	65,584	–
Past due 0 - 30 days	2,276	–	1,483	–
Past due 31 - 120 days	8,419	–	6,345	–
Past due more than 120 days	19,628	(13,066)	5,502	(1,531)
	112,780	(13,066)	78,914	(1,531)

The movements in allowance for impairment losses in respect of loans and receivables during the year were as follows:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
At 1 January	2,392	2,753	1,531	1,767
Impairment loss recognised/(reversed)	13	(284)	11,535	(236)
Translation differences on consolidation	(9)	(77)	–	–
At 31 December	2,396	2,392	13,066	1,531

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of loans and receivables. The Group determines the estimates based on the aging of the loans and receivables, credit-worthiness of customers or counter-parties, future collectability of loans and receivables and historical write-off experience of loans and receivables. If the financial condition of the customers or counter-parties were to deteriorate, actual write-offs could be higher than estimated. The main components of this allowance are a specific loss component that relates to individually significant exposures.

The allowance account in respect to loans and receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance is written off against the carrying amount of the impaired financial asset.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

11 Cash and cash equivalents

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Cash in hand and at banks	6,043	10,983	1,631	6,445

Cash at banks of approximately \$3,626,000 (2013: \$3,144,000) are held in countries with foreign exchange controls.

The weighted average effective interest rates per annum for cash at banks at the reporting date for the Group and the Company are 0.42% (2013: 0.40%) and 0.06% (2013: 0.05%), respectively. Interest rates for bank deposits reprice at intervals of one, three or six months.

12 Non-current assets held for disposal

During the year, the Group acquired the two vessels amounting to S\$28,263,000 previously held under its joint venture entities, Aries Offshore Singapore Pte Ltd and its subsidiaries ("Aries Offshore") pursuant to a deed of settlement dated 12 February 2014 entered between the Company, Aries Offshore and the joint venture partner for the termination of the joint venture, Aries Offshore. Under the deed of settlement, the Group disposed its investment in, quasi-equity loans and advances to, Aries Offshore as part of the consideration for the two vessels. The addition of the two vessels is included in the Group's property, plant and equipment under note 5. In addition, the Group recorded amounts of \$1,985,000 (equivalent to US\$1,500,000) and \$5,324,000 (equivalent to US\$4,023,000) as payables (note 19) to the joint venture partner and Aries Offshore respectively, as consideration for the acquisition of the two vessels and for the outstanding bank loan relating to one of the vessels assumed by the Group under the terms of the deed of settlement.

13 Share capital

	Group and Company			
	2014		2013	
	No. of		No. of	
	shares	2014	shares	2013
	('000)	\$'000	('000)	\$'000
Issued and fully paid ordinary shares, with no par value				
At 1 January	289,384	53,897	289,384	53,897
Issue of ordinary shares	216,407	9,973	–	–
At 31 December	505,791	63,870	289,384	53,897

During the year, the Company issued 216,407,453 new ordinary shares of 4.6 cents per share by way of right issue for cash to provide additional working capital.

The holders of ordinary shares (excluding treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at general meetings of the Company. All shares (excluding treasury shares) rank equally with regard to the Company's residual assets.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

13 Share capital (cont'd)

Capital management

The Board's policy is to maintain an adequate capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. The Board monitors the return on capital, which the Group defines as profit for the year divided by total shareholders' equity. The Board also monitors the level of dividends to ordinary shareholders. The Group funds its operations and growth through a mix of equity and debts. This includes the maintenance of adequate lines of credit and assessing the need to raise additional equity, when required.

There were no changes in the Group's approach to capital management during the year.

The Company and its subsidiaries are not subject to externally imposed capital requirements.

14 Currency translation reserve

The currency translation reserve of the Group comprises foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currency is in a foreign currency, as well as from the translation of receivables denominated in foreign currencies, which form part of the Company's net investment in the foreign operations.

15 Share-based compensation reserve

This relates to the fair value of the share options and awards granted under the Company's Share Option Scheme 2009 ("ESOS 2009") and Performance Share Plan 2009 ("PSP 2009"), which were approved and adopted by its shareholders at an extraordinary general meeting held on 27 April 2009.

There were no options granted, exercised or cancelled during the financial year. Outstanding options at the end of the financial year under the ESOS 2009, on the unissued ordinary shares of the Company, are as follows:

Date of grant of options	Exercise price per share \$	Options outstanding at 1 January 2014 and 31 December 2014	Number of option holders at 31 December 2014	Exercise period
13 April 2010	0.42	150,000	3	13 April 2011 to 12 April 2015
13 April 2010	0.34*	250,000	4	13 April 2012 to 12 April 2020
27 April 2010	0.39	350,000	4	27 April 2011 to 26 April 2020
27 April 2010	0.31*	130,000	2	27 April 2012 to 26 April 2020
5 May 2011	0.23*	50,000	1	5 May 2013 to 4 May 2021
31 May 2012	0.15*	231,000	5	31 May 2014 to 30 May 2022
		<u>1,161,000</u>		

* These options were granted to the employees of the Group at a 20% discount to the average closing market price of the Company's shares for the last five trading days immediately preceding the date of grant.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

15 Share-based compensation reserve (cont'd)

Details of the share awards granted, vested or cancelled during the financial year under the PSP 2009 are as follows:

Date of grant of share awards	Share awards outstanding at 1 January 2014	Share awards cancelled/lapsed	Share awards outstanding at 31 December 2014
6 May 2011	632,200	(316,100)	316,100
31 May 2012	90,000	-	90,000
	<u>722,200</u>	<u>(316,100)</u>	<u>406,100</u>

Terms and conditions of the ESOS 2009 and PSP 2009

The terms and conditions relating to the grants under the ESOS 2009 are given below:

Grant date / Personnel entitled	Exercise price \$	No of options		Vesting conditions	Contractual life of options
		2014 (‘000)	2013 (‘000)		
Options granted to non-executive directors on 13 April 2010	0.42	150	150	50% of the options will vest after one year from the grant date and the remaining 50% of the options will vest after two years from the grant date.	5 years from the grant date
Options granted to employees on 13 April 2010	0.34	250	250	50% of the options will vest after two years from the grant date and the remaining 50% of the options will vest after three years from the grant date.	10 years from the grant date
Options granted to executive directors on 27 April 2010	0.39	300	300	50% of the options will vest after one year from the grant date and the remaining 50% of the options will vest after two years from the grant date.	10 years from the grant date
Options granted to employees who are associates of the controlling shareholders of the Company on 27 April 2010	0.39	50	50	50% of the options will vest after one year from the grant date and the remaining 50% of the options will vest after two years from the grant date.	10 years from the grant date
Options granted to employees who are associates of the controlling shareholders of the Company on:				50% of the options will vest after two years from the grant date and the remaining 50% of the options will vest after three years from the grant date.	10 years from the grant date
- 27 April 2010	0.31	130	130		
- 5 May 2011	0.23	50	50		
- 31 May 2012	0.15	231	231		
Total number of options		<u>1,161</u>	<u>1,161</u>		

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

15 Share-based compensation reserve (cont'd)

The terms and conditions relating to the grants under the PSP 2009 are given below:

Grant date / Personnel entitled	No of share awards		Vesting conditions
	2014 (‘000)	2013 (‘000)	
Share awards granted to executive directors on 6 May 2011	257	515	50% of the share awards will vest after two years from the grant date and the remaining 50% of the share awards will vest after three years from the grant date.
Share awards granted to employees who are associates of the controlling shareholders of the Company:			50% of the share awards will vest after two years from the grant date and the remaining 50% of the share awards will vest after three years from the grant date.
- 6 May 2011	59	117	
- 31 May 2012	90	90	
Total number of share awards	406	722	

Disclosures of the ESOS 2009

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2014 \$	Number of options 2014 (‘000)	Weighted average exercise price 2013 \$	Number of options 2013 (‘000)
Outstanding at 1 January and 31 December	0.32	1,161	0.32	1,161

The options outstanding at 31 December 2014 have an exercise price in the range of \$0.15 to \$0.42 (2013: \$0.15 to \$0.42) and a weighted average contractual life of 7.4 years (2013: 8.4 years).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

15 Share-based compensation reserve (cont'd)

Inputs for measurement for fair values at grant date

The fair value at grant date of the share options and awards granted was measured based on the Black-Scholes formula. The expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair value at grant date of the share options and awards are as follows:

Fair value of share options/awards and assumptions	<-----ESOS 2009----->					> <----PSP 2009---->		
	Employees who are associates of the controlling shareholders of the Company			Executive directors who are controlling shareholders of the Company	Non-executive directors	Employees	Employees who are controlling share holders of the Company and their associates	
	2012	2011	2010	2010	2010	2010	2012	2011
Number of share options/awards granted	231,000	50,000	180,000	300,000	150,000	250,000	90,000	316,100
Fair value at grant date	\$0.11	\$0.20	\$0.19	\$0.17	\$0.14	\$0.19	\$0.16	\$0.252
Share price at grant date	\$0.18	\$0.28	\$0.39	\$0.39	\$0.42	\$0.42	\$0.18	\$0.252
Exercise price	\$0.15	\$0.23	\$0.31	\$0.39	\$0.42	\$0.34	—	—
Expected volatility (weighted average)	87.35%	101.1%	42.07%	42.07%	42.07%	42.07%	87.35%	101.1%
Option life (expected weighted average)	10 years	10 years	10 years	10 years	5 years	10 years	—	—
Expected dividends	2.86%	1.89%	1.34%	1.34%	1.34%	1.34%	2.86%	1.89%
Risk-free interest rate	0.23%	0.47%	1.19%	1.19%	1.19%	1.19%	0.23%	0.47%

Employee expenses

The expense recognised as employee costs for the share options and awards granted in 2014 was \$20,000 (2013: \$63,000).

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

16 Financial liabilities

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Non-current liabilities				
Secured bank loan C	2,147	2,741	–	–
Unsecured bank loans	7,297	18,246	–	18,246
Finance lease liabilities	235	200	100	200
	9,679	21,187	100	18,446
Current liabilities				
Secured bank loan B	9,263	1,915	–	–
Secured bank loan C	2,413	3,027	–	–
Unsecured bank loans	46,697	30,046	46,697	30,046
Unsecured trust receipts	12,019	12,971	12,019	12,971
Finance lease liabilities	128	100	100	100
Financial derivatives	308	77	308	77
	70,828	48,136	59,124	43,194
Total financial liabilities	80,507	69,323	59,224	61,640

- (i) The secured bank loan B is granted to a subsidiary and is secured by a first legal mortgage over the vessel of the subsidiary and corporate guarantees provided by the Company.
- (ii) The secured bank loan C is granted to a subsidiary and is secured by a first legal mortgage over the freehold land and building, and certain plant and equipment of the subsidiary.

Finance lease liabilities

At 31 December 2014, the Group and the Company had obligations under finance leases that are repayable as follows:

	< ----- 2014 ----- >			< ----- 2013 ----- >		
	Payments	Interest	Principal	Payments	Interest	Principal
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group						
Payable:						
Within 1 year	152	24	128	113	13	100
After 1 year but within 5 years	277	42	235	232	32	200
	429	66	363	345	45	300
	< ----- 2014 ----- >			< ----- 2013 ----- >		
	Payments	Interest	Principal	Payments	Interest	Principal
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Company						
Payable:						
Within 1 year	113	13	100	113	13	100
After 1 year but within 5 years	113	13	100	232	32	200
	226	26	200	345	45	300

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

16 Financial liabilities (cont'd)

Terms and debt repayment schedule

Terms and conditions of outstanding loans and borrowings are as follows:

		< ----- 2014 ----- >	< ----- 2013 ----- >		
	Year of maturity	Face value \$'000	Carrying amount \$'000	Face value \$'000	Carrying amount \$'000
Group					
S\$ floating rate loans:					
- unsecured loans	2014 – 2015	26,650	26,650	26,601	26,601
US\$ floating rate loans:					
- secured loan B	2014 – 2015	9,263	9,263	1,915	1,915
- unsecured loan	2014 – 2017	27,344	27,344	21,691	21,691
KRW floating rate loan:					
- secured loan C	2014 – 2019	4,560	4,560	5,768	5,768
Finance lease liabilities	2014 – 2018	363	363	300	300
Unsecured trust receipts	2014 – 2015	12,019	12,019	12,971	12,971
Financial derivatives	2014 – 2015	308	308	77	77
		80,507	80,507	69,323	69,323
Company					
S\$ floating rate loans:					
- unsecured loans	2014 – 2015	26,650	26,650	26,601	26,601
US\$ floating rate loans:					
- unsecured loans	2014 – 2017	20,047	20,047	21,691	21,691
Finance lease liabilities	2014 – 2018	200	200	300	300
Unsecured trust receipts	2014 – 2015	12,019	12,019	12,971	12,971
Financial derivatives	2014 - 2015	308	308	77	77
		59,224	59,224	61,640	61,640

The S\$ floating rate loans bear interest ranging from 1.6% to 2.7% (2013: 1.6% to 2.4%) per annum and are repriced on a monthly basis.

The US\$ floating rate loans bear interest ranging from 1.5% to 2.3% (2013: 0.8% to 2.3%) per annum and are repriced on a monthly basis.

The KRW floating rate loan bears interest ranging from 3.02% to 5.09% (2013: 2.3% to 4.5%) per annum and is repriced on a quarterly basis.

The weighted average effective interest rate of unsecured loans and trust receipts at the end of financial year is 1.0% (2013: 1.0%) and 2.0% (2013: 2.0%) per annum respectively.

Certain of the Group's banking facilities are subject to the fulfilment of covenants relating to certain balance sheet ratios, and minimum level of net worth by the Group and its subsidiaries, as are commonly found in lending arrangements with financial institutions. If the Group and its subsidiaries were to breach the covenants, the drawn down facilities would become repayable on demand. The Group regularly monitors its compliance with these covenants. Further details of the Group's management of liquidity risk are set out below. As at the reporting date, certain of the covenants relating to drawn down facilities had been breached.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

16 Financial liabilities (cont'd)

Breach of loan covenants

The Company has bank loans with total carrying amount of \$59,224,000 at 31 December 2014. These bank loans prescribed loan covenants, which included the following:

- The Group's consolidated tangible net worth (as defined by the banks in the loan agreements) must exceed \$60,000,000; and
- The Group's gearing ratio (as defined by the banks in the loan agreements) has to meet the stipulated ratio of 2.0.

As at 31 December 2014, the Company was in breach of the above loan covenants.

As these breaches of loan covenants were not rectified before year end, bank loans amounting to approximately \$13,600,000 have been presented as current liabilities as at 31 December 2014. The Company obtained waivers from the bankers on the above loan covenants subsequent to the financial year end.

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

	Carrying amount	Cash flows		
		Contractual cash flows	Within 1 year	Within 1 to 5 years
	\$'000	\$'000	\$'000	\$'000
Group				
2014				
Non-derivative financial liabilities				
Variable interest rate loans	67,817	(68,875)	(59,998)	(8,877)
Finance lease liabilities	363	(429)	(152)	(277)
Trust receipts	12,019	(12,019)	(12,019)	–
Trade and other payables	22,941	(22,941)	(22,941)	–
	103,140	(104,264)	(95,110)	(9,154)
Derivative financial liabilities				
Forward exchange contracts	308	(308)	(308)	–
2013				
Variable interest rate loans	55,975	(58,022)	(36,617)	(21,405)
Finance lease liabilities	300	(345)	(115)	(230)
Trust receipts	12,971	(12,971)	(12,971)	–
Trade and other payables	20,749	(20,749)	(20,749)	–
	89,995	(92,087)	(70,452)	(21,635)
Derivative financial liabilities				
Forward exchange contracts	77	(77)	(77)	–

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YEAR ENDED 31 DECEMBER 2014

16 Financial liabilities (cont'd)

	Carrying amount	Cash flows		
		Contractual	Within	Within
	\$'000	cash flows	1 year	1 to 5 years
		\$'000	\$'000	\$'000
Company				
2014				
Non-derivative financial liabilities				
Variable interest rate loans	46,697	(46,743)	(46,743)	–
Finance lease liabilities	200	(226)	(113)	(113)
Trust receipts	12,019	(12,019)	(12,019)	–
Trade and other payables	12,160	(12,160)	(12,160)	–
	71,076	(71,148)	(71,035)	(113)
Derivative financial liabilities				
Forward exchange contracts	308	(308)	(308)	–
2013				
Non-derivative financial liabilities				
Variable interest rate loans	48,292	(50,045)	(31,531)	–
Finance lease liabilities	300	(345)	(115)	–
Trust receipts	12,971	(12,971)	(12,971)	–
Trade and other payables	16,063	(16,063)	(16,063)	–
	77,626	(79,424)	(60,680)	–
Derivative financial liabilities				
Forward exchange contracts	77	(77)	(77)	–

It is not expected that the cash flows included in the maturity analysis could occur significantly earlier, or at significantly different amounts.

17 Loan from non-controlling shareholder of a subsidiary

Loan from non-controlling shareholder of a subsidiary is unsecured and interest-free. Repayment of this loan is neither planned nor likely to occur in the foreseeable future. As the amount, in substance, represent as a part of the non-controlling shareholder's interest in the net investment in subsidiary, it is stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

18 Deferred income

	Group and Company	
	2014	2013
	\$'000	\$'000
Non-current	2,340	7,537
Current	5,196	5,196
	<u>7,536</u>	<u>12,733</u>

Deferred income resulted from the sale and leaseback of the Company's leasehold property and the Building Extension, which were completed in 13 June 2011 and January 2013 respectively.

The excess of sales consideration of leasehold property and Building Extension over its fair value were deferred and amortised on a straight-line basis over the remaining non-cancellable lease term commencing from the completion date.

In 2014, deferred income of \$5,197,000 (2013: \$5,139,000) (note 22) has been amortised and recognised as other expenses in the statement of profit or loss.

19 Trade and other payables

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Trade payables due to:				
- third parties	6,588	5,247	455	537
- subsidiaries	–	–	2,213	1,977
Bills payable (unsecured)	40	295	40	295
Non-trade payables due to:				
- immediate holding company	4,511	9,447	4,511	9,447
- subsidiaries	–	–	3,599	1,446
- non-controlling shareholders of subsidiaries	763	777	–	–
- previously held joint venture entity and its joint venture partner (note 12)	7,309	–	–	–
Accrued expenses	3,384	4,526	996	1,904
Deposits received	346	457	346	457
	<u>22,941</u>	<u>20,749</u>	<u>12,160</u>	<u>16,063</u>

Outstanding balances with related parties are unsecured, interest-free and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

20 Revenue

Revenue represents sales of goods less discounts and returns, and income from chartering of vessels.

	Group	
	2014	2013
	\$'000	\$'000
Sales of goods	58,203	65,283
Vessels chartering	8,223	5,679
	<u>66,426</u>	<u>70,962</u>

21 Finance income and costs

	Group	
	2014	2013
	\$'000	\$'000
Finance income:		
- bank deposits	26	45
	<u>26</u>	<u>45</u>
Finance costs:		
- interest-bearing borrowings	(1,296)	(1,483)
- finance lease liabilities	(16)	(13)
- others	(285)	(89)
	<u>(1,597)</u>	<u>(1,585)</u>
Net finance costs recognised in profit or loss	<u>(1,571)</u>	<u>(1,540)</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

22 Loss before income tax

The following items have been included in arriving at loss before income tax:

	Note	2014 \$'000	Group 2013 \$'000
Audit fees paid and payable to:			
- auditors of the Company		228	222
- other auditors		113	112
(Write-back)/allowance made for slow-moving inventories		(1,076)	927
Inventories written off/(written-back)		50	(82)
Allowance made/(written-back) for doubtful receivables		13	(284)
Equity-settled share-based compensation		20	62
Gain on disposal of property, plant and equipment		(41)	(131)
Foreign exchange (gain)/loss		(716)	2,437
Loss arising on derivative financial instruments		289	103
Property, plant and equipment written off	5	64	3
Impairment loss on property, plant and equipment	5	985	–
Impairment loss on investment in joint ventures		–	500
Operating lease expenses		5,718	5,805
Staff costs		8,086	7,811
Contributions to defined contribution plans, included in staff costs		660	580
Amortisation of deferred income	19	(5,197)	(5,139)
Rental income		(2,547)	(2,200)

23 Income tax expense/(credit)

	2014 \$'000	Group 2013 \$'000
Current tax expense		
Current year	333	96
Deferred tax expense		
Origination and reversal of temporary differences	(58)	(160)
Total income tax expense/(credit)	275	(64)

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

23 Income tax expense/(credit) (cont'd)

	Group	
	2014	2013
	\$'000	\$'000
Reconciliation of effective tax rate		
Loss before income tax	(23,059)	(15,852)
Tax using the Singapore tax rate of 17% (2013: 17%)	(3,920)	(2,695)
Effect of tax rates in foreign jurisdictions	(16)	(916)
Effect of results of associates, net of tax	2,502	2,579
Non-deductible expenses	955	626
Tax exempt income	(677)	(737)
Tax incentives	(2)	(23)
Benefits of deferred tax assets not recognised	1,532	849
Change in unrecognised temporary differences	–	165
Others	(99)	88
	275	(64)

Deferred tax assets have not been recognised in respect of the following items:

	Group	
	2014	2013
	\$'000	\$'000
Deductible temporary differences	2,475	2,616
Capital allowances	63	1,962
Tax losses	19,573	8,522
	22,111	13,100

The tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. The tax losses, capital allowances and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

24 Earnings per share

	Group	
	2014	2013
Basic earnings per share (cents)	(7.47)	(4.65)
Diluted earnings per share (cents)	(7.47)	(4.65)

The basic earnings per share is calculated based on:

	Group	
	2014 \$'000	2013 \$'000
Loss attributable to owners of the Company	(22,807)	(13,441)
	No. of Shares ('000)	No. of shares ('000)
Issued ordinary shares at 1 January	289,384	289,384
Ordinary shares issued during the year	16,421	–
Effect of own shares held	(360)	(278)
Weighted average number of ordinary shares used in the calculation of basic earnings per share for the financial year	305,445	289,106

The diluted earnings per share is calculated based on:

	Group	
	2014 \$'000	2013 \$'000
Loss attributable to owners of the Company	(22,807)	(13,441)
	No. of Shares ('000)	No. of shares ('000)
Weighted average number of ordinary shares used in the calculation of basic earnings per share for the financial year	305,445	289,106
Effect of share awards granted	722	722
Weighted average number of ordinary shares used in the calculation of diluted earnings per share for the financial year	306,167	289,828

The share options outstanding as at 31 December 2014 and 2013 were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive. As the potential shares are anti-dilutive, i.e. decreasing the loss per share, the diluted loss per share for the financial year ended 31 December 2014 was computed on the same basis as basic loss per share.

The average market value of the Company's shares for the purposes of calculating the dilutive effect of share options is based on the quoted market prices for the period during which the options were outstanding.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

25 Operating segments

The Group has three operating and reportable segments, as described below, which are the Group's strategic business units. The strategic business units offer different products and services, and are managed separately because they require different marketing strategies. For each of the strategic business units, the Group's CEO reviews internal management reports at least on a quarterly basis. The following summary describes the operations in each of the Group's reportable segments:

Design and manufacture

Design, manufacture and sale of equipment parts for both heavy equipment and industrial machinery under in-house brand names, "KBJ", "OEM", "ROSSI" and "TMI".

Trading and distribution

Trading and distribution of an extensive range of equipment parts for both heavy equipment and industrial machinery sourced from third parties.

Vessel chartering

Chartering of vessels to oil and gas industry.

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's CEO.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

25 Operating segments (cont'd)

Business segments

Information about reportable segments

	Design and manufacture		Trading and distribution		Vessel chartering		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
External revenue	38,300	40,973	19,903	24,310	8,223	5,679	66,426	70,962
Finance income	12	(522)	14	(272)	–	839	26	45
Finance costs	(1,027)	(1,007)	(415)	(456)	(155)	(122)	(1,597)	(1,585)
Depreciation	(1,270)	(1,162)	(375)	(294)	(2,529)	(1,625)	(4,174)	(3,081)
Reportable segment profit before income tax	206	(2,498)	(1,556)	(981)	(19,296)	(11,996)	(20,646)	(15,475)
Profit earned from construction of property							–	152
Unallocated income							2,725	2,182
Unallocated expenses							(5,138)	(2,711)
Loss before income tax							(23,059)	(15,852)
Other material non-cash items:								
Inventories obsolescence	642	(406)	312	(439)	–	–	954	(845)
Bad and doubtful debts	13	142	–	143	–	–	13	285
Share of results of associates and joint ventures	–	–	–	–	(12,382)	(10,726)	(12,382)	(10,726)
Capital expenditure:								
Purchase of property, plant and equipment	(894)	(1,170)	(429)	(1,063)	(9,770)	(1,998)	(11,093)	(4,231)
Acquisition of interests in associates and joint ventures	–	–	–	–	–	(721)	–	(721)
Reportable segment assets	37,768	41,867	19,742	18,530	77,478	69,032	134,988	129,429
Unallocated assets							34,195	44,363
Total assets							169,183	173,792
Reportable segment liabilities	12,611	18,893	4,238	10,302	48,035	39,641	64,884	68,836
Unallocated liabilities							32,433	20,140
- interest-bearing borrowings							17,656	17,990
- others							114,973	106,966
Total liabilities								

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

25 Operating segments (cont'd)

Geographical segments

The design and manufacture, trading and distribution, and vessel chartering segments are presented below in four principal regions, namely, Singapore, other ASEAN countries, other Asian countries (excluding Singapore and other ASEAN countries) and other regions of the world.

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	Revenue		Non-current assets (excluding deferred tax assets)	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Singapore	1,408	2,345	69,749	3,047
Other ASEAN countries	24,167	32,283	876	42,888
Other Asian countries	13,861	8,793	9,694	10,059
Others	26,990	27,541	1,984	2,140
	<u>66,426</u>	<u>70,962</u>	<u>82,303</u>	<u>58,134</u>

26 Financial risk management

General

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

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

The financial risk management is described below:

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

26 Financial risk management (cont'd)

Credit risk

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Credit evaluations are performed on all customers requiring credit over a certain amount. The credit limit of each customer is established after taking into account the financial position of, and past experience with, the customer.

The Group establishes an allowance for impairment losses that represents its estimate of incurred losses in respect of trade and other receivables. The allowance account in respect of trade receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible. At that point, the financial asset is considered irrecoverable and the amount charged to the allowance account is written off against the carrying amount of the impaired financial asset.

Cash are placed with banks and financial institutions which are regulated.

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows.

Market risk

Market risk is the risk that changes in market prices, such as interest rates and foreign exchange rates will affect the Group's income or the value of its holdings of financial instruments. The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return.

Interest rate risk

The Group's exposure to risk of change in cash flows due to changes in interest rates relates primarily to the Group's variable-rate borrowings with financial institutions. Short-term receivables and payables are not exposed to interest rate risk.

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial instruments was as follows:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Variable rate instruments				
Financial liabilities	68,125	56,052	47,005	48,369

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

26 Financial risk management (cont'd)

Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instruments

A change of 100 basis points (bp) in interest rates at the reporting date would have increased/(decreased) profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

	Profit or loss	
	100 bp increase \$'000	100 bp decrease \$'000
Group		
31 December 2014		
Variable rate instruments	(681)	681
31 December 2013		
Variable rate instruments	(560)	560
Company		
31 December 2014		
Variable rate instruments	(470)	471
31 December 2013		
Variable rate instruments	(483)	483

Foreign currency risk

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in currencies other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily Euro and US dollar.

In respect of monetary assets and liabilities held in currencies other than Singapore dollar, the Group ensures that the net exposure is kept to an acceptable level by buying or selling foreign currencies at spot rates, where necessary, to address short-term imbalances. The Group uses forward exchange contracts to hedge its foreign currency risk. At 31 December 2014, the Group has outstanding forward exchange contracts with notional amounts of MYR32,118,000 (2013: US\$2,000,000 and MYR44,294,000).

NOTES TO THE FINANCIAL STATEMENTS

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26 Financial risk management (cont'd)

Foreign currency risk (cont'd)

The Group's and Company's exposures to foreign currency risk are as follows:

	31 December 2014		31 December 2013	
	Euro \$'000	US dollar \$'000	Euro \$'000	US dollar \$'000
Group				
Trade and other receivables	–	12,189	–	9,698
Cash and cash equivalents	31	1,751	81	5,419
Assets held for sale	–	–	–	21,291
Trade and other payables	(50)	(9,984)	(45)	(2,023)
Financial liabilities	(214)	(42,123)	(53)	(32,957)
Net statement of financial position exposure	(233)	(38,167)	(17)	1,428
Forward exchange contracts	–	–	–	(2,520)
Net exposure	(233)	(38,167)	(17)	(1,092)

	31 December 2014		31 December 2013	
	Euro \$'000	US dollar \$'000	Euro \$'000	Euro \$'000
Company				
Quasi-equity loans to subsidiaries	–	3,308	–	10,561
Trade and other receivables	–	6,578	–	4,659
Cash and cash equivalents	31	715	81	4,928
Assets held for sale	–	–	–	20,088
Trade and other payables	(50)	(246)	–	(670)
Financial liabilities	(214)	(26,859)	(53)	(31,042)
Net statement of financial position exposure	(233)	(16,504)	(28)	8,524
Forward exchange contracts	–	–	–	(2,520)
Net exposure	(233)	(16,504)	(28)	6,004

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

26 Financial risk management (cont'd)

Foreign currency risk (cont'd)

Sensitivity analysis

A 10% strengthening of the Singapore dollar against the following currencies at the reporting date would have increased/(decreased) equity and profit or loss by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013, as indicated below:

	Group		Company	
	Profit or loss \$'000	Equity \$'000	Profit or loss \$'000	Equity \$'000
31 December 2014				
Euro	23	–	23	–
US dollar	3,817	–	1,650	–
31 December 2013				
Euro	2	–	3	–
US dollar	109	–	(600)	–

A 10% weakening of the Singapore dollar against the above currencies would have an equal but opposite effect on equity and profit or loss by the amounts shown above, on the basis that all other variables, in particular interest rates, remain constant.

Estimation of fair values

The following summarises the significant methods and assumptions used in estimating the fair values of financial instruments of the Group and the Company.

Derivatives

The fair values of forward exchange contracts are based on counterparty quotes.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date. For finance leases, the market rate of interest is determined by reference to similar lease agreements.

Other financial assets and liabilities

The carrying amounts of financial assets and liabilities with a maturity of less than one year (including trade and other receivables, cash and cash equivalents and trade and other payables) are assumed to approximate their fair values because of the short period to maturity.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

26 Financial risk management (cont'd)

Fair value hierarchy

The table below analyses fair value measurements for assets and liabilities, by the levels in the fair value hierarchy based on the inputs to valuation techniques. The different levels are defined as follows:

- Level 1 fair value measurements are those instruments valued based on quoted prices (unadjusted) in active markets for identical assets or liabilities.
- Level 2 fair value measurements are those instruments valued using inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).
- Level 3 fair value measurements are those instruments valued using valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 \$'000	Level 2 \$'000	Level 3 \$'000	Total \$'000
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Group and Company

2014

Financial instrument which is not carried at fair value but for which fair value is disclosed:

Forward exchange contracts	–	(308)	–	(308)
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2013

Financial instrument which is not carried at fair value but for which fair value is disclosed:

Forward exchange contracts	–	(77)	–	(77)
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NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

26 Financial risk management (cont'd)

Accounting classifications and fair values

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

	Note	Loans and receivables \$'000	Other financial liabilities within scope of FRS 39 \$'000	Other financial liabilities outside scope of FRS 39 \$'000	Total carrying amount \$'000	Fair value \$'000
Group						
31 December 2014						
Cash and cash equivalents	11	6,043	–	–	6,043	6,043
Trade and other receivables	10	47,858	–	–	47,858	47,858
		53,901	–	–	53,901	53,901
Financial liabilities	16	–	80,144	363	80,507	80,507
Trade and other payables	19	–	22,941	–	22,941	22,941
		–	103,085	363	103,448	103,448
31 December 2013						
Cash and cash equivalents	11	10,983	–	–	10,983	10,983
Trade and other receivables	10	50,083	–	–	50,083	50,083
		61,066	–	–	61,066	61,066
Financial liabilities	16	–	69,023	300	69,323	69,323
Trade and other payables	19	–	20,749	–	20,749	20,749
		–	89,772	300	90,072	90,072
Company						
31 December 2014						
Cash and cash equivalents	11	1,631	–	–	1,631	1,631
Trade and other receivables	10	99,714	–	–	99,714	99,714
		101,345	–	–	101,345	101,345
Financial liabilities	16	–	59,024	200	59,224	59,224
Trade and other payables	19	–	12,160	–	12,160	12,160
		–	71,184	200	71,384	71,384

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

26 Financial risk management (cont'd)

Accounting classifications and fair values (cont'd)

	Note	Loans and receivables \$'000	Other financial liabilities within scope of FRS 39 \$'000	Other financial liabilities outside scope of FRS 39 \$'000	Total carrying amount \$'000	Fair value \$'000
Company						
31 December 2013						
Cash and cash equivalents	11	6,445	–	–	6,445	6,445
Trade and other receivables	10	77,383	–	–	77,383	77,383
		<u>83,828</u>	<u>–</u>	<u>–</u>	<u>83,828</u>	<u>83,828</u>
Financial liabilities	16	–	61,340	300	61,640	61,640
Trade and other payables	19	–	16,063	–	16,063	16,063
		<u>–</u>	<u>77,403</u>	<u>300</u>	<u>77,703</u>	<u>77,703</u>

27 Commitments

(a) Operating lease commitments

The Group and the Company lease land, office, warehouse and factory facilities under operating leases. The leases typically run for an initial period of one to five years (2013: one to five years), with an option to renew after that date. Lease payments are usually increased annually to reflect market rentals. None of the leases includes contingent rentals.

At 31 December 2014, the Group and the Company had commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group		Company	
	2014 \$'000	2013 \$'000	2014 \$'000	2013 \$'000
Payable:				
Within 1 year	6,233	6,255	6,121	5,988
After 1 year but within 5 years	2,815	8,854	2,814	8,803
	<u>9,048</u>	<u>15,109</u>	<u>8,935</u>	<u>14,791</u>

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

27 Commitments (cont'd)

(b) Operating lease receivable

The Company sublets part of its leased building, and two subsidiaries charter out their respective barge and vessel. The leases typically run for an initial period of two to three years, with an option to renew after that date.

At 31 December 2014, the Group and the Company had non-cancellable operating lease receivable as follows:

	Group		Company	
	2014	2013	2014	2013
	\$'000	\$'000	\$'000	\$'000
Receivable:				
Within 1 year	15,733	9,362	1,827	2,231
After 1 year but within 5 years	26,475	16,895	1,816	2,455
	42,208	26,257	3,643	4,686

28 Contingencies

Intra-group financial guarantees

Intra-group financial guarantees comprise guarantees granted by the Company to banks in respect of bank facilities amounting to \$17,202,000 (2013: \$1,915,000) granted to certain subsidiaries. The bank facilities will be fully repaid in 2014, and are secured by mortgages over the vessels of these subsidiaries. The fair value of the guarantees is insignificant and the financial positions of the subsidiaries are sound. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under these guarantees.

Financial support

The Company has given formal undertakings, which are unsecured, to provide financial support to its subsidiaries. As at 31 December 2014, the current liabilities exceed its current assets and deficits in shareholders' funds of these subsidiaries amounted to approximately \$14,920,000 and \$5,780,000 (2013: \$18,272,000 and \$8,602,000) respectively.

29 Related party transactions

For the purpose of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities. An affiliated corporation refers to a corporation other than a subsidiary or an associate, which is directly or indirectly under common management control or significant influence of certain shareholders of the Company.

NOTES TO THE FINANCIAL STATEMENTS

YEAR ENDED 31 DECEMBER 2014

29 Related party transactions (cont'd)

Other related party transactions

Other than those disclosed elsewhere in the financial statements, transactions with related parties are as follows:

	Group	
	2014 \$'000	2013 \$'000
Affiliated corporations		
Interest expenses	183	85
Security expenses	18	14
Rental and miscellaneous expenses	261	259
Rental income	74	76

Key management personnel compensation

Key management personnel of the Group are persons having the authority and responsibility for planning, directing and controlling the activities of Group entities. The directors, department heads and the chief executive officer are considered as key management personnel of the Group.

	Group	
	2014 \$'000	2013 \$'000
Key management personnel compensation comprised:		
Short-term employee benefits	1,849	2,484
Post-employment benefits (including CPF)	80	83
	1,929	2,567

30 Subsequent events

On 27 January 2015, the Company signed a binding heads of agreement ("HOA") with Reachmont Logistics Sdn Bhd ("RLSB") and Asia Bioenergy Technologies Berhad ("ABT") for the disposal of the Company's investment in Semua International Sdn Bhd and its subsidiaries (collectively "SISB") and its entire loan receivables owing from SISB.

Under the HOA, the Company shall sell its investment in and receivables from SISB amounting to a total of S\$26.7 million for an indicative total consideration of Malaysia Ringgit (MYR) 64 million (approximately S\$24.8 million), which consists of (i) cash consideration of MYR10 million (approximately S\$3.9 million) (ii) ordinary shares in ABT of MYR34 million (approximately S\$13.2 million) and (iii) Convertible Preference Shares issued by ABT amounting to MYR20 million (approximately S\$7.7 million).

The completion is subject to precedent conditions under the HOA which included the approval by the shareholders of the Company, ABT and Ebony.

SHAREHOLDING STATISTICS

As at 18 March 2015

Class of shares	:	Ordinary shares fully paid
Voting rights	:	One vote per share
No. of issued and paid-up shares (excluding treasury shares)	:	505,790,724
No. of treasury shares held	:	360,000

DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 18 MARCH 2015

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	101	6.44	1,016	0.00
100 - 1000	112	7.14	76,271	0.01
1,001 - 10,000	353	22.50	2,475,355	0.49
10,001 - 1,000,000	978	62.33	83,093,346	16.42
1,000,001 AND ABOVE	25	1.59	420,504,736	83.08
TOTAL	1,569	100.00	506,150,724	100.00

TWENTY LARGEST SHAREHOLDERS AS AT 18 MARCH 2015

NO.	SHAREHOLDER'S NAME	NUMBER OF SHARES HELD	%
1	HOE LEONG CO. (PTE) LTD	323,749,267	63.96
2	KUAH GEOK LIN	15,506,617	3.06
3	KUAH GEOK KHIM	15,314,117	3.03
4	QUAH YOKE HWEE	15,314,117	3.03
5	KUAH GEOK KHIM	7,400,592	1.46
6	UOB KAY HIAN PTE LTD	5,570,000	1.10
7	CIMB SECURITIES (SINGAPORE) PTE LTD	5,020,428	0.99
8	MAYBANK NOMINEES (SECURITIES) PTE LTD	4,922,492	0.97
9	OCBC SECURITIES PRIVATE LTD	3,616,388	0.71
10	NUN KWONG HOLDINGS PTE LTD	2,280,000	0.45
11	KUAH YEOK BIN	2,082,500	0.41
12	MAYBANK KIM ENG SECURITIES PTE LTD	1,948,500	0.38
13	CHEW CHENG	1,895,000	0.37
14	TAN GUEE PANG	1,610,000	0.32
15	ONG MUN WAH	1,600,000	0.32
16	PHILLIP SECURITIES PTE LTD	1,561,311	0.31
17	LIEW HIEN CHONG	1,559,250	0.31
18	SENG SONG WEN	1,479,650	0.29
19	UNITED OVERSEAS BANK NOMINEES PTE LTD	1,415,007	0.28
20	KUAH GEOK WAH	1,256,000	0.25
TOTAL		415,101,236	82.00

SHAREHOLDING STATISTICS

As at 18 March 2015

REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 18 MARCH 2015

	Direct Interest No. of Shares	%	Deemed Interest No. of Shares	%
Hoe Leong Co. (Pte.) Ltd.	323,749,267	63.96	—	—
Kuah Geok Lin	15,506,617	3.07	323,749,267	64.01
Kuah Geok Khim	15,314,117	3.03	323,749,267	64.01
Quah Yoke Hwee	15,314,117	3.03	323,749,267	64.01
Mdm Kuah Geok Khim	7,400,592	1.46	323,749,267	64.01

Note:

* Messrs Kuah Geok Lin, Kuah Geok Khim, Quah Yoke Hwee and Mdm Kuah Geok Khim are deemed to be interested in the shares of the Company held by Hoe Leong Co. (Pte.) Ltd. by virtue of Section 7(4) of the Companies Act.

PERCENTAGE OF SHAREHOLDING IN THE HANDS OF THE PUBLIC

As at 18 March 2015, 24.71% of the issued share capital of the Company was held in the hands of the public (based on the information available to the Company). Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Annual General Meeting ("AGM") of Hoe Leong Corporation Ltd. (the "Company") will be held at No. 6 Clementi Loop, 4th Floor, Copenhagen Room, Singapore 129814 on Thursday, 30 April 2015 at 10.00am to transact the following businesses:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2014 and the Directors' Report and the Auditors' Report thereon. **(Resolution 1)**
2. To re-elect the following Directors retiring by rotation pursuant to Article 95(2) of the Company's Articles of Association:
 - (i) Mr Kuah Geok Khim **(Resolution 2)**
 - (ii) Mr Quah Yoke Hwee **(Resolution 3)**
3. To re-elect the following Directors retiring by rotation pursuant to Article 96 of the Company's Articles of Association:
 - (i) Mr Hoon Ching Sing **(Resolution 4)**
 - (ii) Mr Yeoh Seng Huat Geoffrey **(Resolution 5)**

Both Messrs Hoon Ching Sing and Yeoh Seng Huat Geoffrey are considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"). Mr Hoon Ching Sing will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and a member of the Remuneration Committee. Mr Yeoh Seng Huat Geoffrey will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee.
4. To approve payment of Directors' fees of SGD140,000 for the financial year ending 31 December 2015 (31 December 2014: SGD140,000). **(Resolution 6)**
5. To re-appoint Messrs KPMG LLP as Auditors of the Company for the financial year ending 31 December 2015 and to authorise the Directors to fix their remuneration. **(Resolution 7)**
6. To transact any other ordinary business which may be properly transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

7. Authority to issue shares **(Resolution 8)**

NOTICE OF ANNUAL GENERAL MEETING

"That pursuant to Section 161 of the Companies Act, Chapter 50 ("Act"), and the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), authority be and is hereby given to the Directors of the Company to:-

- (a) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;
- (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;
- (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues.

at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit; and

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

provided always that

the aggregate number of shares to be issued pursuant to this resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) does not exceed 50% of the Company's total number of issued shares (excluding treasury shares), of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company, and for the purpose of this resolution, the total number of issued shares (excluding treasury shares) shall be the Company's total number of issued shares (excluding treasury shares) at the time this resolution is passed, after adjusting for:

- (i) new shares arising from the conversion or exercise of convertible securities,
- (ii) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this resolution is passed provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and
- (iii) any subsequent bonus issue, consolidation or subdivision of the Company's shares, and

NOTICE OF ANNUAL GENERAL MEETING

such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next AGM or the date by which the next AGM of the Company is required by law to be held, whichever is the earlier."

(See Explanatory Note 1)

8. Authority to Grant Options and to Issue Shares under the Hoe Leong Share Option Scheme 2009 **(Resolution 9)**

"That authority be and is hereby given to the Directors of the Company to offer and grant options from time to time in accordance with the rules of the Hoe Leong Share Option Scheme 2009 ("ESOS 2009") and pursuant to Section 161 of the Act, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued, provided the aggregate number of shares to be issued pursuant to:

- (a) the ESOS 2009; and
- (b) the Hoe Leong Performance Share Plan 2009

shall not exceed 15% of the total number of issued shares (excluding treasury shares) on the day immediately preceding the date of grant of option from time to time during the existence of the ESOS 2009 and in accordance with the rules of the ESOS 2009."

(See Explanatory Note 2)

9. Authority to Grant Awards and to Issue Shares under the Hoe Leong Performance Share Plan 2009 **(Resolution 10)**

"That authority be and is hereby given to the Directors of the Company to offer and grant awards from time to time in accordance with the rules of the Hoe Leong Performance Share Plan 2009 ("PSP 2009") and pursuant to Section 161 of the Act, to allot and issue from time to time such number of shares in the capital of the Company as may be required to be issued, provided the aggregate number of shares to be issued pursuant to:

- (a) the PSP 2009; and
- (b) the ESOS 2009

shall not exceed 15% of the total number of issued shares (excluding treasury shares) on the day immediately preceding the date of grant of award from time to time during the existence of the PSP 2009 and in accordance with the rules of the PSP 2009."

(See Explanatory Note 3)

NOTICE OF ANNUAL GENERAL MEETING

10. Proposed renewal of the Share Buy-Back Mandate

(Resolution 11)

"That:-

- (a) for the purposes of Sections 76C and 76E of the Act, the exercise by the Directors of all the powers of the Company to purchase or otherwise acquire issued ordinary shares ("Share Buy-Backs") in the capital of the Company ("Shares") not exceeding in aggregate the Prescribed Limit (as hereinafter defined), at such price(s) as may be determined by the directors of the Company ("Directors") from time to time up to the Maximum Price (as hereinafter defined), whether by way of:-

- (i) on-market Share Buy-Backs (each an "On-market Share Buy-Back") transacted on the SGX-ST; and/or
- (ii) off-market Share Buy-Backs (each an "Off-market Share Buy-Back") effected otherwise than on the SGX-ST in accordance with any equal access schemes as may be determined or formulated by the Directors as they consider fit, which schemes shall satisfy all the conditions prescribed by the Act,

and otherwise in accordance with the applicable provisions of the Act and the Listing Manual of the SGX-ST, be and is hereby authorised and approved generally and unconditionally (the "Share Buy-Back Mandate");

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earlier of:-

- (i) the date on which the next AGM of the Company is held or required by law to be held;
- (ii) the date on which the Share Buy-Backs are carried out to the full extent mandated; and
- (iii) the date on which the authority conferred by the Share Buy-Back Mandate is revoked or varied by the Company in general meeting;

- (c) in this Resolution:-

"Prescribed Limit" means 10% of the total number of Shares as at the date of passing of this Resolution unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Act, at any time during the Relevant Period, in which event the issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares that may be held by the Company from time to time);

"Relevant Period" means the period commencing from the date on which the last AGM was held and expiring on the date the next AGM is held or is required by law to be held, whichever is the earlier, after the date of this Resolution;

NOTICE OF ANNUAL GENERAL MEETING

"Maximum Price" in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, commissions, stamp duties, applicable goods and services tax and other related expenses) to be paid for a Share, which shall not exceed:-

- (i) in the case of an On-market Share Buy-Back, 5% above the average of the closing market prices of the Shares over the last 5 market days on the SGX-ST on which transactions in the Shares were recorded, immediately preceding the day of the On-market Share Buy-Back by the Company, and deemed to be adjusted for any corporate action that occurs after such 5-day period; and
- (ii) in the case of an Off-market Share Buy-Back pursuant to an equal access scheme, 20% above the average of the closing market prices of the Shares over the last 5 market days on the SGX-ST on which transactions in the Shares were recorded, immediately preceding the day on which the Company announces its intention to make an offer for the purchase of Shares from its shareholders, stating the purchase price for each Share and the relevant terms of the equal access scheme for effecting the Off-market Share Buy-Back, and deemed to be adjusted for any corporate action that occurs after such 5-day period; and
- (d) the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they may consider necessary or expedient to give effect to the transactions contemplated by this Resolution."

(See Explanatory Note 4)

On Behalf of the Board

KUAH GEOK LIN
Chairman and Chief Executive Officer

Dated: 15 April 2015

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. Resolution 8, if passed, will authorise and empower the Directors of the Company from the date of the above AGM until the next AGM to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued shares (excluding treasury shares) of the Company of which the total number of shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. Rule 806(3) of the Listing Manual of Singapore Exchange Securities Trading Limited currently provides that the total number of issued shares (excluding treasury shares) of the Company for this purpose shall be the total number of issued shares (excluding treasury shares) at the time of this resolution is passed (after adjusting for new shares arising from the conversion of convertible securities or share options on issue at the time this resolution is passed and any subsequent consolidation or subdivision of the Company's shares). This authority will, unless revoked or varied at a general meeting, expire at the next AGM of the Company.
2. Resolution 9, if passed, will authorise and empower the Directors of the Company from the date of this Meeting to the next AGM to offer and grant options under the Hoe Leong Share Option Scheme 2009 ("ESOS 2009") and to allot and issue shares, provided the total number of issued shares (excluding treasury shares) of the Company pursuant to (a) the ESOS 2009; and (b) the Hoe Leong Performance Share Plan 2009 ("PSP 2009"), shall not exceed 15% of the total number of issued shares (excluding treasury shares) of the Company from time to time during the existence of the ESOS 2009.
3. Resolution 10, if passed, will authorise and empower the Directors of the Company from the date of this Meeting to the next AGM to offer and grant awards under the PSP 2009 and to allot and issue shares, provided the total number of issued shares (excluding treasury shares) of the Company pursuant to (a) the PSP 2009; and (b) the ESOS 2009, shall not exceed 15% of the total number of issued shares (excluding treasury shares) of the Company from time to time during the existence of the PSP 2009.
4. Resolution 11 is to renew the Share Buy-Back Mandate which was approved by the shareholders on 25 April 2014. Please refer to the Appendix to this Notice of Annual General Meeting for details.

Notes:

1. A member of the Company entitled to attend and vote at this AGM is entitled to appoint not more than two (2) proxies to attend and vote in his stead.
2. A proxy need not be a member of the Company.
3. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
4. The instrument appointing a proxy must be deposited at the registered office of the Company at No. 6 Clementi Loop, Singapore 129814, not later than 48 hours before the time appointed for the AGM.

Personal data privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting 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 agent) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agent) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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HOE LEONG CORPORATION LTD.

(Company Registration No.: 199408433W)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. For investors who have used their CPF monies to buy ordinary shares in the capital of Hoe Leong Corporation Ltd., this Annual Report 2014 is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
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.

PROXY FORM FOR ANNUAL GENERAL MEETING

(PLEASE SEE NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

I/We _____ (Name)

of _____ (Address)

being a member/members of HOE LEONG CORPORATION LTD. (the "Company"), hereby appoint:-

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Annual General Meeting (the "Meeting") as my/our proxy/proxies to vote for me/us on my/our behalf at the Meeting of the Company to be held at No. 6 Clementi Loop, 4th Floor, Copenhagen Room, Singapore 129814 on Thursday, 30 April 2015 at 10.00am and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the Ordinary Resolutions to be 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.

Resolutions No	Ordinary Resolutions	For	Against
1	Directors' Report and Audited Financial Statements for the financial year ended 31 December 2014		
2	Re-election of Mr Kuah Geok Khim as a Director		
3	Re-election of Mr Quah Yoke Hwee as a Director		
4	Re-election of Mr Hoon Ching Sing as a Director		
5	Re-election of Mr Yeoh Seng Huat Geoffrey as a Director		
6	Approval of Directors' fee of SGD140,000 for the financial year ending 31 December 2015		
7	Re-appointment of Messrs KPMG LLP as Auditors		
8	Authority to issue shares		
9	Authority to grant option to issue shares under the Hoe Leong Share Option Scheme 2009		
10	Authority to grant awards and to issue shares under the Hoe Leong Performance Share Plan 2009		
11	Renewal of the Share Buy-Back Mandate		

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

Signed this _____ day of _____ 2015.

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

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

IMPORTANT:-

Please read the notes overleaf:

Notes:-

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. 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 common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at No. 6 Clementi Loop, Singapore 129814 not later than 48 hours before the time set for the Annual General Meeting.
6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
7. 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 members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

GENERAL

The Company shall be entitled to reject the instrument appointing a proxy 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. In addition, in the case of shares entered in the Depository Register, the Company may reject any instrument appointing a proxy lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Annual General Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy:

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

CORPORATE INFORMATION

Board of Directors

Executive:

James Kuah Geok Lin (Chairman and CEO)
Quah Yoke Hwee (Executive Director)
Paul Kuah Geok Khim (Executive Director)

Non-Executive:

Hoon Ching Sing (Appointed as Independent Director on 1 October 2014; Appointed as the Lead Independent Director, on 30 October 2014)
Yeoh Seng Huat Geoffrey (Independent Director, appointed on 2 January 2015)
Ang Mong Seng (Independent Director)
Lim Kok Hoong (Lead Independent Director, resigned on 30 October 2014)
Peter Boo Song Heng (Independent Director, resigned on 2 January 2015)

Audit Committee

Lim Kok Hoong (Chairman, resigned on 30 October 2014)
Hoon Ching Sing (Chairman, appointed on 30 October 2014)
Yeoh Seng Huat Geoffrey (appointed on 2 January 2015)
Ang Mong Seng
Peter Boo Song Heng (resigned on 2 January 2015)

Nominating Committee

Peter Boo Song Heng (Chairman, resigned on 02 January 2015)
Yeoh Seng Huat Geoffrey (Chairman, appointed on 2 January 2015)
Ang Mong Seng
James Kuah Geok Lin

Remuneration Committee

Ang Mong Seng (Chairman)
Hoon Ching Sing (appointed on 1 October 2014)
Yeoh Seng Huat Geoffrey (appointed on 2 January 2015)
Lim Kok Hoong (resigned on 30 October 2014)
Peter Boo Song Heng (resigned on 2 January 2015)

Company Secretaries

Ang Siew Koon, ACIS
Low Siew Tian, ACIS

Registered Office

6 Clementi Loop, Singapore 129814
Tel : (65) 6463-8666 Fax : (65) 6564-7252
Website : <http://www.hoeleong.com>
Registration No. 199408433W

Share Registrar

Tricor Barbinder Share Registration Services
(A division of Tricor Singapore Pte. Ltd.)
80 Robinson Road
#02-00
Singapore 068898

Auditors

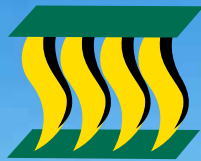
KPMG LLP
16 Raffles Quay, #22-00 Hong Leong Building
Singapore 048581

Audit Partner-in-charge

Low Hon Wah
Appointed with effect from financial year 2013

Principal Bankers

Australia and New Zealand Banking Group Limited
United Overseas Bank Limited
The Development Bank of Singapore Limited



Hoe Leong Corporation Ltd.

Registration No: 199408433W

6 Clementi Loop
Singapore 129814
Tel : +65 6463 8666
Fax : +65 6564 7252