Far East Group Limited

Annual Report 2014

A BLUEPRINT FOR GROWTH

OUR

VISION

Delivering high quality,
latest technology
Industrial components

CONTENTS

CORPORATE PROFILE

Established in 1953 and listed on the Catalist Board of the Singapore Stock Exchange since 8 August 2011, Far East Group Limited ("Far East" or the "Group") is one of the pioneers in the refrigeration and air-conditioning businesses in Singapore. Today, it has built up a strong network to become a comprehensive provider of refrigeration and air-conditioning systems and products for the Heating, Ventilation, Air-Conditioning and Refrigeration (HVAC&R) industry.

Far East provides end-to-end solutions in cooling and refrigeration ranging from consulting to after-sales support, and is principally engaged in the sourcing and distribution of a wide range of agency products as well as the manufacturing and distribution of heat exchangers and condensing units under its proprietary brand, "Eden".

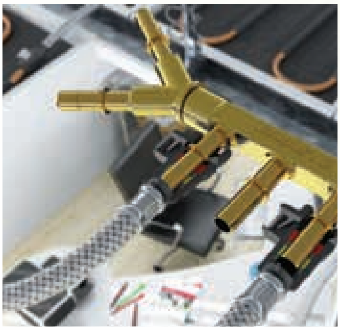
Far East has a customer base of more than 1,000, including distributors, dealers as well as refrigeration and air-conditioning contractors. Its products are used in a diverse range of industries such as hypermarkets, cold store distribution centres, food processing and catering facilities, hotels, hospitals, food and beverage establishments, convenience stores, petrol stations, marine vessels, oil rigs and barges.

Headquartered in Singapore with over 200 employees, the Group has subsidiaries in Singapore, Malaysia, Hong Kong, Vietnam and China, a representative office in Indonesia as well as approximately 20 distributors in the Southeast Asia (SEA) region covering countries like Thailand and the Philippines, and also in other countries like Mauritius, Australia and Sri Lanka. Far East is a leading distributor of commercial and light industrial refrigeration systems and products in the SEA region, with manufacturing facilities in Malaysia and China.

In 2013, Far East acquired a controlling stake in Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd. (ERM), which manufactures its patented line of Eden energy-efficient products, and has established itself as one of China's leading providers of quality heat-exchangers.

Far East prides itself in being a one-stop refrigeration systems provider and continues to move up the value chain through the strengthening of its research and development capabilities and engineering consultancy services. The Group continues to chart expansion into China and SEA.

CEO'S MESSAGE



DEAR SHAREHOLDERS,

It is with great pleasure that I present to you the annual report for the financial year ended 31 December 2014 ("FY2014") on behalf of Far East Group Limited ("Far East Group" or the "Group").

The Heating, Ventilation, Air-Conditioning and Refrigeration ("HVAC&R") industry remains buoyant, lifted by the growth of the cold chain market across the Asia Pacific region, and in particular in China. Urbanisation in emerging markets is leading to increasing demand for homes and offices to be cooled and for storage of perishable goods.

As shareholders are aware, we acquired an 84.25% stake in Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd. ("ERM") which manufactures our "Eden" brand of heat-exchangers and condensing units. Having scaled up capabilities and marketing activities in the past year, ERM now has a sizeable manufacturing presence and brand recognition, and is regarded as one of China's leading providers of quality heat-exchangers.

The acquisition of ERM was a major catalyst for a strategic review conducted in FY2014. Our performance in FY2014 reflects the initial steps to execute this strategy amidst challenges in the operating environment.

OPERATIONS AND FINANCIAL REVIEW

While the global cold chain market is forecast to grow at compounded rate of 15.6% a year to US$2.3 billion by 2019[1], regions such as Singapore and Malaysia pose challenges. These include stiff local competition leading to compressed margins; and in the case of Malaysia, we had to contend with a weaker ringgit.

Despite the slowdown in Singapore and Malaysia, our Group revenue rose to S$36.7 million in FY2014 from S$35.6 million in FY2013, as our China business under ERM contributed S$7.8 million in FY2014 compared to S$4.4 million in FY2013, when we recognised only six months of revenue.

Revenue from the commercial and light industrial (refrigeration) and the oil, marine and gas (refrigeration and air-conditioning) segments improved by 8.8% and 0.6% respectively, driven by higher contributions from ERM. This partially offset the 20.0% slowdown in the residential and commercial (air-conditioning) segment.

Gross profit for FY2014 increased to S$11.7 million from S$11.5 million in FY2013. Gross profit margin decreased marginally to 31.9% from 32.3% over the same comparative periods, attributable to higher volume of lower-margin sales.

The rise in administrative expenses and distribution and selling expenses to S$7.1 million and S$3.9 million, respectively, was mainly due to consolidation of ERM. Finance expenses increased slightly by approximately S$0.1 million due to additional borrowings during the year, offset by the decline in other operating expenses as a result of foreign exchange gain.

(1) The above information was extracted from the website of Research and Markets at http://www.researchandmarkets.com/research/2lrz29/cold_chain_market titled "Cold Chain Market by Type, Product Type, Application & Region – Global Trends & Forecast to 2019" and published in November 2014.

The Group posted a net profit after tax of S$1.2 million in FY2014 as compared to S$2.8 million a year ago, reflecting additional expenses and costs incurred in line with expansion via our growth strategy.

Earnings per share decreased to 1.17 Singapore cents in FY2014 from 3.91 Singapore cents in FY2013. Net asset value per share as at 31 December 2014 increased to 25.0 Singapore cents from 24.4 Singapore cents a year earlier.

During the year, we streamlined and centralised warehousing and procurement functions in Malaysia to drive cost efficiency amidst margin pressures due to the weakening of the Malaysian Ringgit. We also restructured our Malaysia sales network to align incentives and offer greater specialisation in sub-verticals such as hypermarkets, hospitality outlets and cold chain players.

OUR FORWARD STRATEGY

FY2014 was a year of building the foundations following the ERM acquisition, which – because of its size, capability and brand positioning – positions us well to capture opportunities and unlock synergies which can enhance shareholder value. Because of urbanization, especially in second- and third-tier cities, China offers exceptional opportunities at a time when some Southeast Asian markets are either maturing or facing intense competition.

Our forward strategy combined three key initiatives to increase revenue contribution from China (propelled by ERM); move up the value chain; and expand our distribution networks principally in China and Southeast Asia. Allow me to outline these initiatives, which were first announced in a Corporate and Business Update on 30 July 2014.

EXPANDING CHINA OPERATIONS AND REVENUE VIA ERM

In view of the potential in China, we intend to increase partnerships with key contractors servicing the hypermarts, hotels, logistics hubs, distributors and retailers as part of our efforts to scale up the manufacturing operations of ERM.

By 2016, we expect to complete the research and development ("R&D") centre in the ERM facility, which will support the commercial and industrial refrigeration segments. The R&D centre will develop new products, improve existing products, and test new raw materials to improve product and cost efficiency.

We expect ERM revenue contribution to increase from 21% achieved in FY2014. We are also on the lookout for merger and acquisition opportunities to extend our value proposition and distribution network in China.

MOVING UP THE HVAC&R VALUE CHAIN

By emphasising R&D and engineering, consultancy and project management, we intend to take on larger projects with higher margins. Increasingly, larger projects require a higher element of engineering expertise and pre-project consultancy, and field engineers with higher skill sets.

EXPANDING DISTRIBUTION NETWORK IN CHINA AND SOUTHEAST ASIA

As we now own and manufacture the Eden brand of heat exchangers, we intend to distribute this and related products in high-growth markets. Our focus is China as well as Southeast Asia, where we added Vietnam as our fourth sub-regional market in October 2014. This nation of nearly 90 million people is a global leader in seafood processing, which requires cold logistics. The Group intends to distribute more products by increasing dealerships as well as selling direct to various key contractors.

As we continue to pursue growth in our main markets while exploring opportunities to expand into other regional markets, we remain committed to driving sustainable growth and delivering shareholder value through the execution of our three-pronged strategy outlined above.

DIVIDEND

In appreciation of shareholders' continued support, I am pleased to inform you that the directors have proposed a final cash dividend of 0.32 Singapore cent per ordinary share for FY2014, subjected to shareholders' approval at the forthcoming Annual General Meeting.

ACCOLADE

We are honoured to announce that Far East Group was named runner-up for "The Most Transparent Company Award 2014" in the Catalist category at the 15th Securities Investors Association Singapore ("SIAS") Investors' Choice Awards. This award recognises exemplary corporate governance and transparency practices throughout the year.

APPRECIATION

I would like to extend my sincere appreciation to our customers, suppliers and to you, our shareholders, for your continued support. I would also like to thank the management team and all staff for their contribution and hard work over the past year.

We look forward to your continued support as we enter another year of growth.

LOH MUN YEW
Chief Executive Officer & Executive Director

BOARD OF DIRECTORS

Standing (L-R): Leng Chee Keong, Loh Pui Lai, Tan Hwee Kiong, Mak Yen-Chen Andrew, Allan Ward

Sitting (L-R): Loh Mun Yew, Loh Ah Peng @ Loh Ee Ming, Hew Koon Chan

LOH AH PENG @ LOH EE MING

Non-Executive Chairman

Mr Loh Ah Peng is the founder of Far East Group and has been the Group's Director since its incorporation on 18 March 1964. As the founder, he played a pivotal role in the growth and development of the Group. With more than 60 years of experience in the Heating, Ventilation, Air-Conditioning and Refrigeration ("HVAC&R") industry, he possesses in-depth knowledge of refrigeration and air-conditioning products, and has established business relationships and a network of relevant contacts (such as the Group's suppliers and customers) in the HVAC&R industry.

Prior to founding the Group, Mr Loh was self-employed and was principally engaged in the business of the provision of refrigerator repair services in Singapore. In 1964, he founded Far East Group and was involved in the overall operations, as well as the growth and expansion of the Group.

In 1990, he became the Group's Executive Chairman and was re-designated as Non-Executive Chairman in June 2011. Mr Loh is currently responsible for setting Far East Group's vision and objectives, as well as providing the Group with consultancy.

Mr Loh is the father of Steven Loh (CEO and Executive Director) and Karen Loh (Non-Executive Director).

LOH MUN YEW

Chief Executive Officer and Executive Director

Mr Loh Mun Yew was appointed to the Board of Far East Group in 1990. He has over 20 years of experience in the HVAC&R industry. He is responsible for the formulation and execution of the Group's business strategies, strategic directions and expansion plans, as well as managing the Group's overall business development and financial performance.

Mr Loh joined the Group in 1990 as a retail sales executive and has risen through the ranks to become the Group's assistant managing director in 2000, overseeing its operations and financial performance. In 2003, he was appointed as the Group Managing Director. He is an associate member of Business China Singapore (通商中国).

He graduated from the University of the Pacific, Stockton, California, with a degree in Bachelor of Science in Electrical Engineering in 1987. In 1996, he obtained a Master of Business Administration from the University of South Australia. On 24 June 2011, he was awarded the Outstanding Entrepreneur in the Asia Pacific Entrepreneurship Award 2011.

LENG CHEE KEONG

Chief Operating Officer for Sales and Marketing and Executive Director

Mr Leng Chee Keong joined the Group as business development director and assistant group managing director in 2004, and was appointed to the Board in 2005. He is responsible for overseeing the Group's sales, strategic marketing and business development, as well as growing the Group's business in the South-East Asia region.

Mr Leng has held several managerial positions in the automotive and leasing industry since the start of his career before joining Barcelona Motors Pte Ltd and Perocom Motors Pte Ltd (both of which are distributors of new motor vehicles) as the general manager, where he was mainly responsible for the two companies' day-to-day operations and financial performance from 1995 to 2003.

He obtained his Industrial Technician Certificate in Mechanical Engineering from the Singapore Technical Institute in 1977 and his Certificate in Sales and Marketing from the Marketing Institute of Singapore in 1990.

ALLAN WARD

Chief Operating Officer for Manufacturing and Executive Director

Mr Allan Ward was appointed to the Board on 1 August 2012 and was an Executive Officer of the Group prior to his Board appointment. He is responsible for the overall day-to-day operations of Far East Maju and Safety Enterprises. He is also responsible for all the engineering and design of "Eden" products, research and development activities, the Group's manufacturing activities, plant design, machinery evaluation, and ensuring the Group's ISO and design philosophies are not compromised.

He commenced his career in 1963 with Cooney Refrigeration Pty Ltd in Australia and worked his way to the position of engineer director in 1975, before joining F Muller Pty Ltd in Australia as refrigeration division business unit manager. There, he was responsible for domestic sales and international business development, product development and engineering of refrigeration products until 1988. Prior to joining the Group, he was an international business development manager of Bitzer Australia Pty Ltd in Australia from 1998 to 2000, mainly responsible for growing the export sales of heat transfer and unitary compressors to the Asia Pacific, the Middle East and India.

He is a full member of the American Society of Heating, Refrigerating and Air-Conditioning Engineers and the Australia Institute of Refrigeration Air-Conditioning and Heating Engineers. He was the president and chairman of the Commercial Refrigeration Manufacturers Association of Australia from 1991 to 1997, where he (i) was responsible for implementing the Australia refrigeration industries codes of practice; (ii) represented the refrigeration industry at government level; and (iii) unified industry specifications for refrigeration equipment with regard to ratings, temperature regulation for food storage, and health and safety within the refrigeration industry. He was also awarded patents in the United States of America, Australia and New Zealand as the inventor of drop-in refrigeration unit.

Mr Ward has been appointed as an Australian Justice of the Peace by the Governor of New South Wales, which is recognised in every state in Australia. He obtained his Diploma in Mechanical Engineering (Major in Refrigeration) from the Unversity of Technology, Sydney, in 1967 and the Advanced Heat Transfer Design Certificate from McQuay/Muller Private Institute in 1974.

LOH PUI LAI

Non-Executive Director

Ms Loh Pui Lai was appointed to the Board on 28 June 2011. Ms Loh commenced her career as a management trainee at the Group in 1988. From 1992 to 1993, she was an accounts executive of the Group and was responsible for the accounts of the Group's subsidiaries. From 1993 to 1997, she pursued her studies in Australia. From 1997 and 2000, she became the director of Old FER HK and Far East HK, respectively, and is currently responsible for overseeing the companies' finance and accounts departments.

Ms Loh obtained an Advanced Certificate in Accounting from Alexander College in 1994.

HEW KOON CHAN

Independent Non-Executive Director

Mr Hew Koon Chan was appointed to the Board on 28 June 2011. He is currently the managing director of Integer Capital Pte. Ltd., a company providing business consultancy services on mergers and acquisitions. He was a process engineer at Texas Instruments Singapore (Pte) Ltd from 1986 to 1988 before joining Seavi Venture Services Pte Ltd, a private equity firm which is an affiliate of Advent International Corporation, as an investment director from 1988 to 2004.

Mr Hew graduated from the National University of Singapore with a Bachelor of Engineering (Mechanical) Degree. He also holds a Certified Diploma in Accounting and Finance conferred by the Chartered Association of Certified Accountants, and a Graduate Diploma in Financial Management from the Singapore Institute of Management.

MAK YEN-CHEN ANDREW

Independent Non-Executive Director

Mr Mak Yen-Chen Andrew was appointed to the Board on 28 June 2011. He is a practising lawyer with more than 18 years' experience in legal practice. He is currently a partner with Loo & Partners LLP. His current legal practice is focused on mergers and acquisitions, joint ventures, capital markets, listed company work, general corporate or commercial work and cross-border transactions. He has also acted for both Singapore and PRC-related companies seeking listing on the SGX-ST (including reverse takeovers). His listed company work includes acting for listed companies in mergers and acquisitions/joint ventures transactions, and fund-raising and advising listed companies on SGX-ST compliance.

Mr Mak is an independent director of Leader Environmental Technologies Limited, a company listed on the Main Board of the SGX-ST. In addition, he also volunteers his time in community service. Amongst other appointments, Andrew Mak is a member of the Telok Blangah Citizens' Consultative Committee. He was awarded the Public Service Medal (PBM) by the President of Singapore in the 2012 Singapore National Day honours list.

Mr Mak graduated from the National University of Singapore in 1994 with a Bachelor of Law (Second Class Honours Upper Division).

TAN HWEE KIONG

Independent Non-Executive Director

Mr Tan Hwee Kiong was appointed to the Board on 28 June 2011. He is a senior business leader with 24 years of industrial and commercial experience, 16 years of which was involved in the HVAC&R industry. Mr Tan spent most of his HVAC&R career in Carrier Refrigeration Corporation (a division of UTC Group), where he served in various capacities in the commercial and transportation refrigeration business, including being the regional managing director for South-Asia region, regional director for ASEAN, general manager of Qingdao Haier-Carrier Refrigeration, general sales manager of Carrier Refrigeration Shanghai Co., Ltd and country manager for Taiwan, etc.

Since 2008, he has been the managing director of Snap-On Tools (Singapore) Pte Ltd as well as its regional director for South-East Asia and Korea, responsible for developing and implementing overall sales, key account management and operational strategies of the companies in South-East Asia region, Hong Kong, Taiwan and Korea. Mr Tan graduated from University of London with a Bachelor of Science (Economics) degree. He also obtained his Graduate Diploma in Marketing Management from Singapore Institute of Management.

EXECUTIVE OFFICERS

FRANCIS LAI

Chief Financial Officer

Mr Francis Lai joined the Group in April 2011 as Senior Finance and Business Development Manager and was part of the team involved in the Group's listing on the SGX-Catalist Board. He is responsible for the due diligence studies of the Group's business expansion plans, developing the Group's Finance policies and procedures, and review of internal controls and managing the Group's insurance policies. He was promoted to the position of Chief Financial Officer of the Group in 2014. Prior to joining the Group, he spent 11 years in the semiconductor industry, taking on a wide spectrum of accounting roles in financial and management accounting, and was involved in the successful completion of several M&A deals that increased the Group's revenue.

Mr Lai started his career as an entrepreneur in the education industry while studying for his Bachelor of Arts degree in the National University of Singapore (NUS) where he graduated with a 2nd Class Honors degree in Arts specialising in Japanese Studies and where he concurrently pursued his ACCA qualifications. He is a member of the Institute of Singapore Chartered Accountants (CA Singapore) and a Fellow of the Association of Chartered Certified Accountants (ACCA).

RICHARD CHUNG

Head of Systems and Projects

Mr Richard Chung is responsible for the management and planning of all systems and projects. He leads the Group's project teams, including general managers (projects) and project managers, to deliver the projects in accordance with the project commitments and ensure that the projects are properly managed and planned with sufficient staff and appropriate resources. He joined the Group as a sales and marketing executive in 1995 and had served in various capacities, including sales and marketing manager and divisional director (systems and projects).

He had been invited as a speaker at various seminars, such as (i) the Asian Cold Chain Management Conference on topics of "Examining Trends in Temperature Control for the Food and Beverage Sector: An International Overview" and "Examining Trends in Temperature Control for the Healthcare and Pharmaceutical Sector: An International Overview" in 2007, (ii) the Singapore Manufacturing Association/Singapore Article Number Council/Singapore Cold Chain Workshop on the topic of "Training Workshop on Cold Chain Management" in 2004 and (iii) SPRING Singapore seminars on topic of "A Total Approach to Cold Chain Management for Milk and Dairy Products" in 2002. He is currently a member (individual capacity) of the Singapore Cold Chain Committee for Milk and Dairy Products and the chairman (sub-group III – technology) of the Singapore Cold Chain Committee for Pork Products.

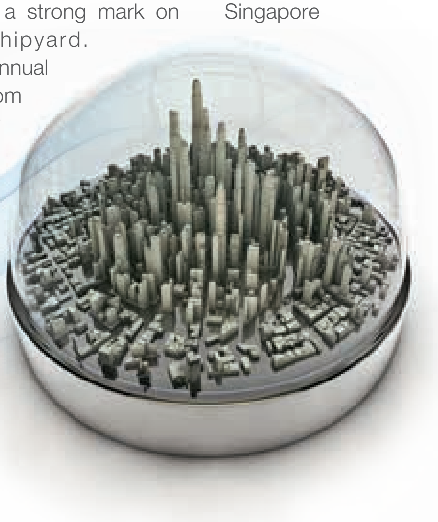
He obtained his degree in Bachelor of Science (Physics) from the National University of Singapore in 1993.

ROGER WONG

Sales Director

Mr Wong has been with the Group since 2005 and brings with him a wealth of experience accumulated over his 30-year career in the HVAC&R industry; having worked for European multinationals and local public listed companies in the areas of technical, management, sales, marketing and distribution of refrigeration products, systems and solutions. Prior to his current position as sales director, he was previously regional manager based in Hong Kong, China and Singapore at different periods of employment within the Group. He was instrumental in the restructuring of the business in Hong Kong and Indonesia, expanding the customer network. In China, where he was based in the Group's regional affiliate, he focused on building brand recognition of the Group's proprietary Eden brand.

Prior to joining the Group, he held several technical managerial positions in Danfoss Pte Ltd and Linde Refrigeration (Singapore) Pte Ltd, and was a partner of PR Land & Marine Pte Ltd, where he built the business from scratch and made a strong mark on Singapore Technology Shipyard. He was awarded annual service contracts from Singapore Navy Vessel. In his current capacity, he is responsible for the Group's sales targets and also assists in overseeing the manufacturing operations in China.



CORPORATE STRUCTURE

Far East Group Limited

- 100% GPS COMPRESSOR SERVICES & PARTS PTE LTD (SINGAPORE)
- 100% EDENKOOL PTE LTD (SINGAPORE)
- 84.25% EDEN REFRIGERATION MANUFACTURING (JIANGSU) CO., LTD (CHINA)
- 100% FAR EAST REFRIGERATION (M) SDN BHD (MALAYSIA)
- 100% FAR EAST REFRIGERATION VIETNAM COMPANY LIMITED (VIETNAM)
- 57.1% RSP SYSTEMS PTE LTD (SINGAPORE)
- 100% FAR EAST REFRIGERATION LIMITED (HONG KONG)

FAR EAST REFRIGERATION (M) SDN BHD (MALAYSIA):

- 93.88% FAR EAST ENTERPRISES (PENANG) SDN BHD (MALAYSIA)
- 100% FAR EAST MAJU ENGINEERING WORKS SDN BHD (MALAYSIA)
- 100% FAR EAST ENTERPRISES (K.L.) SDN BHD (MALAYSIA)
- 100% FE&B ENGINEERING SDN BHD (MALAYSIA)
- 100% FAR EAST REFRIGERATION (KUCHING) SDN BHD (MALAYSIA)
- 100% GREEN POINT COMPRESSOR SERVICES & PARTS SDN BHD (MALAYSIA)
- 100% SAFETY ENTERPRISES SDN BHD (MALAYSIA)

GENERAL INFORMATION

DIRECTORS

Loh Ah Peng @ Loh Ee Ming	(Non-Executive Chairman)
Loh Mun Yew	(Chief Executive Officer and Executive Director)
Leng Chee Keong	(Chief Operating Officer (Sales and Marketing) and Executive Director)
Allan Ward	(Chief Operating Officer (Engineering and Manufacturing) and Executive Director)
Loh Pui Lai	(Non-Executive Director)
Hew Koon Chan	(Independent Director)
Mak Yen-Chen Andrew	(Independent Director)
Tan Hwee Kiong	(Independent Director)

COMPANY SECRETARY

Chia Foon Yeow

REGISTERED OFFICE

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#04-00 Far East Refrigeration Building
Singapore 338728
Tel: (65) 6293 9733
Fax: (65) 6296 5326

SHARE REGISTRAR

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

AUDITORS

Ernst & Young LLP
One Raffles Quay
#18-01 North Tower
Singapore 048583

Partner-in-charge: Ho Shyan Yan
(Since financial year ended 31 December 2013)

BANKERS

United Overseas Bank Limited
DBS Bank Ltd

SPONSOR

Canaccord Genuity Singapore Pte. Ltd.
77 Robinson Road #21-02
Singapore 068896

AUDIT COMMITTEE

Hew Koon Chan (Chairman)
Mak Yen-Chen Andrew
Tan Hwee Kiong

REMUNERATION COMMITTEE

Tan Hwee Kiong (Chairman)
Hew Koon Chan
Mak Yen-Chen Andrew

NOMINATING COMMITTEE

Mak Yen-Chen Andrew (Chairman)
Hew Koon Chan
Tan Hwee Kiong

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CORPORATE
GOVERNANCE REPORT

The Board of Directors (the "**Board**" or "**Directors**") of Far East Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") recognises the importance of and is committed to maintaining a high standard of corporate governance. Good corporate governance provides the framework for an ethical and accountable corporate environment, which will protect the interests of the Company's shareholders and promote investor confidence.

This report outlines the Company's corporate governance practices and structures that were in place for the financial year ended 31 December 2014 ("**FY2014**"), with specific reference made to each of the principles of the Code of Corporate Governance 2012 (the "**Code**"). The Board confirms that, for FY2014, the Group has complied with the principles and guidelines of the Code where appropriate. Where there are deviations from the Code, appropriate explanations are provided.

BOARD MATTERS

Principle 1: Effective Board to lead and control the Company.

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group. It focuses on strategies and policies, with particular attention paid to growth and financial performance. The Board works with the management of the Company (the "**Management**") to achieve this and the Management remains accountable to the Board.

The Board continues to approve matters within its statutory responsibilities. Specifically, the Board has direct responsibility for the following corporate events and actions:

- Corporate strategy and business plans;
- Investment and divestment proposals;
- Funding decisions of the Group;
- Nomination of Directors and appointment of key personnel;
- Half-year and full-year result announcements, the annual report and accounts;
- Material acquisitions and disposals of assets;
- Identification of the key stakeholder groups and recognition that their perceptions affect the Company's reputation;
- Setting of the Company's value and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met;
- Consideration of sustainability issues (e.g. environmental and social factors) in the formulation of its strategies; and
- All matters of strategic importance.

The Board has delegated certain matters to specialised committees (the "**Board Committees**") of the Board. These committees include the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"), all of which operate within clearly defined and written terms of reference and functional procedures, which are reviewed on a regular basis. They assist the Board in carrying out and discharging its duties and responsibilities efficiently and effectively.

The Board meets regularly with at least two (2) scheduled meetings held within each financial year. Where necessary, additional meetings may be held to address significant transactions or issues. The articles of association of the Company ("**Articles**") also provide for telephonic meetings.

The Board ensures that incoming newly-appointed Directors will be orientated on the Group's business strategies, operations and governance practices to facilitate the effective discharge of their duties. Newly-appointed Directors will also be provided with a formal letter setting out their duties and obligations.

CORPORATE GOVERNANCE REPORT

The Company is responsible for arranging and funding the training of Directors. Board members have been and will be encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. The Company will work closely with its professional advisors to provide its Directors with updates on changes to relevant laws, regulations and accounting standards.

Directors are also provided with an insight into the Group's operational facilities and periodically meet with the Management to gain a better understanding of the Group's business operations. The Board as a whole is updated on risks management and the key changes in the relevant regulatory which have an important bearing on the Company and the Directors' obligations to the Company.

The number of Board and Board Committee meetings held and attended by each Board member for FY2014 is set out as follows:

	Board	**Board Committees**		
		Audit	**Nominating**	**Remuneration**
Number of meetings held	**4**	**2**	**1**	**1**
	Number of meetings attended			
Mr Loh Ah Peng @ Mr Loh Ee Ming	4	2	1*	1*
Mr Loh Mun Yew	4	2	1*	1*
Mr Leng Chee Keong	4	2	1*	1*
Mr Allan Ward	4	2	1*	1*
Ms Loh Pui Lai	4	2	1*	1*
Mr Hew Koon Chan	4	2	1	1
Mr Mak Yen-Chen Andrew	4	2	1	1
Mr Tan Hwee Kiong	4	2	1	1

* *By Invitation*

While the Board considers Directors' attendance at Board meetings as important, it should not be the only criterion to measure their contributions. The Board also takes into account the contributions by Board members in other firms, including periodical reviews and the provision of guidance and advice on various matters relating to the Group.

Principle 2: A strong and independent element on the Board.

The Board comprises eight (8) members, consisting of three (3) Executive Directors, two (2) Non-executive Directors and three (3) Independent Directors as follows:

Mr Loh Ah Peng @ Loh Ee Ming	Non-executive Chairman
Mr Loh Mun Yew	Chief Executive Officer and Executive Director
Mr Leng Chee Keong	Chief Operating Officer (Sales and Marketing) and Executive Director
Mr Allan Ward	Chief Operating Officer (Engineering and Manufacturing) and Executive Director
Ms Loh Pui Lai	Non-executive Director
Mr Hew Koon Chan	Independent Director
Mr Mak Yen-Chen Andrew	Independent Director
Mr Tan Hwee Kiong	Independent Director

CORPORATE GOVERNANCE REPORT

The Board is made up of business leaders and professionals with financial, legal and business management backgrounds. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction.

The Company endeavours to maintain a strong and independent element on the Board. As there are three (3) Independent Directors on the Board, the prevailing applicable requirement of the Code that at least one-third of the Board be comprised of Independent Directors is satisfied. The Company will meet the Code's requirement to have at least half of the Board comprising Independent Directors by the end of the financial year ending 31 December 2015. All of the Board Committees are chaired by Independent Directors and the NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The Independent Directors have confirmed that they do not have any relationship with the Company or its related corporations or its officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgment with a view to the best interests of the Company. The NC has reviewed and determined that the said Directors are independent. The independence of each Director is reviewed annually and as and when circumstances require by the NC based on the guidelines set forth in the Code.

The Independent Directors will constructively challenge and assist in the development of proposals on strategy, and assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance. When necessary, the Independent Directors will have discussions amongst themselves without the presence of the Management.

There are no Directors who have served on the Board beyond nine (9) years from the date of his or her first appointment.

The Board periodically examines its size to ensure that it is of an appropriate number for effective decision-making, taking into account the scope and nature of the operations of the Group. The Board has considered the present Board size and is satisfied that the current size facilitates effective decision-making and is appropriate for the nature and scope of the Group's operations.

The NC is of the view that the current Board comprises persons who as a group provide capabilities required for the Board to be effective. Details of the Board members' qualifications and experience are presented in the section entitled "Board of Directors" of this Annual Report.

Principle 3: Chairman and Chief Executive Officer to be separate to ensure a clear division of responsibilities and a balance of power and authority, such that no one individual represents a considerable concentration of power.

The Non-executive Chairman of the Company is Mr Loh Ah Peng @ Loh Ee Ming, who plays a vital role in setting the Company's vision and objectives and providing guidance to the Group. The Chief Executive Officer of the Company is Mr Loh Mun Yew, who is responsible for the formulation and execution of the Group's business strategies, strategic directions and expansion plans, as well as managing the Group's overall business development and financial performance. There is a clear division of responsibilities between the Non-executive Chairman and the Chief Executive Officer to ensure that there is an appropriate balance of power, increased accountability and sufficient capacity of the Board for independent decision-making. The requirement of the Code that the roles of Chairman and Chief Executive Officer be separated is therefore met in the case of the Company.

Although the Non-executive Chairman is the father of the Chief Executive Officer, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence. All major decisions are made in consultation with the Board. In view of the above, the Board is of the view that the Company does not need to appoint a lead independent director.

Principle 4: A formal and transparent process for the appointment and re-appointment of directors.

The members of the Company's NC are Mr Mak Yen-Chen Andrew (Chairman), Mr Hew Koon Chan and Mr Tan Hwee Kiong, all of whom are independent directors. The NC meets at least once a year.

The NC is responsible for the following:

(a) to make recommendations to the Board on all board appointments, including re-nominations, having regard to the Director's contribution and performance (for example, attendance, preparedness, participation and candour);

(b) to determine annually whether or not a Director is independent under the definition of the Code;

(c) in respect of a Director who has multiple board representations in various companies, to decide whether or not such Director is able to and has been adequately carrying out his/her duties as Director, having regard to the competing time commitments that are faced when serving on multiple boards;

(d) to decide how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board which allows for comparison with its industry peers, and to address the role of the Board in enhancing long term shareholders' value;

(e) the review of board succession plans for Directors;

(f) regularly reviewing the Board structure, size and composition and making recommendations to the Board with regards to any adjustments that are deemed necessary;

(g) the review of training and professional development programmes for the Board; and

(h) to assess the performance of the Board and contribution of each Director to the effectiveness of the Board.

Each member of the NC shall abstain from voting on any resolution relating to the assessment of his performance or his re-nomination as Director.

The NC will ensure that there is a formal and transparent process for all appointments to the Board. It has adopted written terms of reference defining its membership, administration and duties.

The NC is responsible for identifying candidates and reviewing all nominations for the appointments of new directors. When the need for a new director arises, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as new director. The NC then meets with the shortlisted potential candidates with the appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for appointment as director.

For re-appointment of Directors to the Board, the Board will take into consideration, amongst others, the Director's integrity, competencies, independence, commitment, contribution and performance (such as attendance, participation, preparedness and candour).

In assessing the performance of each individual Director, the NC considers whether he has multiple board representations and other principal commitments, and is able to and adequately carry out his duties as a Director notwithstanding such commitments. The NC is satisfied that sufficient time and attention to the affairs of the Company has been given by those Directors who have multiple board representations.

To address the competing time commitments that are faced when Directors serve on multiple boards, the NC has reviewed and the Board has determined and set that as a general rule, the maximum number of listed company board appointments be not more than six (6) companies. However, any Directors may hold more than six (6) listed company board representations should the NC be satisfied and is of the view that such Directors are able to devote sufficient time and attention to the affairs of the Company after taking into account of their individual circumstances, contributions, responsibilities and other principal commitments. Non-executive Directors may consult the Chairman of the NC before accepting any appointments as Directors. Currently, none of the Directors holds more than six (6) directorships in listed companies.

Directors are encouraged to attend relevant training programmes conducted by the Singapore Institute of Directors, Singapore Exchange Limited, and business and financial institutions and consultants. The costs of such training programmes will be borne by the Company.

Pursuant to the Articles, at least one-third of the Directors are required to retire from office at least once every three (3) years at an annual general meeting of the Company ("**AGM**"). The Articles also provides that the retiring Directors are eligible to offer themselves for re-election.

The NC has recommended to the Board that Mr Mak Yen-Chen Andrew, Mr Leng Chee Keong and Ms Loh Put Lai be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC has considered each of the said Director's overall contributions and performance.

Mr Mak Yen-Chen Andrew will, upon re-election as a Director, remain as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. Mr Leng Chee Keong will, upon re-election as a Director, remain as the Chief Operating Officer (Sales and Marketing) and Executive Director of the Company. Ms Loh Pui Lai will, upon re-election as a Director, remain as the Non-executive Director of the Company.

Section 153 of the Companies Act (Chapter 50 of Singapore) provides that the office of a director of a public company or of a subsidiary of a public company shall become vacant at the conclusion of the annual general meeting commencing next after he attains the age of 70 years. However a person of or over the age of 70 years may, by an ordinary resolution passed at an annual general meeting of a company be appointed or re-appointed as a director of the company to hold office until the next annual general meeting of the company. The NC recommended to the Board that Mr Loh Ah Peng @ Loh Ee Ming, who is over the age of 70, be re-appointed at the forthcoming AGM. In making the recommendation, the NC has considered the said Director's overall contributions and performance.

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The key information on each Director is disclosed in their profile (Board of Directors) as set out in this Annual Report. The date of initial appointment and last re-election of each Director, together with his and her directorships in other listed companies, are set out below:

Name	Age	Appointment	Date of initial appointment	Date of last re-election	Directorship in other listed companies
Loh Ah Peng @ Loh Ee Ming[(1)]	81	Non-executive Chairman	18 March 1964	30 April 2014	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None
Loh Mun Yew[(1)]	48	Chief Executive Officer and Executive Director	02 May 1990	30 April 2014	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None
Leng Chee Keong	58	Chief Operating Officer (Sales and Marketing) and Executive Director	18 February 2005	30 April 2013	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None
Allan Ward	68	Chief Operating Officer (Engineering and Manufacturing) and Executive Director	01 August 2012	30 April 2013	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None
Loh Pui Lai[(1)]	43	Non-executive Director	28 June 2011	30 April 2013	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None

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Name	Age	Appointment	Date of initial appointment	Date of last re-election	Directorship in other listed companies
Hew Koon Chan	53	Independent Director	28 June 2011	30 April 2014	**Present Directorships** Nordic Group Limited Roxy-Pacific Holdings Limited DeClout Limited **Past Directorships (in the last three (3) preceding years)** None
Mak Yen-Chen Andrew	45	Independent Director	28 June 2011	27 April 2012	**Present Directorships** Leader Environmental Technologies Limited Falcon Energy Group Limited **Past Directorships (in the last three (3) preceding years)** None
Tan Hwee Kiong	49	Independent Director	28 June 2011	30 April 2014	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None

Note:

(1) Mr Loh Ah Peng @ Loh Ee Ming is the father of Mr Loh Mun Yew and Ms Loh Pui Lai.

Principle 5: Formal assessment of the effectiveness of the Board and Board Committee and the individual directors.

The NC had adopted processes for the evaluation and assessment of the Board's and Board Committees' performance and effectiveness as a whole and the performance of individual Directors, based on performance criteria which were recommended by the NC and approved by the Board. The Board has not engaged any external facilitator in conducting the assessment of the Board's performance and the performance of individual Directors. Where relevant, the NC will consider such engagement.

For the evaluation of the Board's performance, the criteria includes return on assets, return on equity and the Company's share price performance which allows the Company to make comparisons with its industry peers and are linked to long-term shareholders' value. The NC also takes into consideration the feedback from individual Directors on areas relating to the Board's competencies and effectiveness. The results of the overall evaluation of the Board by the NC including its recommendation, if any, for improvements are presented to the Board.

The assessment process involves and includes inputs from Board members, applying the performance criteria of the NC and approved by the Board. These inputs are collated and reviewed by the Chairman of the NC, who presents a summary of the overall assessment to the NC for review. Areas where the Board's performance and effectiveness could be enhanced and recommendations for improvements are then submitted to the Board for discussion and, where appropriate, approval for implementation.

The individual performance criteria for Directors include qualitative and quantitative factors such as performance of principal functions and fiduciary duties, level of participation at meetings and attendance record. The annual evaluation process for each individual Director's performance comprises three (3) parts: (a) background information concerning the Directors including their attendance records at Board and Board Committee meetings; (b) questionnaires for completion by each individual Board member; and (c) the NC's evaluation based on certain assessment parameters. The questionnaires and the assessment parameters were recommended by the NC and approved by the Board. The completed questionnaires are then reviewed by the NC before the NC completes its evaluation of the individual Directors. When deliberating on the performance of a particular Director who is also a member of the NC, that member abstains from the discussions in order to avoid any conflict of interests.

The NC has assessed the current Board's performance to date and is of the view that the performance of the Board as a whole was satisfactory. Although two (2) of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention has been given by the Directors to the Group.

Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or his re-nomination as Director.

Principle 6: Board members should be provided with complete, adequate and timely information.

Each member of the Board has complete access to such information regarding the Group as may be required for the discharge of his duties and responsibilities. Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information in advance, including background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Group's business operations, in order for the Directors to be adequately prepared for the meetings and to comprehensively understand the issues to be deliberated upon and make informed decisions thereon. Management personnel, if required, will attend Board meetings to address queries from the Directors. The Directors also have unrestricted access to the Management. Requests for the Company's information by the Board are dealt with promptly.

The Directors have separate and independent access to the Company Secretary. The Company Secretary or his colleague attends all Board meetings and ensures that Board procedures and the provisions of applicable laws, the Companies Act (Chapter 50 of Singapore), the Articles and the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") are followed. The Company Secretary also ensures good information flows within the Board, its Board Committees and between the Management and Non-executive Directors, and also assists with the circulation of Board papers and the updating of the Directors on changes in laws and regulations relevant to the Group. The appointment and removal of the Company Secretary are subject to the Board's approval.

Each Director (whether as individual members or as a group) has the right to seek independent legal and other professional advice at the expense of the Company, in relation to matters concerning any aspect of the Group's operations or undertakings in order to fulfil his duties and responsibilities as a Director.

REMUNERATION MATTERS

Principle 7: Formal and transparent procedure for fixing remuneration packages of individual directors and senior executives.

The members of the Company's RC are Mr Tan Hwee Kiong (Chairman), Mr Mak Yen-Chen Andrew and Mr Hew Koon Chan, all of whom are independent directors. Each member of the RC shall abstain from voting on any resolution in respect of his remuneration package.

The RC will recommend to the Board a framework of remuneration for the Directors and key management personnel and determine specific remuneration packages for each Executive Director. The recommendations of the RC will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to, Directors' fees, salaries, allowances, bonuses, options, share-based incentives, awards and benefits-in-kind shall be reviewed by the RC. In addition, the RC will perform an annual review of the remuneration of key management personnel, as well as employees related to the Directors and substantial shareholders of the Company to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities. They will also review and approve any bonuses, pay increases and/or promotion for these employees. The RC will review the level and structure of remuneration to align with the long-term interest and risk policies of the Company in order to attract, retain and motivate the Directors and key management personnel. The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of Executive Directors and key management personnel to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance. Accordingly, the RC will also review the Company's obligations arising in the event of termination of the employment of Directors and key management personnel. During FY2014, the RC did not seek any external professional advice on fixing remuneration packages for the Directors and key management personnel.

Principle 8: The level of remuneration should be appropriate but not excessive.

Principle 9: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration.

The RC recommends to the Board a framework of remuneration for the Board and key management personnel to ensure that the structure is competitive and sufficient to attract, retain and motivate key management personnel to run the Company successfully in order to maximise shareholders' value. The recommendations of the RC on the remuneration of Directors and key management personnel will be submitted for endorsement by the Board. The members of the RC do not participate in any decisions concerning their own remuneration.

The remuneration packages for Executive Directors take into account the performance of the Group and the individual. Directors' fees for Non-executive Directors are based on the effort, time spent and responsibilities of the Non-executive Directors, and are subject to approval at AGMs.

The Company has entered into service agreements with Mr Loh Mun Yew, our Chief Executive Officer and Executive Director, and Mr Leng Chee Keong, our Chief Operating Officer (Sales and Marketing) and Executive Director, commencing from 1 January 2011 with a supplemental agreement entered into on 1 August 2012. They are valid for an initial period of three (3) years (the "Initial Term") each and upon the expiry of the Initial Term, the employment of the said appointees shall be automatically renewed on a year-to-year basis, on such terms and conditions as the parties may mutually agree.

The Company has also entered into a service agreement with Mr Allan Ward, our Chief Operating Officer (Engineering and Manufacturing) and Executive Director, on 1 August 2012 for an initial period of three (3) years. The service agreement is automatically renewable upon the expiry of the initial period of three (3) years on a year-to-year basis, on such terms and conditions as the parties may mutually agree.

The remuneration packages for the Executive Directors include a fixed salary and a variable performance related bonus which is designed to align the interests of the Directors with those of the shareholders of the Company. The Executive Directors do not receive Directors' fees.

All revisions to the remuneration packages for the Directors and key management personnel are subject to the review by and approval of the Board. Directors' fees are further subject to the approval of shareholders of the Company at the AGM. Each member of the RC will abstain from reviewing and approving his or her own remuneration and the remuneration packages of persons related to him/her.

There are no termination or retirement benefits that are granted to the Directors. The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company and the Group.

The breakdown, showing the level and mix of each individual Director's remuneration in the financial year under review by percentage (%) is, as follows:

Remuneration Band & Name of Director	Base/Fixed salary	Directors' fees[(1)]	Variable or performance benefits related income/Bonus	Other Benefits
S$500,000 and above				
Mr Allan Ward	86%	–	9%	5%
Between S$250,000 – S$499,000				
Mr Loh Mun Yew	87%	–	10%	3%
Mr Leng Chee Keong	87%	–	10%	3%
S$249,999 and below				
Mr Loh Ah Peng @ Loh Ee Ming	–	100%	–	–
Ms Loh Pui Lai	–	100%	–	–
Mr Hew Koon Chan	–	100%	–	–
Mr Mak Yen-Chen Andrew	–	100%	–	–
Mr Tan Hwee Kiong	–	100%	–	–

Note:

(1) Directors' fees had been approved by the shareholders of the Company at the last AGM held on 30 April 2014.

The Company has not disclosed exact details of the remuneration of each individual Director as it is not in the best interests of the Company and employees to disclose such details due to the sensitive nature of such information.

In considering the disclosure of remuneration of the top five (5) key management personnel of the Company, the Company considered the overall quantum received by each individual key management personnel as well as the confidential nature of the key management personnel's remuneration and believes that a full disclosure as recommended by the Code would be prejudicial to the Company's interest. The annual aggregate remuneration accrued to the top five (5) key management personnel of the Company (who are not Directors or the Chief Executive Officer) for FY2014 is S$971,106. The Company has instead presented the information as follows:

Remuneration Band	No of Key Management Personnel
S$249,999 and below	5
Between S$250,000 – S$499,999	0
S$500,000 and above	0

The remuneration packages for the top five (5) key management personnel of the Company comprise a fixed component (in the form of a base/fixed salary) and a variable component (comprising short-term incentives in the form of year-end and variable bonuses).

No employee who was an immediate family member of a Director was paid more than S$50,000 during FY2014. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister, and parent of such person.

Currently, the Company does not have any employee share option scheme or performance share plan.

ACCOUNTABILITY AND AUDIT

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

In line with the continuing disclosure obligations of the Company under the Catalist Rules, it is the Board's policy that shareholders be informed of all major developments of the Company. Information is presented to shareholders on a timely basis through SGXNet and/or the press. In presenting the annual financial statements and the half-year and full-year result announcements to its shareholders, it is the objective of the Board to provide its shareholders with a reasonable understanding of the Group's financial position, performance and prospects.

The Management currently provides the Board with management accounts of the Group's performance, position and prospects on a quarterly basis or as and when deemed necessary by the Board.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risks and maintain a sound system of internal controls to safeguard shareholders' investments and the company's assets.

The Board acknowledges that risk is inherent in business and there are commercial risks to be taken in the course of generating a return on business activities. The Board's policy is that risks should be managed within the Group's overall risk tolerance. The Board further acknowledges that it is responsible for the overall internal controls framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as such a system is designed to manage (rather than eliminate the risk of failure) and achieve its business objectives. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board recognises the importance of establishing a formal Enterprise Risk Management Framework ("**Framework**") to facilitate the governance of risks and monitoring the effectiveness of internal controls. The Management has established a set of Framework advised by its internal auditors. This Framework sets out the key risks that the Group is exposed to and the steps and measures that the Management has put in place to mitigate them. The Framework is also reviewed on a periodic basis to establish if the risks identified are still relevant and if the Group is being exposed to new risks due to the changing environments that the Group operates in.

The internal controls structure of the Group has been designed and put in place by the Management to provide reasonable assurance against material financial misstatements or loss, for the safeguarding of assets, for the maintenance of proper accounting records, for the provision of financial and other information with integrity, reliability and relevance, and in compliance with applicable laws and regulations. However, no internal controls system can provide absolute assurance in view of inherent limitations of any internal controls system against the occurrence of human and system errors, poor judgment in decision-making, losses, fraud or other irregularities.

The Management carries out regular reviews of the Group's business and operational activities to identify areas of business risks and the appropriate measures to control and mitigate these risks. All significant matters are highlighted to the Board for further discussion. The Board also works with the external auditors on their recommendations and institutes and executes relevant controls with a view to managing business risks.

The AC reviewed the adequacy of the Group's key internal controls that address the Group's financial, operational, compliance and information technology controls, and risk management systems, with the assistance of the internal and external auditors and the Management, who provide regular reports during the year to the AC in addition to the briefings and updates provided at the AC meetings.

The Chief Executive Officer and the Chief Financial Officer have provided a letter of confirmation that as at the end of FY2014, (a) 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 (b) the Company's risk management and internal control systems are effective.

Based on the findings of the internal and external auditors and the various management controls put in place, the Board with the concurrence of the AC, is of the opinion that there are adequate controls in place within the Group addressing financial, operational, compliance, and information technology controls, and risk management policies and systems to meet the needs of the Group in their current business environment.

Principle 12: Establishment of an Audit Committee with clear written terms of reference.

The members of the Company's AC are Mr Hew Koon Chan (Chairman), Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong, all of whom are independent directors.

The members of the AC have sufficient financial and/or management expertise, as assessed by the Board in its business judgment, to discharge the functions of the AC. The AC has written terms of reference and its responsibilities include, *inter alia*:

– reviewing with external auditors the audit plan, their audit report, their management letter and the Management's response;

– reviewing and ensuring the integrity of the financial statements of the Company and its subsidiaries before submission to the Board for approval;

– ensuring that the internal audit function is adequate;

– approving the internal control procedures and arrangements for all interested person transactions;

– commissioning, reviewing and discussing with the external auditors and internal auditors, if necessary, any suspected fraud or irregularity, or suspected failure of internal controls, or suspected infringement of any relevant laws, rules or regulations;

– meeting with the internal and external auditors without the presence of the Management at least once a year;

– reviewing and ratifying transactions falling within the scope of the Catalist Rules, in particular, matters pertaining to Interested Person Transaction and Acquisitions and Realisations as laid down in Chapters 9 and 10 respectively; and

– reviewing the independence of the external auditors annually, and recommending to the Board the appointment, re-appointment or removal of the external auditors and approving the remuneration and terms of engagement of the external auditors.

The Company is in compliance with Rule 712 and Rule 715 of the Catalist Rules in relation to its auditing firm. No former partner or director of the Company's existing auditing firm is a member of the AC.

Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he is interested.

Summary of the AC's activities

The AC met twice during the year under review. Details of members' attendance at the meetings are set out on page 12 of this Annual Report. The Chief Financial Officer, Company Secretary, internal auditors and external auditors are invited to these meetings. Other members of the Management are also invited to attend as appropriate to present reports.

The AC has met once with the external auditors and once with the internal auditors respectively, without the presence of the Management in FY2014.

The AC officially meets on a half-yearly basis, and on an as required basis. The AC reviews the half-year and full-year announcements, material announcements and all related disclosures to shareholders of the Company before submission to the Board for approval. In the process, the AC reviews the audit plan and audit committee report presented by the external auditors. The external auditors provide regular updates and briefing to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

The AC also reviewed the annual financial statements and discussed with the Management, the Chief Financial Officer and the external auditors the significant accounting policies, judgment and estimate applied by the Management in preparing the annual financial statements. Following the review and discussions, the AC then recommended to the Board for approval of the audited annual financial statements.

The Company has put in place a whistle-blowing policy, which provides for the mechanisms by which employees and other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action. The AC exercises the overseeing function over the administration of the whistle-blowing policy. Details of the whistle-blowing policies and arrangements have been made available to all employees of the Company.

The AC has full access to and cooperation of the Management and has full discretion to invite any Director or key management personnel to attend its meetings, and has been given reasonable resources to enable it to discharge its functions. The AC also has explicit authority to investigate any matter within its terms of reference and is authorised to obtain independent professional advice.

The external auditors provided regular updates and periodic briefings to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

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Principle 13: Establishment of an internal audit function that is independent of the activities it audits.

The Board recognises the importance of maintaining a system of internal controls to safeguard shareholders' investments and the Company's assets. The AC approves the appointment, removal, evaluation and compensation of the internal auditor. For the financial year under review, the Company has outsourced its internal audit function to a qualified public accounting firm, PricewaterhouseCoopers LLP, to strengthen the Company's internal audit functions and promote sound risk management, including financial, operational and compliance controls and good corporate governance. The AC has reviewed the adequacy and effectiveness of the internal auditors and is satisfied that the internal auditors are staffed by qualified and experienced personnel and that the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors are used as a reference and guide by the Company's internal auditors. The AC will review annually the adequacy and effectiveness of the internal auditors.

The objective of the internal audit function is to provide an independent review of the effectiveness of the Group's internal controls and provide reasonable assurance to the AC and the Management that the Group's risk management, controls and governance processes are adequate and effective.

The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit, and the AC oversees and monitors the implementation or improvements as required. The internal auditors have unrestricted direct access to all of the Company's documents, records, properties and personnel and a direct and primary reporting line to the AC.

Principle 14: Fair and equitable treatment of all shareholders.

Principle 15: Regular, effective and fair communication with shareholders.

All shareholders are treated fairly and equitably to facilitate their ownership rights. The Board recognises the importance of maintaining transparency and accountability to its shareholders. The Board's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.

All shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules including the voting procedures are set out in the notice of general meetings. The Articles allow all shareholders to appoint up to two (2) proxies to attend general meetings and vote on his/her/their behalf.

As it is logistically challenging to allow corporations providing nominee or custodial services to appoint more than two (2) proxies, the Company has decided not to implement the same for the time being.

The Board is mindful of its obligations to provide timely disclosure of material information to shareholders of the Company and does so through:

– Annual reports issued to all shareholders of the Company. Non-shareholders may access the SGX website for the Company's annual reports;

– Half-year and full-year announcements of its financial statements on the SGXNet;

– Other announcements on the SGXNet; and

– Press releases on major developments regarding the Group.

Communication with shareholders is managed by the Board. The Company is committed to regular and proactive communication with its shareholders in line with the continuous disclosure obligations of the Company under the Catalist Rules. Pertinent information will be disclosed to shareholders in a timely, fair and equitable manner. 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.

The Group has specifically entrusted an investor relations team comprising the Non-executive Chairman, the Chief Executive Officer, the Chief Financial Officer and an external investor relation firm with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns.

Pertinent information is communicated to shareholders through:

(1) half-year and full-year results announcements which are published on the SGXNet and in news releases;

(2) the Company's annual reports that are prepared and issued to all shareholders;

(3) notices of and explanatory memoranda, for AGMs and extraordinary general meetings; and

(4) press releases on major developments of the Group.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the above, any declaration of dividends is clearly communicated to the shareholders via SGXNet. For FY2014, the Board has proposed a final one-tier tax exempt dividend of S$0.0032 per share, subject to shareholders' approval at the forthcoming AGM.

Principle 16: Greater shareholder participation and communication at general meetings of shareholders.

General meetings are the main forum for communication with shareholders. Notices of the general meetings as well as annual reports for AGMs are sent to all shareholders. The members of the Board and Board Committees will be present at the general meetings to answer queries from shareholders. During AGMs, the external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders about the conduct of audit as well as the preparation and content of the auditors' report. The Board welcomes the views of shareholders on matters affecting the Company, whether at general meetings or on an ad-hoc basis. All minutes of general meetings that include substantial and relevant comments or queries from shareholders and responses from the Board and the Management are made available to shareholders upon their request.

Shareholders are given the opportunity to vote at general meetings. However, as the authentication of shareholders' identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means.

Resolutions are as far as possible, structured separately and may be voted upon independently. Resolutions are passed at general meetings by hand and by poll, if required.

While acknowledging that voting by poll is integral in the enhancement of corporate governance, the Company is concerned over the cost effectiveness and efficiency of the polling procedures which may be logistically and administratively burdensome. Electronic polling may be efficient in terms of speed but may not be cost effective. The Board will adhere to the requirements of the Catalist Rules where all resolutions are to be voted by poll for general meetings held on and after 1 August 2015.

DEALINGS IN SECURITIES

In line with Rule 1204(19) of the Catalist Rules, the Group has adopted and implemented policies in line with the SGX-ST's best practices in relation to the dealing of shares of the Company. The policies have been made known to Directors, executive officers and any other persons as determined by the Management who may possess unpublished material price-sensitive information of the Group.

The Group has advised Directors and all key executives not to deal in the Company's shares during the period commencing one (1) month prior to the announcement of the Company's half-year and full-year results respectively and ending on the date of the announcement of the results.

The Group has reminded its Directors and officers that it is an offence under the Securities and Futures Act (Chapter 289 of Singapore) for a listed issuer or its officers to deal in the listed issuer's securities as well as securities of other listed issuers when the officers are in possession of unpublished material price-sensitive information in relation to those securities. Directors and officers are expected and reminded to observe insider-trading laws at all times even when dealing in securities within permitted trading periods. The Group has further reminded its Directors and officers not to deal in the Company's securities on short-term considerations.

AUDITOR AND AUDIT FEES

The aggregate amount of fees paid to the Company's external auditors, Ernst & Young LLP and member firms of Ernst & Young Global, in FY2014, was S$239,462, comprising approximately S$213,333 audit fees and S$26,129 non-audit fees for acting as tax agent. The Group confirms that it has complied with Rule 712 and Rule 715 of the Catalist Rules in relation to its auditing firms. The AC, having reviewed such non-audit services, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

Having been satisfied as to the foregoing and that Rule 712 of the Catalist Rules has been complied with, the AC has recommended the re-appointment of Ernst & Young LLP as external auditors at the forthcoming AGM.

NON-SPONSOR FEES

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees paid to the Company's sponsor, Canaccord Genuity Singapore Pte. Ltd., in FY2014.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiaries involving the interests of the Chief Executive Officer, any Director or controlling shareholder, either still subsisting at the end of FY2014, or if not then subsisting, entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that transactions are conducted at arm's length basis and will not be prejudicial to the interests of the Company and its minority shareholders.

There were no interested person transactions entered into during the financial year under review for interested person transactions with a value of more than S$100,000 each.

USE OF PROCEEDS FROM THE IPO

As at the date of the auditors' report, the Group has fully utilised the net proceeds of S$3.5 million from its IPO for the purposes of general working capital, the expansion of sale and distribution networks, and the upgrading of existing manufacturing facilities. This is in accordance with the stated use and percentages allocated as stated on page 28 of the Company's offer document dated 25 July 2011. The net proceeds that were used for general working capital purposes were mainly used for the Group's operating expenses such as administrative expenses as well as selling and distribution expenses.

USE OF PROCEEDS FROM THE RIGHTS ISSUE

The Company had, in December 2013, completed a renounceable non-underwritten rights issue exercise of 36,160,000 new ordinary shares in the capital of the Company ("**Rights Shares**") at an issue price of S$0.15 per Rights Share ("**Rights Issue**").

As at the date of the auditor's report, the Group has fully utilised the net Rights Issue proceeds of S$5.2 million for the purposes of acquisition of the Group's subsidiary Eden Refrigeration Manufacturing Co., Ltd and general working capital. This is in accordance with the stated use and percentages allocated as stated on page 39 of the Company's offer information statement dated 5 December 2013. The nets proceeds that were used for general working capital purposes were mainly used for the Group's operating expenses such as administrative expenses as well as selling and distribution expenses.

Disclosure on Compliance with the Code of Corporate Governance 2012

Guideline	Questions	How the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	(a) The Company has complied with all the principles and guidelines of the Code save for the following: • **disclosure of the remuneration of directors and key management personnel** The Company has not disclosed the exact details of the remuneration of each individual Director and the top five (5) key management personnel due to sensitive nature of such information and a disclosure of such would be prejudicial to the Company's interests. • **appointment of lead independent director** Although the Non-executive Chairman is the father of the Chief Executive Officer, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence. All major decisions are made in consultation with the Board. In view of the above, the Board is of the view that the Company does not need to appoint a lead independent director.

Guideline	Questions	How the Company complied?
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(b) • **Disclosure of the remuneration of directors and key management personnel** The RC recommends to the Board a framework of remuneration for the Board and key management personnel to ensure that the structure is competitive and sufficient to attract, retain and motivate key management personnel to run the Company successfully in order to maximise shareholders' value. The recommendations of the RC on the remuneration of Directors and key management personnel will be submitted for endorsement by the Board. The members of the RC do not participate in any decisions concerning their own remuneration. • **Appointment of lead independent director** Although the Non-executive Chairman is the father of the Chief Executive Officer, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence. All major decisions are made in consultation with the Board. In view of the above, the Board is of the view that the Company does not need to appoint a lead independent director.

Guideline	Questions	How the Company complied?
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	(a) Please refer to Principle 1 of the Corporate Governance Report.
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees?	(a) The Board comprises business leaders and professionals with financial, legal and business management backgrounds. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction.
	(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	(b) The Board periodically examines its size to ensure that it is of an appropriate number for effective decision-making, taking into account the scope and nature of the operations of the Group. The Board has considered the present Board size and is satisfied that the current size facilitates effective decision-making and is appropriate for the nature and scope of the Group's operations.
	(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	(c) The NC has put in place a formal and transparent process for all appointments to the Board. It has adopted written terms of reference defining its membership, administration and duties. As part of the process for the selection, appointment and re-appointment of Directors, the NC takes into consideration the following issues: composition, diversity and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance.
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	No new Directors were appointed in FY2014. Please refer to Principle 4 of the Corporate Governance Report for details on the nomination process.
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why.	(a) No new Directors were appointed in FY2014. Please refer to paragraph 5 of Principle 1 of the Corporate Governance Report.
	(b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	(b) Please refer to paragraphs 6 and 7 of Principle 1 of the Corporate Governance Report.

Guideline	Questions	How the Company complied?
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of directors?	(a) The Board has determined and set that as a general rule, the maximum number of listed company board appointments be not more than six (6) companies. However, any Directors may hold more than six (6) listed company board representations should the NC be satisfied and is of the view that such Directors are able to devote sufficient time and attention to the affairs of the Company after taking into account their individual circumstances, contributions, responsibilities and other principal commitments. (b) Not applicable. (c) In assessing the performance of each individual Director, the NC considers whether he has multiple board representations and other principal commitments, and is able to and adequately carry out his duties as a Director notwithstanding such commitments.
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	(a) Please refer to Principle 5 of the Corporate Governance Report. (b) Yes. The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory.
Independence of Directors		
Guideline 2.1	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes. As there are three (3) Independent Directors on the Board, the prevailing applicable requirement of the Code that at least one-third of the Board be comprised of Independent Directors is satisfied.

Guideline	Questions	How the Company complied?
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	(a) No. (b) Not applicable.
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	No.
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the Chief Executive Officer's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The Company has not disclosed exact details of the remuneration of each individual Director as it is not in the best interests of the Company and employees to disclose such details due to the sensitive nature of such information.
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the Chief Executive Officer).	(a) Please refer to Principle 9 of the Corporate Governance Report. (b) The annual aggregate remuneration paid to the top five (5) key management personnel of the Company (who are not Directors or the Chief Executive Officer) for FY2014 is S$971,106.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
Guideline 9.4	Is there any employee who is an immediate family member of a director or the Chief Executive Officer, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the Chief Executive Officer.	No.
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	(a) Please refer to Principle 9 of the Corporate Governance Report. (b) Please refer to Principle 9 of the Corporate Governance Report. (c) Yes.
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Please refer to Principle 6 of the Corporate Governance Report.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	For FY2014, the Company has outsourced its internal audit function to a qualified public accounting firm, PricewaterhouseCoopers LLP. Please refer to Principle 13 of the Corporate Governance Report for further information.

Guideline	Questions	How the Company complied?
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems. (b) In respect of the past 12 months, has the Board received assurance from the Chief Executive Officer and the Chief Financial Officer as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	(a) Please refer to Principle 11 of the Corporate Governance Report. (b) Yes.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year. (b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	(a) The aggregate amount of fees paid to the Company's external auditors, Ernst & Young LLP and member firms of Ernst & Young Global, in FY2014 was S$239,462 of which audit fees amounted to approximately S$213,333. (b) Save for a fee of S$26,129 for tax-related services, no other non-audit fees were paid to the Group's external auditors, Ernst & Young LLP and member firms of Ernst & Young Global for FY2014. The AC, having reviewed such non-audit services, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

Guideline	Questions	How the Company complied?
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors? (b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role? (c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	(a) Please refer to Principles 15 and 16 of the Corporate Governance Report. (b) The Group has specifically entrusted an investor relations team comprising the Non-executive Chairman, Chief Executive Officer, the Chief Financial Officer and an external investor relation firm with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns. (c) Please refer to Principles 15 and 16 of the Corporate Governance Report.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	For FY2014, the Board has proposed a final one-tier tax exempt dividend of S$0.0032 per share, subject to shareholders' approval at the forthcoming AGM. The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

DIRECTORS' REPORT

(Amounts expressed in Singapore Dollars unless otherwise stated)

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

Directors

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

Loh Ah Peng @ Loh Ee Ming
Loh Mun Yew
Leng Chee Keong
Allan Ward
Loh Pui Lai
Hew Koon Chan
Mak Yen-Chen Andrew
Tan Hwee Kiong

Arrangements to enable directors to acquire shares and debentures

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures of the Company or any other body corporate.

Directors' interests in shares and debentures

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

	Direct interest		Deemed interest	
Name of director	**At 1 January 2014**	**At 31 December 2014**	**At 1 January 2014**	**At 31 December 2014**
Universal Pte. Ltd.[(1)]				
Ordinary shares				
Loh Ah Peng @ Loh Ee Ming	19,688	19,688	5,000	5,000
Loh Mun Yew	13,270	13,270	–	–
Loh Pui Lai	5,170	5,170	–	–

(Amounts expressed in Singapore Dollars unless otherwise stated)

Directors' interests in shares and debentures (cont'd)

Name of director	Direct interest At 1 January 2014	Direct interest At 31 December 2014	Deemed interest At 1 January 2014	Deemed interest At 31 December 2014
Far East Group Limited				
Ordinary shares				
Loh Ah Peng @ Loh Ee Ming	760,500	860,500	–	–
Loh Mun Yew	981,900	981,900	–	–
Leng Chee Keong	6,124,800	6,324,800	–	–
Loh Pui Lai	–	–	6,300,000	6,300,000
Allan Ward	705,000	705,000	–	–

Notes:

(1) Universal Pte. Ltd. is an investment holding company incorporated in Singapore with an issued and paid up share capital of $4,839,000. Universal Pte. Ltd. is a controlling shareholder of the Company.

By virtue of Section 7 of the Singapore Companies Act, Cap. 50, Messrs. Loh Ah Peng @ Loh Ee Ming and Loh Mun Yew are deemed to have an interest in the shares held by the holding company, Universal Pte. Ltd., in the Company and in all its subsidiary companies.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2015.

Except as disclosed in this report, no director who held office at the end of the financial year had interest in shares or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Directors' contractual benefits

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

Options

No options to take up unissued shares of any company in the Group were granted during the financial year. As at 31 December 2014, no options over unissued shares of the Company or its subsidiary companies were outstanding.

(Amounts expressed in Singapore Dollars unless otherwise stated)

Audit committee

The audit committee (AC) carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Cap. 50.

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

The AC has met with internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Report on Corporate Governance.

Auditors

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

On behalf of the Board,

Loh Mun Yew
Director

Leng Chee Keong
Director

Singapore
2 April 2015

STATEMENT BY DIRECTORS

We, Loh Mun Yew and Leng Chee Keong, being two of the directors of Far East Group Limited, do hereby state that, in the opinion of the directors,

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

(b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

On behalf of the Board,

Loh Mun Yew
Director

Leng Chee Keong
Director

Singapore
2 April 2015

INDEPENDENT
AUDITOR'S REPORT
For the financial year ended 31 December 2014

Independent Auditor's Report to the Members of Far East Group Limited

Report on the Financial Statements

We have audited the accompanying financial statements of Far East Group Limited (the Company) and its subsidiary companies (collectively, the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company and the consolidated profit and loss account, consolidated statement of comprehensive income and the consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 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.

Auditor's Responsibility

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

For the financial year ended 31 December 2014

Independent Auditor's Report to the Members of Far East Group Limited

Opinion

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

Report on Other Legal and Regulatory Requirements

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
2 April 2015

BALANCE
SHEETS
As at 31 December 2014

(In Singapore dollars)

		Group		Company	
	Note	2014	2013	2014	2013
		$	$	$	$
Non-current assets					
Fixed assets	4	17,316,253	16,375,374	7,320,330	6,153,022
Investment property	5	–	–	–	–
Intangible assets	6	796,409	871,374	–	–
Land use rights	7	2,129,400	2,165,667	–	–
Investments in subsidiary companies	8	–	–	15,201,621	15,077,621
Unquoted investment	9	89,669	88,660	–	–
Deferred tax assets	10	131,201	139,535	–	–
Other receivables	13	13,448	26,575	–	–
Current assets					
Inventories	11	11,417,720	10,386,216	5,484,972	5,016,903
Trade debtors	12	7,418,922	7,617,714	3,830,387	4,055,172
Other receivables	13	837,496	1,432,008	63,505	756,943
Deposits		152,962	118,205	22,732	13,577
Prepayments		116,477	205,505	60,695	83,683
Advance payment to suppliers		497,393	921,265	411,543	745,886
Due from subsidiary companies (trade)	14	–	–	1,225,105	1,899,690
Due from subsidiary companies (non-trade)	14	–	–	540,907	565,637
Due from affiliated companies (non-trade)	14	–	30,170	–	3,400
Tax recoverable		410,438	286,828	8,263	–
Fixed deposits pledged to bank	32	–	430,573	–	–
Fixed deposits	32	443,542	704,840	6,244	6,228
Cash and bank balances	32	5,693,965	6,153,646	2,664,225	3,375,928
		26,988,915	28,286,970	14,318,578	16,523,047
Current liabilities					
Trade payables	15	1,952,639	2,411,729	1,107,155	1,253,929
Gross amount due to customer for contract work-in-progress		15,455	–	15,455	–
Trust receipts and bills payable (secured)	16	3,293,359	4,771,702	2,997,767	4,617,439
Other creditors		641,796	496,611	274,575	257,233
Accruals and other liabilities	17	2,482,656	2,201,038	1,495,370	849,572
Provision for warranty	18	27,916	156,963	27,916	156,963
Dividend payable		142,784	108,124	112,141	108,085
Due to subsidiary companies (trade)	14	–	–	1,052,549	1,708,465
Due to subsidiary companies (non-trade)	14	–	–	129,522	157,931
Due to affiliated companies (trade)	14	39,142	39,251	–	1,443
Due to affiliated companies (non-trade)	14	155,259	153,604	–	4,906
Provision for income tax		239,945	340,429	–	207,000
Finance lease obligations (current)	19	427,598	171,852	415,577	20,297
Term loans (current)	20	4,292,486	2,300,076	3,124,409	1,498,716
		13,711,035	13,151,379	10,752,436	10,841,979

BALANCE SHEETS

As at 31 December 2014

(In Singapore dollars)

	Note	Group 2014	Group 2013	Company 2014	Company 2013
		$	$	$	$
Net current assets		13,277,880	15,135,591	3,566,142	5,681,068
Non-current liabilities					
Deferred tax liabilities	10	149,874	83,642	85,225	13,218
Finance lease obligations (non-current)	19	455,068	11,762	447,338	–
Term loans (non-current)	20	3,771,686	5,869,316	3,771,686	5,267,647
Net assets		29,377,632	28,838,056	21,783,844	21,630,846
Share capital and reserves					
Share capital	21	19,264,441	19,264,441	19,264,441	19,264,441
Retained earnings		9,032,581	8,382,555	2,197,010	2,044,012
Capital reserve		322,393	322,393	322,393	322,393
Translation reserve	22	(1,553,338)	(1,495,729)	–	–
		27,066,077	26,473,660	21,783,844	21,630,846
Non-controlling interests		2,311,555	2,364,396	–	–
Total equity		29,377,632	28,838,056	21,783,844	21,630,846

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

CONSOLIDATED

PROFIT AND LOSS ACCOUNT

For the year ended 31 December 2014

(In Singapore dollars)

	Note	Group 2014	2013
		$	$
Turnover	23	36,670,008	35,634,053
Cost of sales		(24,971,001)	(24,114,004)
Gross profit		11,699,007	11,520,049
Other operating income	24	1,143,524	1,044,843
Distribution and selling expenses		(3,902,587)	(3,541,810)
Administrative expenses		(7,077,548)	(5,427,888)
Other operating expenses	25	(34,968)	(157,746)
Profit from operations	26	1,827,428	3,437,448
Financial expenses	28	(340,545)	(222,323)
Interest income		9,630	21,902
Profit before tax		1,496,513	3,237,027
Tax expense	29	(282,284)	(413,660)
Profit for the year		1,214,229	2,823,367
Attributable to:			
Equity holders of the Company		1,268,362	2,829,875
Non-controlling interests		(54,133)	(6,508)
		1,214,229	2,823,367
Earnings per share			
Basic and diluted (cents)	30	1.17	3.91

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

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
For the year ended 31 December 2014

(In Singapore dollars)

	Group	
	2014	**2013**
	$	**$**
Profit for the year	1,214,229	2,823,367
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	(56,317)	(33,424)
Total comprehensive income for the year	1,157,912	2,789,943
Attributable to:		
Equity holders of the Company	1,210,753	2,769,773
Non-controlling interests	(52,841)	20,170
	1,157,912	2,789,943

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

STATEMENTS OF
CHANGES IN EQUITY
For the year ended 31 December 2014

(In Singapore dollars)

		Attributable to equity holders of the Company					
	Equity, total	Equity attributable to owners of the parent, total	Share Capital	Retained earnings	Capital reserve	Translation reserve	Non-controlling interests
Group	$	$	$	$	$	$	$
As at 1 January 2013	18,969,327	18,785,665	13,955,691	5,943,208	322,393	(1,435,627)	183,662
Profit for the year	2,823,367	2,829,875	–	2,829,875	–	–	(6,508)
Other comprehensive income	(33,424)	(60,102)	–	–	–	(60,102)	26,678
Total comprehensive income for the year	2,789,943	2,769,773	–	2,829,875	–	(60,102)	20,170
Contributions by and distributions to owners							
Issuance of shares	5,424,000	5,424,000	5,424,000	–	–	–	–
Share issuance expenses	(115,250)	(115,250)	(115,250)	–	–	–	–
Dividends (Note 31)	(390,528)	(390,528)	–	(390,528)	–	–	–
Total contributions by and distributions to owners	4,918,222	4,918,222	5,308,750	(390,528)	–	–	–
Changes in ownership interests in subsidiary							
Acquisition of subsidiary (Note 8)	2,160,564	–	–	–	–	–	2,160,564
As at 31 December 2013	28,838,056	26,473,660	19,264,441	8,382,555	322,393	(1,495,729)	2,364,396
As at 1 January 2014	28,838,056	26,473,660	19,264,441	8,382,555	322,393	(1,495,729)	2,364,396
Profit for the year	1,214,229	1,268,362	–	1,268,362	–	–	(54,133)
Other comprehensive income	(56,317)	(57,609)	–	–	–	(57,609)	1,292
Total comprehensive income for the year	1,157,912	1,210,753	–	1,268,362	–	(57,609)	(52,841)
Contributions by and distributions to owners							
Dividends (Note 31)	(618,336)	(618,336)	–	(618,336)	–	–	–
As at 31 December 2014	29,377,632	27,066,077	19,264,441	9,032,581	322,393	(1,553,338)	2,311,555

STATEMENTS OF
CHANGES IN EQUITY
For the year ended 31 December 2014

(In Singapore dollars)

Company	Equity, total $	Share capital $	Retained earnings $	Capital reserve $
As at 1 January 2013	14,708,561	13,955,691	430,477	322,393
Profit for the year	2,004,063	–	2,004,063	–
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	2,004,063	–	2,004,063	–
Contributions by and distributions to owners				
Issuance of shares	5,424,000	5,424,000	–	–
Share issuance expenses	(115,250)	(115,250)	–	–
Dividends (Note 31)	(390,528)	–	(390,528)	–
As at 31 December 2013 and 1 January 2014	21,630,846	19,264,441	2,044,012	322,393
Profit for the year	771,334	–	771,334	–
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	771,334	–	771,334	–
Contributions by and distributions to owners				
Dividends (Note 31)	(618,336)	–	(618,336)	–
As at 31 December 2014	21,783,844	19,264,441	2,197,010	322,393

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

CONSOLIDATED
CASH FLOW STATEMENT
For the year ended 31 December 2014

(In Singapore dollars)

	Note	Group 2014	Group 2013
		$	$
Cash flows from operating activities			
Profit before tax		1,496,513	3,237,027
Adjustments:			
Allowance for doubtful trade debts		50,485	–
Allowance for doubtful trade debts written back		(2,500)	(61,244)
Allowance for doubtful debts due from an affiliated company written back		–	(12,544)
Write back for obsolete and slow-moving inventories, net		(378,271)	(572,163)
Fixed assets written off		2,944	6,455
Loss on disposal of fixed assets, net		3,587	3,793
Depreciation of fixed assets		1,248,309	824,212
Dividend income from unquoted investment		(369,186)	(416,968)
Amortisation of intangible assets		88,981	44,055
Amortisation of land use rights		45,551	22,684
Warranty written back, net		(108,999)	(167,686)
Interest expense		340,545	222,323
Interest income		(9,630)	(21,902)
Translation difference		(68,990)	(182,500)
Operating profit before working capital changes		2,339,339	2,925,542
(Increase)/decrease in:			
Inventories		(653,233)	2,179,426
Trade debtors		150,807	(439,071)
Other receivables		768,568	(366,336)
Deposits and prepayments		478,144	(242,428)
Increase/(decrease) in:			
Trade payables		(459,090)	(509,546)
Gross amount due to customer for contract work-in-progress		15,455	–
Other creditors		249,763	(80,657)
Accruals and other liabilities		259,610	(211,264)
Due to affiliated companies, net		25,607	(1,504,646)
Cash generated from operations		3,174,970	1,751,020
Interest paid		(340,545)	(222,323)
Income taxes paid		(431,873)	(265,280)
Income taxes refunded		61	53,297
Interest income		9,630	21,902
Net cash generated from operating activities		2,412,243	1,338,616

CONSOLIDATED
CASH FLOW STATEMENT
For the year ended 31 December 2014

(In Singapore dollars)

		Group	
	Note	**2014**	**2013**
		$	**$**
Cash flows from investing activities			
Proceeds from sale of fixed assets		314	418
Purchase of fixed assets	4	(895,535)	(1,747,934)
Dividends received		208,256	285,241
Net cash outflow on acquisition of subsidiary	8	(1)	(8,630,977)
Net cash used in investing activities		(686,966)	(10,093,252)
Cash flows from financing activities			
Dividends paid		(629,095)	(379,215)
Fixed deposits pledged to bank		430,573	(99,613)
Trust receipts and bills payable		(1,478,343)	1,261,988
Repayment of finance lease obligations		(698,311)	(91,563)
Repayment of term loans		(2,024,219)	(2,412,478)
Proceed from term loans		1,918,999	8,101,412
Proceeds from issuance of shares		–	5,424,000
Payment of share issuance expenses		–	(115,250)
Net cash (used in)/generated from financing activities		(2,480,396)	11,689,281
Net (decrease)/increase in cash and cash equivalents		(755,119)	2,934,645
Effect of exchange rate changes on cash and cash equivalents		34,140	48,077
Cash and cash equivalents at beginning of year		6,858,486	3,875,764
Cash and cash equivalents at end of year	32	6,137,507	6,858,486

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

1. CORPORATE INFORMATION

Far East Group Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Catalist of Singapore Exchange Securities Trading Limited (SGX-ST). The Company's registered office and principal place of business is located at 112 Lavender Street, #04-00 Far East Refrigeration Building, Singapore 338728.

The Company's immediate and ultimate holding company is Universal Pte. Ltd., incorporated in Singapore.

The principal activities of the Company consist of trading of refrigeration parts, servicing of cold rooms, construction and installation of commercial and industrial cold rooms and all other incidental business of refrigeration.

The principal activities of the subsidiary companies are shown in Note 8.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

The financial statements are presented in Singapore Dollars (SGD or $).

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company. Additional disclosures were provided as required by these new and revised standards.

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

2.3 Standards issued but not yet effective

The Company has not adopted the following standards and interpretations that have been issued but not yet effective:

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 19 Defined Benefit Plans: *Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
Amendments to FRS 102 *Share Based Payment*	1 July 2014
Amendments to FRS 103 *Business Combinations*	1 July 2014
Amendments to FRS 108 *Operating Segments*	1 July 2014
Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
Amendments to FRS 16 *Property, Plant and Equipment and* FRS 38 *Intangible Assets*	1 July 2014
Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014)	
Amendments to FRS 103 *Business Combinations*	1 July 2014
Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
FRS 114 *Regulatory Deferral accounts*	1 January 2016
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 111: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to FRS 110 and FRS 28: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Improvements to FRSs (November 2014)	1 January 2016
Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
Amendment to FRS 19 *Employee Benefits*	1 January 2016
Amendment to FRS 34 *Interim Financial Reporting*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017

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

FRS 115 Revenue from Contracts with Customers

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

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

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

Basis of consolidation from 1 January 2010

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

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

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

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

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

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when controls is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

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

(a) Basis of consolidation (cont'd)

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

– Acquisition of non-controlling interests, prior to 1 January 2010, was accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.

– Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2013 were not reallocated between non-controlling interest and the owners of the Company.

– Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 had not been restated.

(b) Business combinations

Business combinations from 1 January 2010

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not to be remeasured until it is finally settled within equity.

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

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

(b) Business combinations (cont'd)

Business combinations from 1 January 2010 (cont'd)

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. The accounting policy for goodwill is set out in Note 2.9(a). In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in profit or loss on the acquisition date.

Business combinations prior to 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

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

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

(b) Business combinations (cont'd)

Business combinations prior to 1 January 2010 (cont'd)

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.5 Transactions with non-controlling interests

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

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

2.6 Foreign currency

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

(a) Transactions and balances

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

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

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

2.6 Foreign currency (cont'd)

(b) Consolidated financial statements

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

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

2.7 Fixed assets

All fixed assets are initially recorded at cost. Subsequent to recognition, fixed assets are measured at cost less accumulated depreciation and any accumulated impairment losses.

The cost includes the cost of replacing part of the fixed asset and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying fixed asset. The accounting policy for borrowing cost is set out in Note 2.21. The cost of an item of fixed asset is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

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

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

Freehold buildings	50 years
Leasehold land and buildings	20 to 60 years
Plant and machinery	5 to 10 years
Motor vehicles	5 years
Renovation	3 to 10 years
Office equipment, furniture and fittings	3 to 10 years
Computers	1 to 3 years
Software	10 years

Assets under construction included in fixed assets are not depreciated as these assets are not yet available for use.

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

2.7 Fixed assets (cont'd)

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

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

2.8 Investment properties

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

Investment properties are initially measured at cost, including transaction costs. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

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

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

Transfers are made to or from investment property only when there is a change in use. For a transfer from investment property to owner-occupied property, the deemed cost for subsequent accounting is the fair value at the date of change of use. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for fixed assets set out in Note 2.7 up to the date of change of use.

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

2.9 Intangible assets

(a) Goodwill

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

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

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash-generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit is less than the carrying amount, an impairment loss is recognised in profit or loss. Impairment losses recognised for goodwill are not reversed in subsequent periods.

Where goodwill forms part of a cash-generating unit and part of the operation within that cash-generating unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative fair values of the operations disposed of and the portion of the cash-generating unit retained.

Goodwill and fair value adjustments arising on the acquisition of foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated in accordance with the accounting policy set out in Note 2.6.

Goodwill and fair value adjustments which arose on acquisition of foreign operation before 1 January 2005 are deemed to be assets and liabilities of the Company and are recorded in SGD at the rates prevailing at the date of acquisition.

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

2.9 Intangible assets (cont'd)

(b) Other intangible assets

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

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

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

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

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

Customer list

The customer list was acquired in business combinations and is amortised on a straight-line basis over its useful life of 10 years.

2.10 Land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised on a straight-line basis over the lease term of 50 years.

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

2.11 Impairment of non-financial assets

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

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

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

Impairment losses are recognised in profit or loss.

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

2.12 Subsidiaries

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

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

2.13 Affiliated companies

An affiliated company is a company, not being a subsidiary company, associated company or joint venture company, in which one or more of the directors or shareholders of the Company or its subsidiaries have a significant equity interest or exercise significant influence.

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

2.14 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

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

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

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

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

De-recognition

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

Regular way purchase or sale of a financial asset

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

Other financial liabilities

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

De-recognition

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

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

2.14 Financial instruments (cont'd)

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the balance sheets, when and only when, there is a currently enforceable legal right to set off the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

2.15 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

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

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

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

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

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

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

2.15 Impairment of financial assets (cont'd)

(b) Financial assets carried at cost

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

(c) Available-for-sale financial assets

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

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

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

2.16 Cash and cash equivalents

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

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

2.17 Inventories

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

Cost is determined using the weighted average method. The cost of raw materials comprises cost of purchase. The cost of work-in-progress and finished goods comprises costs of direct materials, direct labour, other direct costs and a proportion of manufacturing overheads based on normal operating capacity.

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

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

2.18 Provisions

General

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

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

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

2.19 Government grants

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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

2.20 Financial guarantee

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.21 Borrowing costs

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

2.22 Employee benefits

(a) Defined contribution plans

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

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period. Any employee leave entitlement expected to be settled beyond twelve months after the end of the reporting period is forfeited.

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

2.23 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(a) As lessee

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

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

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

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(e). Contingent rents are recognised as revenue in the period in which they are earned.

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

2.24 Revenue

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

(a) Sale of goods

Revenue from sale of goods is recognised upon the transfer of significant risk and rewards of ownership of the goods to the customer, usually on delivery of goods. Revenue is not recognised to the extent where there are significant uncertainties regarding recovery of the consideration due, associated costs or the possible return of goods.

(b) Project sales and installation work on projects, and project maintenance services

Project revenue is recognised by reference to the stage of completion at the end of the reporting period. Stage of completion is determined by reference to cost incurred as a percentage of total estimated cost of each contract. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

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

(e) Rental income

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

(f) Royalty income

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreement.

(g) Management fee income

Management fee income is recognised on an accruals basis in accordance with the substance of the relevant agreement.

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

2.25 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

– Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of taxable temporary differences associated with investment in subsidiaries, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

– Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

– In respect of deductible temporary differences associated with investment in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

2.25 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

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

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(c) Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

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

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

2.26 Share capital and share issuance expenses

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

2.27 Contingencies

A contingent liability is:

(a) a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or

(b) a present obligation that arises from past events but is not recognised because:

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

(ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

2.28 Related parties

A related party is defined as follows:

(a) A person or a close member of that person's family is related to the Group and Company if that person:

(i) has control or joint control over the Company;

(ii) has significant influence over the Company; or

(iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

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

2.28 Related parties (cont'd)

(b) An entity is related to the Group and the Company if any of the following conditions applies:

(i) The entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);

(ii) One entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);

(iii) Both entities are joint ventures of the same third party;

(iv) One entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) The entity is a post-employment benefit plan for the benefit of employees of either the Company or an entity related to the Company. If the Company is itself such a plan, the sponsoring employers are also related to the Company;

(vi) The entity is controlled or jointly controlled by a person identified in (a);

(vii) A person identified in (a) (i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity).

3. SIGNIFICANT ACCOUNTING ESTIMATES AND JUDGEMENTS

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

Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement which has the most significant effect on the amounts recognised in the consolidated financial statements:

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. Management has assessed that prices are mainly denominated and settled in the respective local currency of the entities of the Group. In addition, most of the entities' cost base is mainly denominated in their respective local currency. Therefore, management concluded that the functional currency of the entities of the Group is their respective local currency.

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

Key sources of estimation uncertainty

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

(i) Useful lives of fixed assets and customer list

Fixed assets and customer list are depreciated on a straight-line basis over their estimated economic useful lives. Changes in the expected level of usage and future technological developments could impact the economic useful lives of these assets. Therefore future depreciation charges could be revised.

The carrying amounts of the Group's and Company's fixed assets as at 31 December 2014 were $17,316,253 (2013: $16,375,374) and $7,320,330 (2013: $6,153,022) respectively. The carrying amount of the Group's customer list as at 31 December 2014 was $606,740 (2013: $689,775).

(ii) Impairment of loans and receivables

The Group and the Company assess at each reporting period whether there is objective evidence that financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. As at 31 December 2014, the carrying amount of trade and other receivables of the Group and the Company, including balances with subsidiary and affiliated companies amounted to $8,256,418 (2013: $9,079,892) and $5,659,904 (2013: $7,280,842) respectively.

(iii) Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the Group's regional business relationships and the nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile.

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

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

Key sources of estimation uncertainty (cont'd)

(iii) Income taxes (cont'd)

As at 31 December 2014, the carrying amounts of the Group's tax recoverable, provision for income tax, deferred tax assets and deferred tax liabilities were $410,438 (2013: $286,828), $239,945 (2013: $340,429), $131,201 (2013: $139,535) and $149,874 (2013: $83,642) respectively. As at 31 December 2014, the carrying amounts of the Company's tax recoverable, provision for income tax and deferred tax liabilities were $8,263 (2013: $Nil), $Nil (2013: $207,000) and $85,225 (2013: $13,218) respectively.

(iv) Allowance for obsolete and slow-moving inventories

When necessary, allowance is provided for obsolete and slow-moving inventories to adjust the carrying value of inventories to the lower of cost and net realisable value. Management has estimated the allowance for obsolete and slow-moving inventories based on review of an aging analysis of inventories at the end of the reporting period. The carrying value of inventories as at 31 December 2014 for the Group and the Company amounted to $11,417,720 (2013: $10,386,216) and $5,484,972 (2013: $5,016,903) respectively.

(v) Provision for warranty

Provision for warranty is recognised for expected warranty claims on certain products sold and installation works performed. Management has estimated the provision for warranty based on past experience and understanding of the historical level of repair and returns. It is expected that all of these costs will have been incurred within one to two years from the balance sheet date. The Group and the Company provided $27,916 (2013: $156,963) of warranty provisions as at 31 December 2014.

(vi) Impairment on non-financial assets

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

As at 31 December 2014, the carrying amount of the Company's investment in subsidiary companies and the Group's fixed assets were $15,201,621 (2013: $15,077,621) and $17,316,253 (2013: $16,375,374) respectively.

(vii) Impairment of intangible assets

As disclosed in Note 6 to the financial statements, the recoverable amounts of the cash generating units which goodwill and customer list have been allocated to have been determined based on value in use calculations. The value in use calculations are based on a discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use are disclosed and further explained in Note 6 to the financial statements.

4. FIXED ASSETS

Group	Freehold land	Freehold buildings	Leasehold land and buildings	Plant and machinery	Motor vehicles	Renovation	Office equipment, furniture and fittings	Computers	Assets under construction	Software	Total
	$	$	$	$	$	$	$	$	$	$	$
Cost											
At 1.1.2013	3,535,568	2,901,828	717,062	2,699,207	684,203	1,079,157	507,331	1,086,682	–	–	13,211,038
Additions	–	–	115,520	849,018	–	40,200	60,492	42,183	640,521	–	1,747,934
Disposals	–	–	(4,546)	–	–	–	(15,452)	(153)	–	–	(20,151)
Write off	–	–	–	(272,454)	–	(5,849)	(55,251)	(464,728)	–	–	(798,282)
Reclassification	–	–	–	(2,847)	–	–	2,847	–	–	–	–
Transfer to investment property (Note 5)	–	–	(113,646)	–	–	–	–	–	–	–	(113,646)
Acquisition of subsidiary (Note 8)	–	–	4,315,494	2,809,977	70,430	836,195	212,783	42,659	57,953	–	8,345,491
Translation differences	(21,522)	(26,699)	70,606	(22,193)	(8,633)	9,414	(2,813)	(3,194)	632	–	(4,402)
At 31.12.2013 and 1.1.2014	3,514,046	2,875,129	5,100,490	6,060,708	746,000	1,959,117	709,937	703,449	699,106	–	22,367,982
Additions	–	–	–	53,219	–	83,465	66,153	65,387	637,893	1,386,782	2,292,899
Disposals	–	–	–	(268)	–	–	(6,389)	(2,603)	–	–	(9,260)
Write off	–	–	–	(51)	–	–	(86,610)	(133,474)	–	–	(220,135)
Reclassification	–	–	–	(14,746)	14,746	–	–	–	–	–	–
Transfer to other creditors	–	–	(104,577)	–	–	–	–	–	–	–	(104,577)
Translation differences	(18,084)	(22,434)	43,224	(35,651)	(7,305)	7,196	(2,329)	(1,478)	7,473	–	(29,388)
At 31.12.2014	3,495,962	2,852,695	5,039,137	6,063,211	753,441	2,049,778	680,762	631,281	1,344,472	1,386,782	24,297,521

4. FIXED ASSETS (CONT'D)

Group (cont'd)	Freehold land	Freehold buildings	Leasehold land and buildings	Plant and machinery	Motor vehicles	Renovation	Office equipment, furniture and fittings	Computers	Assets under construction	Software	Total
	$	$	$	$	$	$	$	$	$	$	$
Accumulated depreciation											
At 1.1.2013	–	614,920	484,827	2,286,509	525,589	814,604	397,806	1,030,968	–	–	6,155,223
Charge for the year	–	57,988	111,900	312,735	85,876	159,912	46,421	49,380	–	–	824,212
Disposals	–	–	(350)	–	–	–	(15,452)	(138)	–	–	(15,940)
Write off	–	–	–	(272,385)	–	(5,214)	(49,556)	(464,672)	–	–	(791,827)
Transfer to investment property (Note 5)	–	–	(113,646)	–	–	–	–	–	–	–	(113,646)
Translation differences	–	(7,014)	6,101	(47,710)	(8,278)	(728)	(4,588)	(3,197)	–	–	(65,414)
At 31.12.2013 and 1.1.2014	–	665,894	488,832	2,279,149	603,187	968,574	374,631	612,341	–	–	5,992,608
Charge for the year	–	57,594	211,116	528,663	81,184	203,849	64,795	54,882	–	46,226	1,248,309
Disposals	–	–	–	(137)	–	–	(2,875)	(2,347)	–	–	(5,359)
Write off	–	–	–	(688)	–	–	(83,465)	(133,038)	–	–	(217,191)
Reclassification	–	–	–	(492)	492	–	–	–	–	–	–
Translation differences	–	(6,469)	7,625	(30,583)	(7,741)	3,503	(2,235)	(1,199)	–	–	(37,099)
At 31.12.2014	–	717,019	707,573	2,775,912	677,122	1,175,926	350,851	530,639	–	46,226	6,981,268
Net carrying amount											
At 31.12.2013	3,514,046	2,209,235	4,611,658	3,781,559	142,813	990,543	335,306	91,108	699,106	–	16,375,374
At 31.12.2014	3,495,962	2,135,676	4,331,564	3,287,299	76,319	873,852	329,911	100,642	1,344,472	1,340,556	17,316,253

4. FIXED ASSETS (CONT'D)

Company	Freehold land	Freehold buildings	Leasehold land and buildings	Plant and machinery	Motor vehicles	Renovation	Office equipment, furniture and fittings	Computers	Software	Total
	$	$	$	$	$	$	$	$	$	$
Cost										
At 1.1.2013	2,775,973	1,959,511	2,400,000	281,756	343,608	830,763	188,402	876,706	–	9,656,719
Additions	–	–	–	–	–	20,500	40,867	27,843	–	89,210
Write off	–	–	–	–	–	–	(399)	(409,728)	–	(410,127)
At 31.12.2013 and 1.1.2014	2,775,973	1,959,511	2,400,000	281,756	343,608	851,263	228,870	494,821	–	9,335,802
Additions	–	–	–	–	–	–	11,667	36,259	1,386,782	1,434,708
Write off	–	–	–	–	–	–	(68,200)	(93,007)	–	(161,207)
At 31.12.2014	2,775,973	1,959,511	2,400,000	281,756	343,608	851,263	172,337	438,073	1,386,782	10,609,303
Accumulated depreciation										
At 1.1.2013	–	384,693	775,131	281,385	268,654	616,511	144,130	846,434	–	3,316,938
Charge for the year	–	39,191	85,520	369	33,839	78,573	13,729	24,639	–	275,860
Write off	–	–	–	–	–	–	(346)	(409,672)	–	(410,018)
At 31.12.2013 and 1.1.2014	–	423,884	860,651	281,754	302,493	695,084	157,513	461,401	–	3,182,780
Charge for the year	–	39,190	85,585	2	33,075	33,925	10,518	18,605	46,226	267,126
Write off	–	–	–	–	–	–	(67,926)	(93,007)	–	(160,933)
At 31.12.2014	–	463,074	946,236	281,756	335,568	729,009	100,105	386,999	46,226	3,288,973
Net carrying amount										
At 31.12.2013	2,775,973	1,535,627	1,539,349	2	41,115	156,179	71,357	33,420	–	6,153,022
At 31.12.2014	2,775,973	1,496,437	1,453,764	–	8,040	122,254	72,232	51,074	1,340,556	7,320,330

4. FIXED ASSETS (CONT'D)

The following fixed assets are pledged as collateral for the Group's and Company's term loans and other banking facilities such as trust receipts:

(a) Freehold land, freehold buildings and leasehold land and buildings of the Company with net carrying amount of $2,775,973 (2013: $2,775,973), $1,496,437 (2013: $1,535,627) and $1,453,764 (2013: $1,539,349) respectively;

(b) Freehold land and freehold buildings of subsidiary companies with net carrying amount of $719,989 (2013: $738,073) and $639,239 (2013: $673,608) respectively; and

(c) Leasehold land and buildings of subsidiary companies with net carrying amount of $4,236,858 (2013: $4,511,313).

During the financial year, the Group acquired software and office equipment, furniture and fittings with an aggregate cost of $1,397,364 (2013: $Nil) by means of finance leases. The cash outflow on acquisition of fixed assets amounted to $895,535 (2013: $1,747,934).

Net carrying amount of fixed assets under finance leases are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Plant and machinery	379,736	422,717	–	–
Motor vehicles	8,039	26,734	8,039	26,734
Office equipment, furniture and fittings	21,382	20,548	–	–
Software	1,340,556	–	1,340,556	–

Leased assets are pledged as security for the related finance lease liabilities.

5. INVESTMENT PROPERTY

	Group 2014	Group 2013
	$	$
Balance sheet:		
At 1 January	–	–
Transfer from fixed assets (cost)	–	113,646
Transfer from fixed assets (accumulated depreciation)	–	(113,646)
At 31 December	–	–
Profit or loss:		
Rental income from investment property:		
– Minimum lease payments	28,880	13,761
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating property	2,630	2,673

Management estimates the fair value of the investment property to be $766,800 (2013: $766,800) as at the end of the reporting period, with reference to the trade prices of similar properties in the market.

The investment property is mortgaged to secure banking facilities for one of the subsidiary company.

Description and location	Existing use	Tenure	Unexpired lease term
Office unit, Kowloon, Hong Kong	Office	Leasehold	36 years, up to 2049

6. INTANGIBLE ASSETS

Group	Goodwill	Customer list	Total
	$	$	$
Cost:			
At 1.1.2013	–	–	–
Acquisition of subsidiary (Note 8)	181,599	723,188	904,787
Translation differences	–	11,940	11,940
At 31.12.2013 and 1.1.2014	181,599	735,128	916,727
Acquisition of subsidiary (Note 8)	8,070	–	8,070
Translation differences	–	9,154	9,154
At 31.12.2014	189,669	744,282	933,951
Accumulated amortisation:			
At 1.1.2013	–	–	–
Amortisation for the year	–	44,055	44,055
Translation differences	–	1,298	1,298
At 31.12.2013 and 1.1.2014	–	45,353	45,353
Amortisation for the year	–	88,981	88,981
Translation differences	–	3,208	3,208
At 31.12.2014	–	137,542	137,542
Net carrying amount:			
At 31.12.2013	181,599	689,775	871,374
At 31.12.2014	189,669	606,740	796,409

6. INTANGIBLE ASSETS (CONT'D)

Customer list

The customer list was acquired in business combinations and is amortised on a straight-line basis over its useful life of 10 years.

The amortisation expense is included in the "Administrative expenses" line item in profit or loss.

Impairment testing of goodwill and customer list

Goodwill acquired through business combinations and customer base have been allocated to one cash-generating unit (CGU), which is Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd (ERM), for impairment testing.

The recoverable amounts of the CGU have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are 10% and 21.3% respectively.

Key assumptions used in the value in use calculations

The calculation of value in use for the CGU is most sensitive to the following assumptions:

Budgeted gross margins – Gross margins are based on average values achieved in the two years preceding the start of the budget period. This remained constant over the budget period and no major changes for the pricing are anticipated.

Growth rates – The forecasted growth rates are based on expected upcoming potential major projects which ERM will secure and supply the equipment.

Pre-tax discount rates – Discount rates represent the current market assessment of the risks, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the Group and its operating segments and derived from its weighted average cost of capital (WACC).

Sensitivity to changes in assumptions

With regards to the assessment of value in use for ERM, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

7. LAND USE RIGHTS

	Group 2014	Group 2013
	$	$
Cost:		
At 1 January	2,188,625	–
Acquisition of subsidiary (Note 8)	–	2,175,633
Translation differences	9,961	12,992
At 31 December	2,198,586	2,188,625
Accumulated amortisation:		
At 1 January	22,958	–
Amortisation for the year	45,551	22,684
Translation differences	677	274
At 31 December	69,186	22,958
Net carrying amount:		
At 31 December	2,129,400	2,165,667
Amount to be amortised:		
– Not later than one year	45,551	32,534
– Later than one year but not later than five years	182,204	130,136
– Later than five years	1,901,645	2,002,997

The Group has land use rights over one plot of state-owned land in People's Republic of China (PRC) where the Group's PRC manufacturing and storage facilities reside. The land use rights are not transferrable and have a remaining tenure of 46 years up to 2061.

The land use rights is pledged as collateral for a subsidiary company's term loans.

8. INVESTMENTS IN SUBSIDIARY COMPANIES

	Company 2014	Company 2013
	$	$
Unquoted equity shares, at cost	15,201,621	15,077,621

Name of subsidiary company	Principal activities	Country of incorporation	Proportion of ownership interest 2014	Proportion of ownership interest 2013
			%	%
Held by the Company				
Far East Refrigeration (M) Sdn. Bhd. #	Investment holding	Malaysia	100	100
Far East Refrigeration Limited #	Trading of refrigeration and air-conditioning parts	Hong Kong	100	100
RSP Systems Pte Ltd @	Supply and solutions provider of refrigeration and air-conditioning monitoring and energy management systems	Singapore	57.1	57.1
Edenkool Pte Ltd @	Trading of refrigeration and air-conditioning parts	Singapore	100	100
GPS Compressor Services & Parts Pte Ltd @ ^	Repair and maintenance for refrigeration and air-conditioning compressors	Singapore	100	100
Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd #	Manufacturing and trading of electrical, refrigeration and air-conditioning equipment and parts	PRC	84.25	84.25
Far East Refrigeration Vietnam Company Limited *	Trading of refrigeration and air-conditioning parts	Vietnam	100	–

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Name of subsidiary company	Principal activities	Country of incorporation	Proportion of ownership interest 2014	2013
			%	%
Held through Far East Refrigeration (M) Sdn. Bhd.				
Far East Maju Engineering Works Sdn. Bhd. #	Manufacturing and trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100
Far East Enterprises (K.L.) Sdn. Bhd. #	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100
Far East Enterprises (Penang) Sdn. Bhd. #	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	93.88	93.88
FE & B Engineering (M) Sdn. Bhd. #	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100
Far East Refrigeration (Kuching) Sdn. Bhd. #	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100
Safety Enterprises Sdn. Bhd. #	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100
Green Point Compressor Services & Parts Sdn. Bhd. (GPCSP) #	Repair and maintenance for air-conditioning compressors	Malaysia	100	–

@ Audited by Ernst & Young LLP, Singapore

\# Audited by member firms of EY Global in the respective countries

* Not disclosed as this subsidiary company is considered not significant

^ Formerly known as Green Point (Singapore) Pte Ltd

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Incorporation of subsidiary

During the year, the Company incorporated a company in Vietnam for a cash consideration of $124,000 (equivalent to USD100,000). This constitutes 100% of equity interest in Far East Refrigeration Vietnam Company Limited.

Acquisition of subsidiary

On 1 January 2014 (the "acquisition date"), the Group through its wholly-owned subsidiary company, Far East Refrigeration (M) Sdn. Bhd, acquired a 100% interest in GPCSP for a consideration of $1 (equivalent to RM3).

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of GPCSP's net identifiable assets.

The fair value of the identifiable assets and liabilities of GPCSP as at the date of acquisition were:

	Fair value recognised on acquisition
	$
Accrual and other liabilities	(1,960)
Due to related companies	(6,109)
	(8,069)
Total identifiable net liabilities at fair value	(8,069)
Goodwill arising from acquisition	8,070
Total consideration	1

Effect of the acquisition of GPCSP on cash flows

	$
Total consideration for 100% equity interest acquired, settled in cash	1
Less: Cash and cash equivalents of subsidiary acquired	–
Net cash outflow on acquisition	1

Goodwill arising from acquisition

The goodwill of $8,070 comprises the value of strengthening the Group's market position in the Malaysia and cost reduction synergies expected to arise from the acquisition.

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Acquisition of subsidiary (cont'd)

Impact of the acquisition on profit or loss

From the acquisition date, GPCSP has contributed $3,745 of revenue and a loss of $50,359 to the Group's results for the year.

In the prior year, the Company acquired 84.25% equity interest in Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd (ERM), a manufacturer of heat exchangers and condensing units in the PRC. Upon the acquisition, ERM became a subsidiary of the Group.

The Group acquired ERM in order to strengthen its position in the heating, ventilation, air-conditioning and refrigeration industry in the PRC. The acquisition is also expected to reduce costs through economies of scale.

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of ERM's net identifiable assets.

The fair value of the identifiable assets and liabilities of ERM as at the date of acquisition were:

	Fair value recognised on acquisition $
Fixed assets	8,345,491
Intangible assets	723,188
Land use rights	2,175,633
Inventories	3,076,242
Trade debtors	703,067
Other receivables	517,102
Deposits	26,821
Prepayments	181,752
Due from affiliated companies	695,829
Fixed deposits	212,614
Cash and bank balances	2,895,309
	19,553,048
Trade payables	(1,315,358)
Other creditors	(210,202)
Accrual and other liabilities	(1,028,314)
Due to affiliated companies	(1,729,139)
Finance lease obligations	(235,390)
Term loan	(1,316,780)
	(5,835,183)
Total identifiable net assets at fair value	13,717,865
Non-controlling interest measured at the non-controlling interest's proportionate share of ERM's net identifiable assets	(2,160,564)
Goodwill arising from acquisition	181,599
Total consideration	11,738,900

8. INVESTMENTS IN SUBSIDIARY COMPANIES (CONT'D)

Acquisition of subsidiary (cont'd)

Effect of the acquisition of ERM on cash flows

	$
Total consideration for 84.25% equity interest acquired, settled in cash	11,738,900
Less: Cash and cash equivalents of subsidiary acquired	(3,107,923)
Net cash outflow on acquisition	8,630,977

Transaction costs

Transaction costs related to the acquisition of $91,589 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2013.

Goodwill arising from acquisition

The goodwill of $181,599 comprises the value of strengthening the Group's market position in the PRC and cost reduction synergies expected to arise from the acquisition.

Impact of the acquisition on profit or loss

From the acquisition date, ERM has contributed $4,390,312 of revenue and a loss of $74,121 to the Group's results for the year. If the business combination had taken place at the beginning of the year, the revenue would have been $38,016,964 and the Group's results, net of tax would have been $2,318,152.

9. UNQUOTED INVESTMENT

Available-for-sale financial asset

	Group	
	2014	2013
	$	$
Unquoted equity shares, at cost	95,865	95,865
Translation differences	(6,196)	(7,205)
	89,669	88,660

The unquoted investment is measured at cost less impairment losses as there is no quoted market price in an active market and the fair value of this investment cannot be reliably measured.

The Group's interest in Guangzhou Fayi Trading Company Limited (GFTCL) is held in trust for the Group by the majority shareholder of the investee. Notwithstanding that the Group has an effective shareholding of 30% in GFTCL, the investment is not classified as an associated company as the Group does not have significant influence in the operating and financing policies of GFTCL.

10. DEFERRED TAXATION

Deferred tax assets arise as a result of:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Provisions	153,453	179,126	4,746	26,684
Unutilised tax losses	194,986	–	194,986	–
Unutilised reinvestment allowance	–	55,000	–	–
Deferred tax liabilities arise as a result of:				
Excess of net carrying amount over tax written down value of fixed assets	347,156	178,233	265,001	39,902
Unremitted Income	19,956	–	19,956	–
Presented after appropriate offsetting as follows:				
Deferred tax assets	131,201	139,535	–	–
Deferred tax liabilities	(149,874)	(83,642)	(85,225)	(13,218)

11. INVENTORIES

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Balance sheet				
Raw materials (at cost)	2,857,421	3,282,009	–	–
Work-in-progress (at cost)	104,073	146,254	32,717	65,365
Finished goods-in-transit (at cost)	573,911	41,219	568,162	24,150
Finished goods (at cost)	7,882,315	6,916,734	4,884,093	4,927,388
	11,417,720	10,386,216	5,484,972	5,016,903
Profit or loss				
Inventories recognised as an expense in cost of sales	23,519,145	23,954,398	18,690,780	18,314,818
Inclusive of the following charge/(credit):				
– Write back of allowance for obsolete and slow-moving inventories	(378,271)	(572,163)	(247,076)	(821,320)

The management of the Group and Company reviews an aging analysis of inventories to identify obsolete and slow-moving inventories at each reporting period.

The write back of allowance for obsolete and slow-moving inventories was made as the related inventories were sold above their carrying amounts in 2014.

12. TRADE DEBTORS

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Third party trade debtors	7,617,508	7,779,885	3,906,683	4,113,989
Allowance for doubtful debts	(198,586)	(162,171)	(76,296)	(58,817)
	7,418,922	7,617,714	3,830,387	4,055,172

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

Debtors that are past due but not impaired

The Group has trade debtors amounting to $3,760,771 (2013: $2,756,246) that are past due at the end of the reporting period but not impaired. These debtors are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Trade debtors past due:				
Less than 30 days	1,173,795	1,191,393	686,874	364,866
30 to 60 days	896,089	617,683	551,691	341,060
61 to 90 days	547,795	343,772	201,309	92,034
91 to 120 days	54,634	140,563	14,982	–
More than 120 days	1,088,458	462,835	583,057	235,364
	3,760,771	2,756,246	2,037,913	1,033,324

12. TRADE DEBTORS (CONT'D)

Debtors that are impaired

The Group's trade debtors that are impaired at the end of the reporting period and the movement of the allowance for doubtful debts used to record the impairment are as follows:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
At beginning of year	162,171	1,248,564	58,817	1,143,648
Allowance for the year	50,485	–	20,000	–
Written off against allowance	(9,342)	(1,025,670)	–	(1,025,670)
Written back	(2,500)	(61,244)	(2,500)	(61,244)
Translation difference	(2,228)	521	(21)	2,083
At end of year	198,586	162,171	76,296	58,817

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

Allowance for doubtful debts amounting to $2,500 (2013: $61,244) for both the Group and the Company were written back as these previously impaired amounts were recovered from trade debtors during the financial year.

Trade debtors denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
United States Dollar	1,139,794	500,704	1,029,794	407,982
Renminbi	24,495	26,573	–	–
Japanese yen	–	29,734	–	–
Euro	612,818	393,014	612,818	314,411

13. OTHER RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Staff loan, current	14,300	6,351	–	–
Sundry debtors, current	823,196	1,425,657	63,505	756,943
	837,496	1,432,008	63,505	756,943
Staff loan, non-current	13,448	26,575	–	–
	850,944	1,458,583	63,505	756,943

The Group's staff loan is unsecured, interest bearing at 2.5% (2013: 2.5%) per annum and repayable over 37 months commencing from December 2013.

14. AMOUNT DUE FROM/(TO) SUBSIDIARY/AFFILIATED COMPANIES

These balances are unsecured, non-interest bearing and repayable on demand in cash within twelve months from the end of the financial year, except for the Company's amount due to subsidiary (non-trade) of $100,000 (2013: $103,000) which is interest bearing at 3.0% (2013: 3.0%) per annum.

Movements in allowance for doubtful debt from affiliated companies are as follows:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
At beginning of year	17,626	30,170	17,626	30,170
Written back	–	(12,544)	–	(12,544)
At end of year	17,626	17,626	17,626	17,626

In 2013, the Group and Company wrote back $12,544 of allowance for doubtful debt due from an affiliated company as these previously impaired amounts were recovered during the financial year.

14. AMOUNT DUE FROM/(TO) SUBSIDIARY/AFFILIATED COMPANIES (CONT'D)

Amount due from subsidiary/affiliated companies denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
United States Dollar	–	–	666,231	104,275
Hong Kong Dollar	–	–	–	94,330
Ringgit Malaysia	–	–	443,956	497,826
Euro	–	–	103,005	816,416
Renminbi	–	–	121,290	66,053

Amount due to subsidiary/affiliated companies denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
United States Dollar	–	28,475	1,054,768	1,747,350
Renminbi	–	15,680	6,080	10,455

15. TRADE PAYABLES

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

Trade payables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
United States Dollar	369,343	461,085	361,569	460,598
Euro	99,746	447,716	53,871	420,200
Japanese Yen	83,675	105,397	69,083	70,526
Renminbi	–	4,724	–	–

16. TRUST RECEIPTS AND BILLS PAYABLE (SECURED)

Trust receipts, bills payable and bank overdrafts of the Company are secured by way of legal mortgage on the Company's freehold land, freehold buildings, and leasehold land and buildings with net carrying amount of $2,775,973, $1,496,437 and $1,453,764 (2013: $2,775,973, $1,535,627 and $1,539,349) respectively and joint and several guarantees by certain directors of the Company.

Trust receipts and bills payable of the subsidiary companies are secured by way of legal mortgage on the subsidiary companies' freehold land, freehold buildings, and leasehold land and buildings with net carrying amount of $719,989, $639,239 and $117,830 (2013: $738,073, $673,608 and $125,304) respectively, and joint and several guarantees by certain directors of the Group.

The trust receipts and bills payable bear interest at 0.5% (2013: 0.5%) per annum above the bank's prime rates, from 1.0% to 1.3% (2013: 1.0% to 1.3%) per annum above the bank's cost of funds and at 3.95% standard bill rate (2013: Nil%). As at 31 December 2014, the effective interest rates range from 1.5% to 5.4% (2013: 1.29% to 5.06%) per annum.

Trust receipts denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Euro	1,897,176	2,853,879	1,817,857	2,853,879
United States Dollar	1,179,910	1,682,234	1,179,910	1,682,234
Japanese Yen	–	81,326	–	81,326

17. ACCRUALS AND OTHER LIABILITIES

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Accrued operating expenses	2,155,591	1,937,003	1,218,791	719,520
Deposits received	327,065	264,035	276,579	130,052
	2,482,656	2,201,038	1,495,370	849,572

18. PROVISION FOR WARRANTY

A provision is recognised for expected warranty claims on certain products sold and installation works performed, based on past experience and understanding of the historical level of repairs and returns. It is expected that these costs will be incurred within the next one to two years. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period for the relevant products sold and installation works performed.

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
At beginning of year	156,963	335,894	156,963	335,894
Arose during the year	7,188	13,958	7,188	13,958
Written back during the year	(116,187)	(181,644)	(116,187)	(181,644)
Utilised	(20,048)	(11,245)	(20,048)	(11,245)
At end of year	27,916	156,963	27,916	156,963

19. FINANCE LEASE OBLIGATIONS

The Group and Company have finance leases for certain items of plant and machinery, motor vehicles, and office equipment. The leases are for a period of 1 to 5 years and carry an option to purchase at the end of the lease term. These obligations are secured by a charge over the leased assets (Note 4). The discount rate implicit in the leases ranges from 3.07% to 5.39% (2013: 4.19% to 5.39%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group and the Company.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group				Company			
	2014		2013		2014		2013	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	$	$	$	$	$	$	$	$
Not later than 1 year	447,513	427,598	195,392	171,852	435,493	415,577	20,760	20,297
Later than one year but not later than five years	463,693	455,068	11,762	11,762	455,962	447,338	–	–
Total minimum lease payments	911,206	882,666	207,154	183,614	891,455	862,915	20,760	20,297
Less: Amounts representing finance charges	(28,540)	–	(23,540)	–	(28,540)	–	(463)	–
Present value of minimum lease payments	882,666	882,666	183,614	183,614	862,915	862,915	20,297	20,297

20. TERM LOANS

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Secured term loans				
(a) Money market loan bears interest at 1.94% per annum with effect from 17 December 2014 to 15 January 2015	500,372	–	500,372	–
(b) Money market loan bears interest at 2.14% per annum with effect from 23 December 2014 to 23 January 2015	500,235	–	500,235	–
(c) Money market loan bears interest at 1.76% per annum with effect from 10 December 2014 to 12 January 2015	622,640	–	622,640	–
(d) Term loan bears average interest at 2.424% with effect from May 2013; bears average interest at 2.443% per annum for the second year; and thereafter at 2.448% per annum. The term loan is repayable in 60 monthly instalments commencing June 2013	2,438,651	3,114,849	2,438,651	3,114,849
(e) Term loan bears average interest at 2.42% per annum with effect from June 2013; bears average interest at 2.445% per annum for the second year; and thereafter at 2.516% per annum. The term loan is repayable in 60 monthly instalments commencing July 2014	2,834,197	3,619,822	2,834,197	3,619,822
(f) Term loan bears interest at 3.375% per annum for the first year of the loan with effect from March 2009; and thereafter at 1.5% per annum above the 12 months Singapore Interbank Offered Rate. The term loan is repayable in 60 monthly instalments commencing April 2009	–	31,692	–	31,692
(g) Term loan bears interest at 7.6875% per annum. The loan is repayable in January 2015 (2013: 8 quarterly instalments commencing October 2013)	372,378	1,403,029	–	–

20. TERM LOANS (CONT'D)

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Secured term loans (cont'd)				
(h) Term loan bears interest at 7.5% per annum with effect from 29 July 2014 to 29 January 2015	224,651	–	–	–
(i) Term loan bears interest at 7.0% per annum with effect from 19 December 2014 to 19 June 2015	365,022	–	–	–
(j) Term loan bears interest at 7.0% per annum with effect from 26 December 2014 to 26 June 2015	206,026	–	–	–
	8,064,172	8,169,392	6,896,095	6,766,363
Repayable within 12 months	4,292,486	2,300,076	3,124,409	1,498,716
Repayable after 12 months	3,771,686	5,869,316	3,771,686	5,267,647
	8,064,172	8,169,392	6,896,095	6,766,363

(a)-(e) The money market loans and term loans are secured by legal mortgages over the Company's freehold land and freehold buildings with net carrying amount of $2,775,973 (2013: $2,775,973) and $1,496,437 (2013: $1,535,627) respectively.

(f) The term loan is secured by a first legal charge over the Company's leasehold land and building with net carrying amount of $1,453,764 (2013: $1,539,349).

(g)-(j) The term loans are secured by a legal mortgage over a subsidiary company's land use rights and leasehold building with net carrying amount of $2,129,400 (2013: $2,165,667) and $4,119,028 (2013: $4,386,009) respectively and joint and several guarantees by a director and the Company.

As at 31 December 2014, the effective interest rates were 3.2% and 3.4% (2013: 3.5% and 3.8%) per annum for the Group and the Company.

21. SHARE CAPITAL

	Group and Company			
	2014		2013	
	No. of shares	$	No. of shares	$
Issued and fully paid ordinary shares				
At beginning of year	108,480,000	19,264,441	72,320,000	13,955,691
Issuance of shares to public	–	–	36,160,000	5,424,000
Share issuance expenses	–	–	–	(115,250)
	108,480,000	19,264,441	108,480,000	19,264,441

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

On 31 December 2013, the Company allotted and issued 36,160,000 rights shares of $0.15 each under a two for one rights issue. The Company utilised the net proceeds of $3,446,075 from the rights issue for the full repayment pursuant to the acquisition of ERM. The remaining of net proceeds is for general working capital purposes and any new acquisitions when available.

The rights shares ranked pari passu in all aspects with the existing issued shares except that the rights shares were not entitled to any dividends, rights, allotments and other distribution following the allotment and issuance of the rights shares. The total number of issued shares of the Company has increased from 72,320,000 to 108,480,000 shares.

22. TRANSLATION RESERVE

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

23. TURNOVER

Turnover represents the invoiced value of goods sold net of returns and allowances, sales tax and goods and services tax. Significant intra-group transactions have been excluded from Group turnover.

	Group	
	2014	2013
	$	$
Sale of goods	36,512,506	35,268,424
Project sales and installation works	43,365	259,388
Project maintenance service	114,137	106,241
	36,670,008	35,634,053

24. OTHER OPERATING INCOME

	Group	
	2014	2013
	$	$
Dividend income from unquoted investment	369,186	416,968
Gain on disposal of subsidiary's business	324,320	–
Rental income	182,267	251,922
Scrap sales	121,192	–
Foreign currency gain, net	68,920	–
Insurance claim	–	215,551
Management fee income	–	47,500
Royalty income	–	33,692
Others	77,639	79,210
	1,143,524	1,044,843

25. OTHER OPERATING EXPENSES

	Group	
	2014	2013
	$	$
Preliminary expenses	15,469	–
Loss on disposal of fixed assets	3,587	3,793
Foreign currency loss, net	–	147,477
Others	15,912	6,476
	34,968	157,746

26. PROFIT FROM OPERATIONS

Other than as disclosed in Notes 24 and 25, profit from operations is arrived after charging/(crediting) the following:

	Group	
	2014	2013
	$	$
Amortisation of intangible assets	88,981	44,055
Amortisation of land use rights	45,551	22,684
Depreciation of fixed assets	1,248,309	824,212
Audit fees		
– auditors of the Company	114,000	110,175
– other auditors	99,333	51,469
Non-audit fees		
– auditors of the Company	9,300	13,200
– other auditors	16,829	14,924
Directors' fees		
– directors of the Company	220,750	205,000
– directors of subsidiary companies	37,746	40,225
Directors' remuneration		
– directors of the Company	1,046,072	960,955
– directors of subsidiary companies	394,391	383,633
Allowance for doubtful trade debts written back	(2,500)	(61,244)
Allowance for doubtful trade debts	50,485	–
Allowance for doubtful trade debts due from an affiliated company written back	–	(12,544)
Warranty written back, net	(108,999)	(167,686)
Fixed assets written off	2,944	6,455
Write back of allowance for obsolete and slow-moving inventories, net	(378,271)	(572,163)
Personnel expenses (Note 27)	7,178,240	5,828,781
Operating lease expenses	425,042	301,790

27. PERSONNEL EXPENSES

	Group	
	2014	2013
	$	$
Wages and salaries *	6,007,897	4,971,404
Central Provident Fund contributions *	536,441	426,427
Other social expenses, net	633,902	430,950
	7,178,240	5,828,781

* Personnel expenses include amounts disclosed as directors' remuneration in Note 26.

28. FINANCIAL EXPENSES

	Group	
	2014	2013
	$	$
Interest expense		
– term loans	213,618	156,843
– trust receipts	93,758	52,376
– finance lease obligations	33,169	12,503
– bank overdrafts	–	601
	340,545	222,323

29. TAX EXPENSE

	Group	
	2014	2013
	$	$
Current tax		
– current year	244,521	352,872
– over provision in respect of prior years	(36,803)	(30,420)
Deferred tax		
– current year	72,781	105,144
– under/(over) provision in respect of prior years	1,785	(13,936)
	282,284	413,660

As at 31 December 2014, the Group had unrecognised tax losses of approximately $797,034 (2013: $629,133) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

29. TAX EXPENSE (CONT'D)

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

	Group	
	2014	**2013**
	$	**$**
Accounting profit	1,496,513	3,237,027
Tax at the applicable rate of 17% (2013: 17%)	254,407	550,294
Tax effect of expenses not deductible in determining taxable profit, net	185,990	106,932
Tax effect arising from differences in tax rates	34,706	62,294
Over provision in respect of prior years	(35,018)	(44,356)
Deferred tax asset not recognised	59,445	18,028
Deferred tax asset recognised on unutilised reinvestment allowance	–	(55,021)
Effect of utilisation of deferred tax asset previously not recognised	(186,215)	(60,118)
Effect of partial tax exemption and tax relief	(30,835)	(87,483)
Effect of utilisation of reinvestment allowance	(3,474)	(71,904)
Others	3,278	(5,006)
Tax expense	282,284	413,660

30. EARNINGS PER SHARE

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

Diluted earnings per share is calculated by dividing the profit attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year plus the weighted average number of ordinary shares that would be issued on the conversion of all the diluted potential ordinary shares into ordinary shares. There were no potential dilutive ordinary shares existing during the respective financial years.

The following table reflects the profit for the year and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December:

	Group	
	2014	**2013**
	$	**$**
Profit for the year attributable to ordinary equity holders of the Company	1,268,362	2,829,875
Weighted average number of ordinary shares	108,480,000	72,419,068

31. DIVIDENDS

	Group and Company 2014	2013
	$	$
Declared during the financial year:		
Final (2013: Final) exempt (one-tier) dividend for 2013: 0.57 cents (2012: 0.54 cents) per share	618,336	390,528

Proposed but not recognised as liability at 31 December.

	Group and Company 2014	2013
	$	$
Final exempt (one-tier) dividend for 2014: 0.32 cents (2013: 0.57 cents) per share, subject to shareholders' approval at AGM (2013: approved at AGM held on 30 April 2014)	347,136	618,336

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company that are not recognised as a liability in the financial statements.

32. CASH AND CASH EQUIVALENTS

	Group 2014	2013	Company 2014	2013
	$	$	$	$
Cash and bank balances	5,693,965	6,153,646	2,664,225	3,375,928
Fixed deposits	443,542	704,840	6,244	6,228
Cash and cash equivalents	6,137,507	6,858,486	2,670,469	3,382,156
Fixed deposits pledged to bank	–	430,573	–	–
	6,137,507	7,289,059	2,670,469	3,382,156

As at 31 December 2014, fixed deposits earn interest at 0.25% to 0.45% (2013: 0.25% to 2.65%) per annum. Fixed deposits included in cash and cash equivalents are for periods of mainly less than one month.

The fixed deposits were pledged to a bank as security for the available banking facilities offered to a subsidiary company.

32. CASH AND CASH EQUIVALENTS (CONT'D)

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
United States Dollar	227,699	714,617	221,471	203,995
Euro	365,590	42,796	306,097	36,461
Japanese Yen	2,179	5,441	2,179	2,382
Renminbi	437,293	432,633	–	–

33. RELATED PARTY INFORMATION

(a) Sale and purchase of goods and services

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

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Income				
Sale of goods to subsidiary companies	–	–	6,445,414	4,913,926
Sale of goods to affiliated companies	–	92,682	–	87,108
Management fee income from subsidiary companies	–	–	207,862	144,232
Management fee income from affiliated companies	–	47,500	–	47,500
Rental income from a subsidiary company	–	–	7,800	7,800
Royalty fee income from subsidiary companies	–	–	109,412	52,663
Royalty fee income from affiliated companies	–	33,692	–	33,692
Expenses				
Purchases from subsidiary companies	–	–	3,909,795	2,861,971
Purchases from affiliated companies	–	613,434	–	567,206
Commission paid to subsidiary companies	–	–	–	1,293
Rental paid to an affiliated company	22,453	21,245	–	–
Interest expense paid to a subsidiary company	–	–	3,000	3,000
Discount allowed to subsidiary companies	–	–	–	8,197

33. RELATED PARTY INFORMATION (CONT'D)

(b) Compensation of key management personnel

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Executive Directors:				
– Short-term employee benefits	1,399,512	1,311,051	1,023,276	1,351,701
– Central Provident Fund contributions	40,951	33,537	22,796	17,091
Executive Officers:				
– Short-term employee benefits	622,641	555,962	510,737	458,386
– Central Provident Fund Contributions	52,054	49,839	38,756	38,964
Total compensation paid to key management personnel	2,115,158	1,950,389	1,595,565	1,866,142

Compensation paid to Executive Directors relates to Directors' remuneration in Note 26.

34. COMMITMENTS

(a) Operating lease commitments – as lessee

In addition to the land use rights disclosed in Note 7, as at 31 December 2014, the Group and Company have entered into leases in respect of stores and offices. These leases have tenure ranging between 2 and 19 years with renewal options.

Minimum lease payments, including amortisation of land use rights recognised as an expense in profit or loss of the Group and the Company for the financial year ended 31 December 2014 amounted to $430,548 (2013: $293,180) and $77,955 (2013: $77,955) respectively.

Future minimum rental payable under non-cancellable operating leases (excluding land use rights) at the end of the reporting period are as follows:

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Not later than one year	365,375	293,203	77,955	83,405
One year through five years	570,319	540,917	311,818	333,621
After five years	1,013,409	1,167,713	1,013,409	1,167,673
	1,949,103	2,001,833	1,403,182	1,584,699

34. COMMITMENTS (CONT'D)

(b) Operating lease commitments – as lessor

The Group and the Company have entered into property leases on its investment property and freehold properties. These non-cancellable leases have remaining lease terms of up to one year.

Future minimum rental receivable under non-cancellable operating lease at the end of the reporting period are as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$	**$**	**$**	**$**
Not later than one year	112,766	101,000	83,760	78,000
One year through five years	60,638	–	39,300	–
	173,404	101,000	123,060	78,000

35. CONTINGENT LIABILITIES

The Company has provided corporate guarantees to banks for securing banking facilities of certain subsidiary companies.

36. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The Group's principal financial instruments, other than available-for-sale financial assets, comprise bank loans, trust receipts, bills payable, finance leases, cash and fixed deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign exchange risk and credit risk. The Board reviews and agrees policies for the management of these risks.

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

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

Interest rate risk

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

Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's borrowings.

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rate had been 50 (2013: 50) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $57,000 (2013: $65,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The analysis is performed on the same basis for 2013.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit.

In the management of liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Short-term funding is obtained from overdraft and revolving credit facilities.

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

Liquidity risk (cont'd)

The table below summaries the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

	2014			
	1 year or less	1 to 5 years	More than 5 years	Total
Group	**$**	**$**	**$**	**$**
Financial assets				
Trade debtors	7,418,922	–	–	7,418,922
Other receivables	838,532	14,484	–	853,016
Deposits	152,962	–	–	152,962
Fixed deposits pledged to bank	–	–	–	–
Fixed deposits	443,542	–	–	443,542
Cash and bank balances	5,693,965	–	–	5,693,965
Total undiscounted financial assets	14,547,923	14,484	–	14,562,407
Financial liabilities				
Trade payables	1,952,639	–	–	1,952,639
Trust receipts and bills payable (secured)	3,726,597	–	–	3,726,597
Other creditors	641,796	–	–	641,796
Accruals and other liabilities	2,482,656	–	–	2,482,656
Dividend payable	142,784	–	–	142,784
Due to affiliated companies	194,401	–	–	194,401
Finance lease obligations	447,513	463,693	–	911,206
Term loans	4,416,563	3,890,395	–	8,306,958
Total undiscounted financial liabilities	14,004,949	4,354,088	–	18,359,037
Total net undiscounted financial assets/(liabilities)	542,972	(4,339,604)	–	(3,796,630)

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

Liquidity risk (cont'd)

	2014			
	1 year or less	**1 to 5 years**	**More than 5 years**	**Total**
Company	**$**	**$**	**$**	**$**
Financial assets				
Trade debtors	3,830,387	–	–	3,830,387
Other receivables	63,505	–	–	63,505
Deposits	22,732	–	–	22,732
Due from subsidiary companies	1,766,012	–	–	1,766,012
Fixed deposits	6,244	–	–	6,244
Cash and bank balances	2,664,225	–	–	2,664,225
Total undiscounted financial assets	8,353,105	–	–	8,353,105
Financial liabilities				
Trade payables	1,107,155	–	–	1,107,155
Trust receipts and bills payable (secured)	3,041,307	–	–	3,041,307
Other creditors	274,575	–	–	274,575
Accruals and other liabilities	1,495,370	–	–	1,495,370
Dividend payable	112,141	–	–	112,141
Due to subsidiary companies	1,182,071	–	–	1,182,071
Finance lease obligations	435,493	455,962	–	891,455
Term loans	3,234,530	3,890,395	–	7,124,925
Total undiscounted financial liabilities	10,882,642	4,346,357	–	15,228,999
Total net undiscounted financial liabilities	(2,529,537)	(4,346,357)	–	(6,875,894)

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

Liquidity risk (cont'd)

	2013			
	1 year or less	1 to 5 years	More than 5 years	Total
Group	**$**	**$**	**$**	**$**
Financial assets				
Trade debtors	7,617,714	–	–	7,617,714
Other receivables	1,433,000	28,560	–	1,461,560
Deposits	118,205	–	–	118,205
Due from affiliated companies	30,170	–	–	30,170
Fixed deposits pledged to bank	430,573	–	–	430,573
Fixed deposits	704,840	–	–	704,840
Cash and bank balances	6,153,646	–	–	6,153,646
Total undiscounted financial assets	16,488,148	28,560	–	16,516,708
Financial liabilities				
Trade payables	2,411,729	–	–	2,411,729
Trust receipts and bills payable (secured)	4,771,702	–	–	4,771,702
Other creditors	496,611	–	–	496,611
Accruals and other liabilities	2,201,038	–	–	2,201,038
Dividend payable	108,124	–	–	108,124
Due to affiliated companies	192,855	–	–	192,855
Finance lease obligations	195,392	11,762	–	207,154
Term loans	2,457,298	6,129,596	–	8,586,894
Total undiscounted financial liabilities	12,834,749	6,141,358	–	18,976,107
Total net undiscounted financial assets/(liabilities)	3,653,399	(6,112,798)	–	(2,459,399)

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

Liquidity risk (cont'd)

	2013			
	1 year or less	1 to 5 years	More than 5 years	Total
Company	**$**	**$**	**$**	**$**
Financial assets				
Trade debtors	4,055,172	–	–	4,055,172
Other receivables	756,943	–	–	756,943
Deposits	13,577	–	–	13,577
Due from subsidiary companies	2,465,327	–	–	2,465,327
Due from affiliated companies	3,400	–	–	3,400
Fixed deposits	6,228	–	–	6,228
Cash and bank balances	3,375,928	–	–	3,375,928
Total undiscounted financial assets	10,676,575	–	–	10,676,575
Financial liabilities				
Trade payables	1,253,929	–	–	1,253,929
Trust receipts and bills payable (secured)	4,617,439	–	–	4,617,439
Other creditors	257,233	–	–	257,233
Accruals and other liabilities	849,572	–	–	849,572
Dividend payable	108,085	–	–	108,085
Due to subsidiary companies	1,866,396	–	–	1,866,396
Due to affiliated companies	6,349	–	–	6,349
Finance lease obligations	20,760	–	–	20,760
Term loans	1,640,746	5,497,261	–	7,138,007
Total undiscounted financial liabilities	10,620,509	5,497,261	–	16,117,770
Total net undiscounted financial assets/(liabilities)	56,066	(5,497,261)	–	(5,441,195)

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

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar (USD), Euro (EUR), Chinese Renminbi (RMB) and Japanese Yen (JPY). Foreign exchange risk arises when future commercial transactions, recognised assets or liabilities, investments in foreign operations whose net assets are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD, Hong Kong dollar (HKD), Ringgit Malaysia (RM) and Chinese Renminbi (RMB).

The Group is exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, Hong Kong and China. The Group's net investments in foreign operations are not hedged as currency position in RM, HKD and RMB are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD, EUR, RMB and JPY exchange rates against SGD, with all other variables held constant.

		Profit before tax	
		2014	**2013**
		$	**$**
USD/SGD	– strengthened 5% (2013: 5%)	-4,000	-49,000
	– weakened 5% (2013: 5%)	+4,000	+49,000
EUR/SGD	– strengthened 5% (2013: 5%)	-34,000	-143,000
	– weakened 5% (2013: 5%)	+34,000	+143,000
RMB/SGD	– strengthened 5% (2013: 5%)	+57,000	+44,000
	– weakened 5% (2013: 5%)	-57,000	-44,000
JPY/SGD	– strengthened 5% (2013: 5%)	-4,000	-8,000
	– weakened 5% (2013: 5%)	+4,000	+8,000

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

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade receivables. For other financial assets (including cash and cash equivalents and derivatives), the Group minimises credit risk by dealing with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure.

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result of minimising the Group's exposure to bad debts.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and other debtors (including related party balances), the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country sector profile of its trade debtors on an ongoing basis. The credit risk concentration profile of the Group's trade debtors at the end of the reporting period is as follows:

	Group			
	2014		2013	
	$	% of total	$	% of total
Singapore	1,611,302	22%	2,243,430	29%
Malaysia	1,435,054	19%	1,564,352	21%
Indonesia	1,710,773	23%	1,533,669	20%
Hong Kong/Macau/People's Republic of China	1,913,100	26%	1,692,721	22%
Indo-China*	417,436	6%	449,809	6%
Other countries	331,257	4%	133,733	2%
	7,418,922	100%	7,617,714	100%

* Relates to Vietnam, Myanmar and Cambodia.

At the end of the reporting period, approximately 26% (2013: 27%) of the Group's trade debtors were due from 5 (2013: 5) major customers.

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

Credit risk (cont'd)

As at 31 December 2014, the Company has significant concentration of credit in the amounts due from subsidiary companies and affiliated companies amounting to $1,766,012 (2013: $2,468,727).

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 12 (Trade debtors) and Note 14 (Amount due from/(to) subsidiary/affiliated companies).

37. FAIR VALUE OF FINANCIAL INSTRUMENTS

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Financial assets				
Available for sale financial asset				
Unquoted equity investment	89,669	88,660	–	–
Loans and receivables				
Trade debtors	7,418,922	7,617,714	3,830,387	4,055,172
Other receivables	850,944	1,458,583	63,505	756,943
Deposits	152,962	118,205	22,732	13,577
Due from subsidiary companies	–	–	1,766,012	2,465,327
Due from affiliated companies	–	30,170	–	3,400
Fixed deposits pledged to bank	–	430,573	–	–
Fixed deposits	443,542	704,840	6,244	6,228
Cash and bank balances	5,693,965	6,153,646	2,664,225	3,375,928
	14,560,335	16,513,731	8,353,105	10,676,575

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Financial liabilities				
Financial liabilities carried at amortised cost				
Trade payables	1,952,639	2,411,729	1,107,155	1,253,929
Trust receipts and bills payable	3,293,359	4,771,702	2,997,767	4,617,439
Other creditors	641,796	496,611	274,575	257,233
Accruals and other liabilities	2,482,656	2,201,038	1,495,370	849,572
Dividend payable	142,784	108,124	112,141	108,085
Due to subsidiary companies	–	–	1,182,071	1,866,396
Due to affiliated companies	194,401	192,855	–	6,349
Finance lease obligations	882,666	183,614	862,915	20,297
Term loans	8,064,172	8,169,392	6,896,095	6,766,363
	17,654,473	18,535,065	14,928,089	15,745,663

(a) Fair value hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

- Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

- Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

37. FAIR VALUE OF FINANCIAL INSTRUMENTS (CONT'D)

(b) Financial instruments whose carrying amount approximates fair value

Trade debtors, other receivables, deposits, fixed deposits, cash and bank balances, trade payables, trust receipts and bills payable, other creditors, accruals and other liabilities, dividend payable, term loans and amount due from/(to) subsidiary and affiliated companies

The carrying amounts of these financial assets and liabilities are reasonable approximation at fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

Finance lease obligations

The carrying amount approximate fair value as the current lending rates for similar type of lending arrangement is not materially different from the rates obtained by the Group.

(c) Financial instruments carried at other than fair value

Unquoted equity investment

In the directors' opinion, it is not practicable to determine the fair value of the unquoted equity investments held as long-term investments and carried at cost less impairment losses. The expected cash flows from these investments are believed to be in excess of the carrying amount.

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

The following table shows an analysis of the Company's assets and liabilities not measured at fair value at 31 December 2014 but for which fair value is disclosed:

	2014		2013	
	Significant unobservable inputs (Level 2)	Carrying amount	Significant unobservable inputs (Level 2)	Carrying amount
	$	$	$	$
Assets				
Investment property	766,800	–	766,800	–

<u>*Determination of fair value*</u>

Fair value is estimated by discounting expected future cash flows at market incremental lending rate for similar types of leasing arrangement at the end of the reporting period.

38. CAPITAL MANAGEMENT

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital structure is to maintain an efficient mix of debt and equity in order to achieve a low cost of capital, while taking into account the desirability of retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows.

The management regularly reviews the Group's capital structure and make adequate adjustments to reflect economic conditions, business strategies and future commitments. No changes were made to the objectives, policies and processes during the years ended 31 December 2014 and 2013.

The Group and the Company are required to comply with certain financial covenants as imposed by certain financial institutions with respect to banking facilities that were granted. The most restrictive covenant requires the Company to maintain a net worth of not less than $8.5 million at all times. The Group and the Company continuously monitor its compliance with these covenants. As at 31 December 2014 and 2013, the Group and the Company have complied with these covenants.

	Group		Company	
	2014	2013	2014	2013
	$	$	$	$
Trust receipts and bills payable (secured)	3,293,359	4,771,702	2,997,767	4,617,439
Finance lease obligations (secured)	882,666	183,614	862,915	20,297
Term loans (secured)	8,064,172	8,169,392	6,896,095	6,766,363
Total debt	12,240,197	13,124,708	10,756,777	11,404,099
Share capital and reserves attributable to equity holders of the Company	27,066,077	26,473,660	21,783,844	21,630,846
Capital and total debt	39,306,274	39,598,368	32,540,621	33,034,945
Gearing ratio	0.31	0.33	0.33	0.35

39. SEGMENT INFORMATION

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

– Residential and commercial (air-conditioning) segment relates to sale and distribution of air-conditioning materials which mainly comprises copper pipes, copper tubes, Class O and Class 1 closed cell insulation pipes and sheets, PVC trunkings, electrical wires and refrigerants.

– Commercial and light industrial (refrigeration) segment relates to sale of refrigeration component parts including compressors, condensers, condensing units, multiple compressor racks units, electronic controls, energy management solutions, service equipments and tools and the Group's range of thermal heat exchangers comprising evaporators, condensers and custom coils.

– Oil, marine and gas (refrigeration and air-conditioning) segment relates to sales and distribution of a range of air-conditioning and refrigeration systems suitable for the oil, marine and gas industry. These products include the Group's brand of heat exchangers and packaged condensing units installed onboard ships, vessels and oil rigs, which are primarily used to preserve food, other perishables and also to provide air-conditioning for the living and working spaces of the vessel's crew.

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segment.

Management monitors the gross profit or loss of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on gross profit or loss only.

Assets and liabilities, as well as income and expenses (other than revenue and cost of sales) are managed on a group basis and are not allocated to operating segments.

Group	Residential and commercial (air-conditioning)	Commercial and light industrial (refrigeration)	Oil, marine and gas (refrigeration and air-conditioning)	Total
	$	$	$	$
2014				
Revenue	5,068,668	28,353,030	3,248,310	36,670,008
Cost of sales	(3,612,408)	(19,312,150)	(2,046,443)	(24,971,001)
Gross profit	1,456,260	9,040,880	1,201,867	11,699,007
2013				
Revenue	6,339,454	26,063,993	3,230,606	35,634,053
Cost of sales	(4,418,796)	(17,798,793)	(1,896,415)	(24,114,004)
Gross profit	1,920,658	8,265,200	1,334,191	11,520,049

39. SEGMENT INFORMATION (CONT'D)

Geographical information

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

	Group	
	2014	2013
	$	$
Revenue		
Singapore	9,987,378	11,902,814
Malaysia	7,806,587	8,216,197
Indonesia	5,204,527	5,399,051
Hong Kong/Macau/People's Republic of China	9,044,623	6,178,386
Indo-China*	1,454,095	1,516,511
Others	3,172,798	2,421,094
	36,670,008	35,634,053

* Relates to Vietnam, Myanmar and Cambodia.

	Group	
	2014	2013
	$	$
Non-current assets		
Singapore	6,176,869	4,937,502
Malaysia	2,590,631	2,768,491
Hong Kong	25,458	27,466
People's Republic of China	11,383,579	11,678,956
Indo-China*	65,525	–
	20,242,062	19,412,415

Non-current assets information presented above consist of fixed assets, intangible assets and land use rights as presented in the consolidated balance sheet.

Information about a major customer

Revenue from one major customer amounted to $2,028,955 (2013: $2,029,000), arising from trading sales (2013: trading sales) in the commercial and light industrial segment (2013: commercial and light industrial segment).

40. AUTHORISATION OF FINANCIAL STATEMENT

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a directors' resolution dated on 2 April 2015.

STATISTICS OF SHAREHOLDINGS

As at 1 April 2015

SHARE CAPITAL

Issued and fully paid-up capital	:	$19,264,441
Total number of issued shares	:	108,480,000
Number of treasury shares	:	NIL
Class of shares	:	Ordinary shares
Voting right	:	On a show of hand : One vote for each member On a poll : One vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

(As recorded in the Register of Members and Depository Register)

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	118	32.78	1,086	0.00
100 – 1,000	33	9.17	30,453	0.03
1,001 – 10,000	61	16.94	357,310	0.33
10,001 – 1,000,000	139	38.61	19,595,220	18.06
1,000,001 AND ABOVE	9	2.50	88,495,931	81.58
TOTAL	**360**	**100.00**	**108,480,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

(As recorded in the Register of Members and Depository Register)

NO.	NAME	NO. OF SHARES	%
1	UNIVERSAL PTE. LTD.	63,855,000	58.86
2	LENG CHEE KEONG	6,474,800	5.97
3	CHEUNG WAI SUM	6,300,000	5.81
4	LIM BOON HOCK BERNARD	3,000,000	2.77
5	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	2,765,000	2.55
6	KOK WEI JIAN ALEX (GUO WEIJIAN ALEX)	2,000,300	1.84
7	PHILLIP SECURITIES PTE LTD	1,509,831	1.39
8	KUAH KOK KIM	1,500,000	1.38
9	LIM & TAN SECURITIES PTE LTD	1,091,000	1.01
10	LOH MUN YEW	981,900	0.91
11	LOH AH PENG @ LOH EE MING	860,500	0.79
12	CHUA KENG LOY	844,000	0.78
13	YAP KOK KIONG	800,000	0.74
14	ESTATE OF NG TAT KEONG, DECEASED	711,600	0.66
15	WARD ALLAN	705,000	0.65
16	CITIBANK NOMINEES SINGAPORE PTE LTD	700,000	0.65
17	MAYBANK KIM ENG SECURITIES PTE. LTD.	700,000	0.65
18	UOB KAY HIAN PRIVATE LIMITED	680,000	0.63
19	FUCO RUDYANTO CHANDRA	600,000	0.55
20	LEE WEN-CHANG	600,000	0.55
	TOTAL	**96,678,931**	**89.14**

STATISTICS OF SHAREHOLDINGS

As at 1 April 2015

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	No. of shares in which the substantial shareholder has direct interests	%	No. of shares in which the substantial shareholder has deemed interests	%
Substantial Shareholders				
Loh ah Peng @ Loh Ee Ming[(1)(2)]	860,500	0.79	63,855,000	58.86
Loh Mun Yew[(1)(3)]	981,900	0.91	63,855,000	58.86
Universal Pte. Ltd.[(4)]	63,855,000	58.86	–	–
Cheung Wai Sum[(5)]	6,300,000	5.81	–	–
Loh Pui Lai[(1)(5)]	–	–	6,300,000	5.81
Leng Chee Keong	6,474,800	5.83	–	–

(1) Loh Ah Peng @ Loh Ee Ming (the Non-Executive Chairman of the Company) is the father of Loh Mun Yew (the CEO and Executive Director of the Company) and Loh Pui Lai (the Non-Executive Director of the Company), and father-in-law of Cheung Wai Sum. Loh Mun Yew and Loh Pui Lai are siblings, Loh Pui Lai is the wife of Cheung Wai Sum.

(2) Loh Ah Peng @ Loh Ee Ming is deemed to have an interest in the 63,855,000 shares, held by Universal Pte. Ltd. by virtue of Section 7 of the Companies Act, Cap. 50.

(3) Loh Mun Yew is deemed to have an interest in the 63,855,000 shares, held by Universal Pte. Ltd. by virtue of Section 7 of the Companies Act, Cap. 50.

(4) Universal Pte. Ltd. is an investment holding company incorporated in Singapore and the shareholders are Loh Ah Peng @ Loh Ee Ming, Loh Mun Yew, Loh Pui Lai, Lum Soo Mooi (spouse of Loh Ah Peng @ Loh Ee Ming) and Loh Pui Pui (daughter of Loh Ah Peng @ Loh Ee Ming and Lum Soo Mooi, and sibling of Loh Mun Yew and Loh Pui Lai) with shareholding interest of 40.68%, 27.42%, 10.68%, 10.33% and 10.89% respectively. The directors of Universal Pte. Ltd. are Loh Ah Peng @ Loh Ee Ming, Loh Mun Yew, Loh Pui Pui and Lum Soo Mooi.

(5) Loh Pui Lai is deemed to have an interest in the 6,300,000 shares held by her husband, Cheung Wai Sum, by virtue of Section 164(15)(a) of the Companies Act, Cap. 50.

SHAREHOLDINGS HELD IN THE HANDS OF THE PUBLIC

Based on the information available to the Company as of 1 April 2015, approximately 27.01% of the issued ordinary shares of the Company are held by the public and therefore Rule 723 of the Listing Manual Section B: Rules of Catalist of the SGX-ST is complied with.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Far East Group Limited (the "Company") will be held at 112 Lavender Street #04-00 Far East Refrigeration Building Singapore 338728 on Tuesday, 28 April 2015 at 11:00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the audited accounts for the financial year ended 31 December 2014, together with the Reports of the Directors and the Auditors and the Statement of Directors. **(Resolution 1)**

2. To declare a one-tier tax exempt final dividend of 0.32 cents per ordinary share for the financial year ended 31 December 2014. **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Article 104 of the Company's Articles of Association:

(a)	Mr Mak Yen-Chen Andrew	(Article 104)	**(Resolution 3)**
(b)	Mr Leng Chee Keong	(Article 104)	**(Resolution 4)**
(c)	Ms Loh Pui Lai	(Article 104)	**(Resolution 5)**

[see explanatory note (i) below]

4. To re-appoint Mr Loh Ah Peng @ Loh Ee Ming, as a Director of the Company pursuant to Section 153(6) of the Companies Act, Chapter 50 of Singapore ("Companies Act"), to hold office as a Director from the date of this Annual General Meeting until the next Annual General Meeting.
[See explanatory note (ii) below] **(Resolution 6)**

5. To approve the payment of Directors' fees of S$220,750 for the financial year ending 31 December 2015, to be paid half-yearly in arrears [FY2014: S$220,750]. **(Resolution 7)**

6. To re-appoint Messrs Ernst & Young LLP as the Company's auditors and to authorise the Directors to fix their remuneration. **(Resolution 8)**

7. To transact any other ordinary business that may be properly transacted at an Annual General Meeting.

SPECIAL BUSINESS

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

8. "That pursuant to Section 161 of the Companies Act and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST") – Section B: Rules of Catalist ("Catalist Rules"), authority be and is hereby given to the Directors of the Company to:

   (A) (i) allot and issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

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

provided that:

(1) the aggregate number of shares to be issued pursuant to this authority (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 100% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro-rata basis to the existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 50% of the issued share capital of the Company (as calculated in accordance with subparagraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under subparagraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this authority is given, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this authority is given; and

(ii) any subsequent consolidation or sub-division of shares;

(3) in exercising the authority conferred by this authority, the Directors shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law and the Catalist Rules to be held, whichever is the earlier".

[See explanatory note (iii) below] **(Resolution 9)**

9. “That approval be and is hereby given for the purpose of Chapter 9 of the Catalist Rules for the Company and its subsidiaries to enter into any of the transactions falling within the types of interested person transactions as set out in the Appendix to the Annual Report 2014 (the “Appendix”) with the interested persons described in the Appendix, provided that such transactions are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and the minority shareholders of the Company and in accordance with the guidelines and procedures as set out in the Appendix and that such approval (the “Shareholders' Mandate”) shall, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company; and the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate.”

[See explanatory note (iv) below] **(Resolution 10)**

BY ORDER OF THE BOARD

Chia Foon Yeow
Company Secretary

Singapore
13 April 2015

Explanatory Notes:

(i) Mr Mak Yen-Chen Andrew will, upon re-election as a Director of the Company, remain as the Chairman of the Nomination Committee and a member of the Audit Committee and the Remuneration Committee. The Board considers Mr Mak Yen-Chen Andrew to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Mr Leng Chee Keong will, upon re-election as a Director of the Company, remain as the Chief Operating Officer (Sales and Marketing) and Executive Director of the Company.

Ms Loh Pui Lai will, upon re-election as a Director of the Company, remain as the Non-Executive Director of the Company.

Detailed information on the abovementioned Directors can be found under the sections entitled “Board of Directors”, “Corporate Governance Report” and “Directors' Report” of the Company's Annual Report 2014.

(ii) Mr Loh Ah Peng @ Loh Ee Ming is of age 80. By virtue of Section 153(6) of the Companies Act, a person of or over the age of 70 years may, by an ordinary resolution passed at an annual general meeting of a company, be re-appointed as a director of the company to hold office until the next annual general meeting of the company.

Detailed information on Mr Loh Ah Peng @ Loh Ee Ming can be found under the sections entitled “Board of Directors”, “Corporate Governance Report” and “Directors' Report” of the Company's Annual Report 2014.

(iii) Under the Catalist Rules, a share issue mandate approved by shareholders as an ordinary resolution will enable directors of an issuer to issue an aggregate number of new shares and convertible securities of the issuer of up to 100% of the total issued Share in the capital of the issuer (excluding treasury shares) as at the time of passing of the resolution approving the Share issue mandate, of which the aggregate number of new shares and convertibles securities issued other than on a pro rate basis to existing shareholders must be not more than 50% of the total issued Share in the capital of the Company (excluding treasury shares).

The Directors of the Company are of the opinion that the proposed Share Issue Mandate will enable the Company to respond faster to business opportunities and to have greater flexibility and scope in negotiating with third parties in potential fund raising exercises or other arrangements or transactions involving the capital of the Company.

The Ordinary Resolution 9 proposed in item 8 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue shares in the capital of the Company and/or the Instruments (as defined above). The aggregate number of shares (including shares to be make in pursuance of Instruments made or granted pursuant to this Resolution) which the Directors may allot and issue, shall not exceed 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which the total number of shares and convertible securities other than on a pro-rata basis to existing shareholders, shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company.

(iv) Ordinary Resolution 10 above is to renew the shareholders' mandate for transactions with interested persons and if passed, will empower the Directors of the Company to do all acts necessary to give effect to the Resolution. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting.

Notes:

(1) A member of the Company entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote instead of him.

(2) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

(3) If the member is a corporation, the instrument appointing the proxy must be under seal or the hand of an officer or attorney duly authorised.

(4) The instrument appointing a proxy must be deposited at the Company's registered office at 112 Lavender Street #04-00 Far East Refrigeration Building, Singapore 338728, not less than 48 hours before the time appointed for holding the Annual General Meeting.

Personal data privacy:

By submitting a proxy form 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 agents) 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 agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

This notice has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("Sponsor"), Canaccord Genuity Singapore Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited ("SGX-ST").The Sponsor has not independently verified the contents of this notice. This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made, or reports contained in this notice. The contact person for the Sponsor is Ms Karen Soh, Managing Director, Corporate Finance, Canaccord Genuity Singapore Pte. Ltd., at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854-6160.

APPENDIX

13 April 2015

This Appendix is circulated to Shareholders of Far East Group Limited (the "**Company**") together with the Company's Annual Report. Its purpose is to explain to Shareholders the rationale and provide information to Shareholders for the proposed renewal of the Shareholders' Mandate (as defined in this Appendix) to be tabled at the Annual General Meeting of the Company to be held on Tuesday, 28 April 2015 at 11:00 a.m. at 112 Lavender Street #04-00 Far East Refrigeration Building Singapore 338728.

The Notice of Annual General Meeting is enclosed with the Annual Report.

If you are in any doubt as to the contents herein or as to any action you should take, you should consult your broker, bank manager, accountant or other professional adviser immediately.

If you have sold or transferred all your issued and fully paid ordinary shares in the capital of the Company, you should immediately forward this Appendix, together with the Company's Annual Report, the Notice of Annual General Meeting and the accompanying Proxy Form, to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

This Appendix has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Canaccord Genuity Singapore Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this Appendix.

This Appendix has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements or opinions made or reports contained in this Appendix.

The contact person for the Sponsor is Ms Karen Soh, Managing Director, Corporate Finance, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 68546160

Far East Group Limited

(Company Registration No.:196400096C)

(Incorporated in the Republic of Singapore on 18 March 1964)

APPENDIX

IN RELATON TO

THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

APPENDIX

DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated:

The Group Companies

"Company" or "Far East Group"	:	Far East Group Limited
"Group"	:	The Company and its subsidiaries

Other Companies and Organisations

"SER"	:	Shanghai Eden Refrigeration Co., Ltd. (上海逸腾制冷设备有限公司)
"SERM"	:	Shanghai Eden Refrigeration Manufacturing Co., Ltd. (上海爱腾冷冻机械有限公司)
"UPL"	:	Universal Pte. Ltd.

General

"Act" or "Companies Act"	:	Companies Act, (Cap. 50) of Singapore
"AGM"	:	The annual general meeting of the Company to be convened on 30 April 2014, notice of which is set out in the Annual Report despatched together with this Appendix
"Associate"	:	(a) in relation to any Director, Chief Executive Officer, Substantial Shareholder or controlling shareholder (being an individual) means:– (i) his immediate family; (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and

		(b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more
"Audit Committee"	:	The audit committee of the Company
"Catalist Rules"	:	Any or all of the rules in the SGX-ST Listing Manual Section B: Rules of the Catalist, as the case may be
"CEO"	:	Chief Executive Officer
"Controlling Shareholder"	:	A person who: (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the company. The Exchange may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over the Company
"Directors"	:	The directors of the Company
"Interested Person"	:	(a) A Director, Chief Executive Officer, or Controlling Shareholder of the Company; or (b) an Associate of any such Director, Chief Executive Officer or Controlling shareholder
"Interested Person Transactions"	:	Transactions proposed to be entered into between the Far East Group and any Interested Person(s), as elaborated in section 2.2 of this Appendix
"Latest Practicable Date"	:	6 April 2015, being the latest practicable date prior to the printing of this Appendix
"Maju Facility"	:	The Group's manufacturing facility located at Lot 1998/D Jalan Perusahaan 3, Taman Industri Selesa Jaya, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan, Malaysia
"Mandated Interested Persons"	:	SER and SERM

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"PRC"	:	The People's Republic of China, excluding Taiwan, the Macau Special Administrative Region of the People's Republic of China and the Hong Kong Special Administrative Region of the People's Republic of China, for the purpose of this Appendix and for geographical reference only
"Securities Account"	:	The securities account maintained by a Depositor with the Central Depository (Pte) Ltd but does not include a securities sub-account
"Shares"	:	Ordinary shares in the capital of the Company
"Shareholders"	:	Registered holders of Shares, except where the registered holder is the Central Depository (Pte) Ltd, the term "Shareholders" shall, in relation to such Shares mean the Depositors whose Securities Accounts are credited with Shares
"Shareholders' Mandate"	:	The general mandate approved by the Shareholders for the Group to enter into transactions with the Mandated Interested Person in compliance with Chapter 9 of the Catalist Rules, as further described in this Appendix
"Substantial Shareholder"	:	A person who has an interest in the voting shares of the Company, the total votes attached to which is not less than 5% of the total votes attached to all the voting shares in the Company

Currencies, Units and Others

"RMB" or "Renminbi"	:	The lawful currency of the PRC
"%" or "per cent."	:	Per centum or percentage

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, any statutory modification thereof or the Listing Manual and used in this Appendix shall, where applicable, have the meaning assigned to it under the Companies Act, such statutory modification or the Listing Manual, as the case may be.

APPENDIX

1. INTRODUCTION

The Company has, on 13 April 2015, issued a Notice of AGM to be held on 28 April 2015. The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval at the AGM for resolution 10 of the Notice of AGM to renew the Shareholders' Mandate that will enable the Group to enter into transactions including but not limited to the transactions set out in this Appendix with persons which are considered "interested persons" as defined in Chapter 9 of the Catalist Rules. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

Due to time-sensitive nature of commercial transactions, obtaining a Shareholders' Mandate will enable the Group, in the normal course of business, to enter into certain categories of interested person transactions with certain categories of interested persons (as set out below), provided that such interested person transactions are made on arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and the minority Shareholders.

Under Chapter 9 of the Catalist Rules, a listed company may seek a general mandate from its Shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations, which may be carried out with the listed company's interested persons, but not for the purchase or sale of assets, undertakings or businesses.

2. RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

2.1 Existing Shareholders' Mandate

The Company had, at the AGM held on 30 April 2014, sought and obtained the approval of Shareholders for the renewal of the Shareholders' Mandate. The Shareholders' Mandate is subject to annual renewal. The Shareholders' Mandate approved at the AGM held on 30 April 2014 will expire at the AGM to be held on 28 April 2015. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the AGM to be held on 28 April 2015, to take effect until the next Annual General Meeting of the Company.

(a) Categories of Interested Persons

The Interested Person Transactions covered by the existing IPT Mandate include, *inter alia*,

SER

SER, a company established in the PRC on 28 November 2002, is primarily engaged in the marketing and distribution of the "Eden" brand of heat exchangers and condensing units, as well as "Eliwell" brand of temperature controllers in the PRC. SER also exports the "Eden" brand of heat exchangers and condensing units exclusively to Far East Group. SER is wholly owned by UPL (the Controlling Shareholder of the Company) which is in turn owned by Loh Ah Peng @ Loh Ee Ming (the Non-executive Chairman of the Company), Loh Mun Yew (the CEO and Executive Director of the Company), Loh Pui Lai (the Non-executive Director of the Company), Lum Soo Mooi (spouse of Loh Ah Peng

@ Loh Ee Ming) and Loh Pui Pui (daughter of Loh Ah Peng @ Loh Ee Ming and Lum Soo Mooi, and sibling of Loh Mun Yew and Loh Pui Lai) with shareholding interests of 40.68%, 27.42%, 10.68%, 10.33% and 10.89% respectively. The directors of SER are Loh Ah Peng @ Loh Ee Ming, Loh Mun Yew and Wong Thiam Hock (an unrelated third party). The legal representative of SER is Wong Thiam Hock (an unrelated third party).

SERM

SERM, a company established in the PRC on 4 April 2007, is primarily engaged in the manufacturing of the "Eden" brand of heat exchangers and condensing units. The shareholders of SERM are SER, Cheung Wai Sum (a Pre-IPO Investor and spouse of Loh Pui Lai, the Non-executive Director of the Company) and Fuco Rudyanto Chandra (an unrelated third party), with shareholding interests of 80.0%, 5.0% and 15.0% respectively. The directors of SERM are Loh Mun Yew, Loh Pui Lai and Fuco Rudyanto Chandra (an unrelated third party). The legal representative of SERM is Wong Thiam Hock (an unrelated third party).

2.2 Categories of interested person transactions and the rationale and benefits derived from the interested person transactions

The transactions with the Mandated Interested Persons covered by the Shareholders' Mandate relate to the purchase and sale of products in the normal course of the business (of a revenue or trading nature or which are necessary for the day-to-day operations), comprising the following:

(a) purchase of the "Eden" brand of products (comprising heat exchangers and condensing units) ("Relevant Products") from the Mandated Interested Persons (through SER); and

(b) sale of agency products for the assembly of condensing units to the Mandated Interested Persons.

Transactions with Interested Persons that do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 and/or other applicable provisions of the Catalist Rules and/or the Companies Act, if any.

2.3 Rationale for and benefits of the Shareholders' Mandate

The Mandated Interested Persons are engaged primarily in the manufacture and distribution of the Relevant Products in the PRC pursuant to the intellectual properties licence agreement dated 27 June 2011 entered into between the Company and the Mandated Interested Persons for the use of trademarks and patents. Please refer to pages 99 to 101 and 125 to 131 of the Company's Offer Document dated 25 July 2011 for further details.

The Company purchases such products from the Mandated Interested Persons, in the ordinary course of business, for distribution in markets outside the PRC. The Maju Facility manufactures the "Eden" brand of heat exchangers but not condensing units. As such, the Mandated Interested Persons are the only suppliers of the Company's "Eden" brand of condensing units.

APPENDIX

The Company also engages in sale of refrigeration and air-conditioning products in the Mandated Interested Persons for their assembly of heat exchangers and condensing units. The Directors believe that such sale transactions would, to a large extent, ensure that parts and components used in the manufacture of the heat exchangers and condensing units by the Mandated Interested Persons will meet the Company's technical and quality specifications.

The Shareholders' Mandate and the renewal of the Shareholders' Mandate on an annual basis will eliminate the need to convene general meetings from time to time to seek Shareholders' approval as and when potential transactions with the relevant Interested Persons arise, thereby eliminating the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group.

The Shareholders' Mandate is intended to facilitate recurrent transactions of a revenue or trading nature or those necessary for day-to-day operations, provided that they are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

Disclosure will be made in the Company's Annual Report of the aggregate value of interested person transactions conducted pursuant to the Shareholders' Mandate during the financial year and in the annual reports for subsequent years that the Shareholders' Mandate continues in force. In addition, the Company will announce the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the relevant financial period within the required time frame stipulated in the Catalist Rules.

2.4 Guidelines and Review Procedures under Shareholders' Mandate

The Group has implemented the following procedures to supplement existing internal control procedures to ensure that interested person transactions are undertaken on an arm's length basis and on normal commercial terms consistent with the Group's usual business practice and policies and are not more favourable to the Interested Person than those extended to or by unrelated parties:–

Purchases from the Mandated Interested Persons

(a) The Company's "Eden" brand of condensing units can only be purchased from the Mandated Interested Persons (through SER) whereas the Company's "Eden" brand of heat exchangers can be purchased from the Mandated Interested Persons and the Maju Facility. As such products are proprietary in nature, the Company's Executive Directors believe that it would not be able to obtain comparable quotations from independent third parties for the same or similar products.

(b) When there is a need to make a purchase (whether upon the receipt of an enquiry from the Company's customers or to stock up the inventory), the Company will check with the Maju Facility and the Mandated Interested Persons on their ability to fulfil the Company's requirements taking into consideration pricing, delivery schedule and payment terms. The Company will give priority to purchasing from the Maju Facility if it is able to fulfil orders based on the Company's price and delivery schedule requirements. In the event such orders are unable to be fulfilled by the Maju Facility, the Company will purchase from the Mandated Interested Persons.

(c) Purchases from the Mandated Interested Persons shall be based on a price list which has been evaluated and pre-approved by an Executive Officer who does not have an interest in such transaction at the start of each financial year (the "Pre-approved Price List"). Any revisions of the Pre-approved Price List during the year shall be subject to re-evaluation and approval by an Executive Director who does not have an interest in such transaction. The Pre-approved Price List shall be compared to the prices for similar products quoted by the Maju Facility. Prior to purchasing from the Mandated Interested Persons, the Company will ensure that the prices are comparable or lower than those of the Maju Facility.

(d) In assessing the price for purchases from the Mandated Interested Person, references shall also be made to the prices of the same or reasonably similar products sold to independent third parties, contemporaneously in time, by the Mandated Interested Persons. The Mandated Interested Persons shall provide the Group with two recent invoices for the same or reasonably similar products sold to independent third parties for comparison. In general, the prices and terms extended to the Group by the Mandated Interested Persons shall be no less favourable than to their respective third party customers.

In determining whether the price and terms offered by the Mandated Interested Persons are fair and reasonable, factors such as, but not limited to, delivery schedules, specification requirements, quality, payment terms, track record, preferential rates, discounts and/or rebates offered for bulk purchases will be taken into consideration.

(e) All purchases from the Mandated Interested Persons shall be recorded in an interested person transaction register ("IPT Register") setting out details of the transactions, relevant evaluations in paragraph (d) above and approvals.

Sales to the Mandated Interested Persons

(a) When selling products to the Mandated Interested Persons, the price and terms of two other successful transactions of a similar nature with independent third party customers will be used for comparison, taking into consideration the credit worthiness and repayment history of the customers and sales volume.

(b) The sale price to the Mandated Interested Persons shall not be lower than the lowest sale price of the two other comparable successful transactions with independent third party customers.

In reviewing the prices and terms offered to the Mandated Interested Persons, all pertinent factors, but not limited to, delivery schedules and requirements, specifications requirements, payment terms, will be taken into consideration.

(c) All sales transactions with the Mandated Interested Persons shall be recorded in the IPT Register, setting out details of the transactions, relevant evaluations in paragraph (b) above and approvals.

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In addition, to supplement internal control procedures to ensure that all interested person transactions covered by the Shareholders' Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the following limits for transactions with the Mandated Interested Persons shall be applied:–

(i) where an individual transaction is below US$200,000, such transaction shall be subject to the review and prior approval by an Executive Director who does not have an interest in such transaction; and

(ii) where an individual transaction is equal to or in excess of US$200,000, such transaction shall be subject to the review and prior approval by the Audit Committee.

The Audit Committee shall review the IPT Register on a half-yearly basis, to ensure that all transactions with the Mandated Interested Persons are carried out in accordance with the guidelines and procedures set out above.

The Audit Committee shall review from time to time such guidelines and procedures to determine if they continue to be adequate and/or commercially practicable in ensuring that transactions between the Mandated Interested Persons and the Group are conducted on normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders.

The Audit Committee may also engage external parties to carry out such periodic reviews if deemed necessary or appropriate. Further, if during these periodic reviews, the Audit Committee is of the view that the above guidelines and procedures are not sufficient to ensure that transactions with Mandated Interested Persons will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will revert to the Shareholders for a fresh mandate based on new guidelines and procedures. During the period prior to obtaining a fresh mandate from Shareholders, all transactions with the Mandated Interested Persons shall be subject to the review and prior approval by the Audit Committee.

3. OPINION OF THE INDEPENDENT FINANCIAL ADVISER

Under Chapter 9 of the Catalist Rules, a circular seeking a general mandate for interested person transactions must include, inter alia, the methods or procedures for determining transaction prices and an independent financial adviser's opinion on whether such methods or procedures are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders.

However, Rule 920(1)(c) of the Catalist Rules provides that an independent financial adviser's opinion is not required for the renewal of a general mandate for interested person transactions provided that the audit committee confirms that: (i) the methods or procedures for determining the transaction process have not changed since last shareholder approval; and (ii) such methods or procedures are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders.

Pursuant to the above, the Audit Committee's statement is given in paragraph 4 below.

4. AUDIT COMMITTEE'S STATEMENT

(i) The Audit Committee (currently comprising Mr Hew Koon Chan, Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong) has reviewed the terms of the Shareholders' Mandate and confirms that the method and procedures for determining the transaction prices under the Shareholders' Mandate have not changed since the last Shareholders' approval which took place on 30 April 2014 and that such methods and procedures are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. Hence, an independent financial advisor's opinion is not required for the renewal of this Shareholders' Mandate.

(ii) If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the established guidelines and procedures are inappropriate and not sufficient to ensure that the interested person transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh mandate from Shareholders based on new guidelines and procedures for transactions with interested persons.

5. VALIDITY PERIOD OF THE SHAREHOLDERS' MANDATE

If approved by the Shareholders at the AGM, the Shareholders' Mandate will take effect from the date of the AGM, and will, unless revoked or varied by the Company in general meeting, continue to be in force until the next Annual General Meeting of the Company. Approval from the Shareholders will be sought for the renewal of the Shareholders' Mandate at each subsequent Annual General Meeting of the Company, subject to satisfactory review by the Audit Committee of its continued application to the transactions with the Mandated Interested Persons.

6. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders in Shares as at the Latest Practicable Date are set out below:–

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Directors				
Loh Ah Peng @ Loh EE Ming (1),(2)	860,500	0.79	63,855,000	58.86
Loh Mun Yew (1),(3)	981,000	0.91	63,855,000	58.86
Leng Chee Keong	6,474,800	5.97	–	–
Allan Ward	705,000	0.65	–	–
Loh Pui Lai (1),(5)	–	–	6,300,000	5.81
Hew Koon Chan	–	–	–	–
Mak Yen-Chen Andrew	–	–	–	–
Tan Hwee Kiong	–	–	–	–
Substantial Shareholders (other than Directors)				
Universal Pte. Ltd. (4)	63,855,000	58.86	–	–
Cheung Wai Sum (5)	6,300,000	5.81	–	–

APPENDIX

Notes:–

(1) Loh Ah Peng @ Loh Ee Ming (the Non-executive Chairman of the Company) is the father of Loh Mun Yew (the CEO and Executive Director of the Company) and Loh Pui Lai (the Non-executive Director of the Company), and father-in-law of Cheung Wai Sum. Loh Mun Yew and Loh Pui Lai are siblings. Loh Pui Lai is the wife of Cheung Wai Sum.

(2) Loh Ah Peng @ Loh Ee Ming is deemed to have an interest in the 63,855,000 shares, held by Universal Pte. Ltd. by virtue of Section 7 of the Companies Act.

(3) Loh Mun Yew is deemed to have an interest in the 63,855,000 shares, held by Universal Pte. Ltd. by virtue of Section 7 of the Companies Act.

(4) Universal Pte. Ltd. is an investment holding company incorporated in Singapore and the shareholders are Loh Ah Peng @ Loh Ee Ming, Loh Mun Yew, Loh Pui Lai, Lum Soo Mooi (spouse of Loh Ah Peng @ Loh Ee Ming) and Loh Pui Pui (daughter of Loh Ee Ming and Lum Soo Mooi, and sibling of Loh Mun Yew and Loh Pui Lai) with shareholding interests of 40.68%, 27.42%, 10.68%, 10.33% and 10.89% respectively. The directors of Universal Pte. Ltd. are Loh Ah Peng @ Loh Ee Ming, Loh Mun Yew, Loh Pui Pui and Lum Soo Mooi.

(5) Loh Pui Lai is deemed to have an interest in the in the 6,300,000 shares held by her husband, Cheung Wai Sum, by virtue of Section 164(15)(a) of the Companies Act.

Save as disclosed above, none of the Directors and Substantial Shareholders has any interest, whether direct or indirect (other than through their shareholdings in the Company), as at the Latest Practicable Date.

7. ABSTENTION FROM VOTING

In accordance with the requirements of Chapter 9 of the Catalist Rules, UPL, Loh Mun Yew and Cheung Wai Sum will abstain, and have undertaken that their Associates will abstain, from voting on the resolutions for the renewal of the Shareholders' Mandate in respect of any Shares respectively held by them and their Associates.

In addition, Loh Ah Peng @ Loh Ee Ming, Loh Mun Yew, Loh Pui Lai and Cheung Wai Sum will also decline to accept nomination as proxy or otherwise from any Shareholder to vote on the resolutions for the renewal of the Shareholders' Mandate, unless give specific instructions by the Shareholder in the relevant proxy form as to how his votes are to be casted.

8. INDEPENDENT DIRECTORS' RECOMMENDATION

Having fully considered the rationale set out in this Appendix, the Directors who are considered independent for the purposes of the proposed renewal of the Shareholders' Mandate, namely Mr Hew Koon Chan, Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong, believe that the Shareholders' Mandate is in the interest of the Company and recommend that Shareholders vote in favour of the resolution to approve the same as set out in the Notice of AGM.

APPENDIX

9. ANNUAL GENERAL MEETING

The AGM, notice of which is set out in the Annual Report of the Company, will be held on Tuesday, 28 April 2015 at 11:00 a.m. at 112 Lavender Street #04-00 Far East Refrigeration Building Singapore 338728 for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolution relating to the renewal of the Shareholders' Mandate at the AGM as set out in the Notice of AGM.

10. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the Proxy Form attached to the Annual Report in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company not less than 48 hours before the time fixed for the AGM. The completion and lodgement of the Proxy Form by a Shareholder will not prevent him from attending and voting at the AGM in person if he so wishes.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register as at 48 hours before the AGM.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Shareholders' Mandate. The Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available source or obtained from the named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

12. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents may be inspected at our registered office at 112 Lavender Street #04-00 Far East Refrigeration Building Singapore 388728, during normal business hours for a period of six months from date of this Appendix:

(a) Offer Document date 25 July 2011; and

(b) The annual report of the Company for FY2014.

Yours faithfully
For and on behalf of the Board of Directors of
FAR EAST GROUP LIMITED

Loh Mun Yew
CEO and Executive Director

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FAR EAST GROUP LIMITED
(Company Registration No. 196400096C)
(Incorporated in the Republic of Singapore)

PROXY FORM
ANNUAL GENERAL MEETING

I/We, ____ (Name)

of ____ (Address)

being a member/members of Far East Group Limited (the "Company") hereby appoint:

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting ("AGM") of the Company, to be held at 112 Lavender Street #04-00 Far East Refrigeration Building Singapore 338728 on Tuesday, 28 April 2015 at 11:00 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the AGM.

No.	Resolutions relating to:	For*	Against*
	Ordinary Business		
1	Audited accounts for the financial year ended 31 December 2014 and Reports of the Directors and Auditors and Statement of Directors		
2	Declaration of a one-tier tax exempt final dividend of 0.32 cents per ordinary share for the financial year ended 31 December 2014		
3	Re-election of Mr Mak Yen-Chen Andrew as a Director of the Company		
4	Re-election of Mr Leng Chee Keong as a Director of the Company		
5	Re-election of Mr Loh Pui Lai as a Director of the Company		
6	Re-appointment of Mr. Loh Ah Peng @ Loh Ee Ming as a Director of the Company		
7	Approval of payment of Directors' fees of S$220,750 for the financial year ending 31 December 2015, to be paid half-yearly in arrears		
8	Re-appointment of Messrs Ernst & Young LLP as Auditors of the Company		
	Special Business		
9	Authority to allot and issue shares		
10	Renewal of Shareholders' Mandate for Interested Person Transactions		

* Please indicate your vote "For" or "Against" with a tick (√) within the box provided.

Dated this ______________ day of ______________, 2015.

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

____
Signature(s) of Member(s) or Common Seal

Notes

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.

2. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. A proxy need not be a member of the Company.

3. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. This proxy form must be deposited at the Company's registered office at 112 Lavender Street #04-00 Far East Refrigeration Building, Singapore 338728, not less than 48 hours before the time set for the Meeting.

6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be duly stamped and deposited with this proxy form, failing which this proxy form shall be treated as invalid.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal data privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 13 April 2015.

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Designed and produced by
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