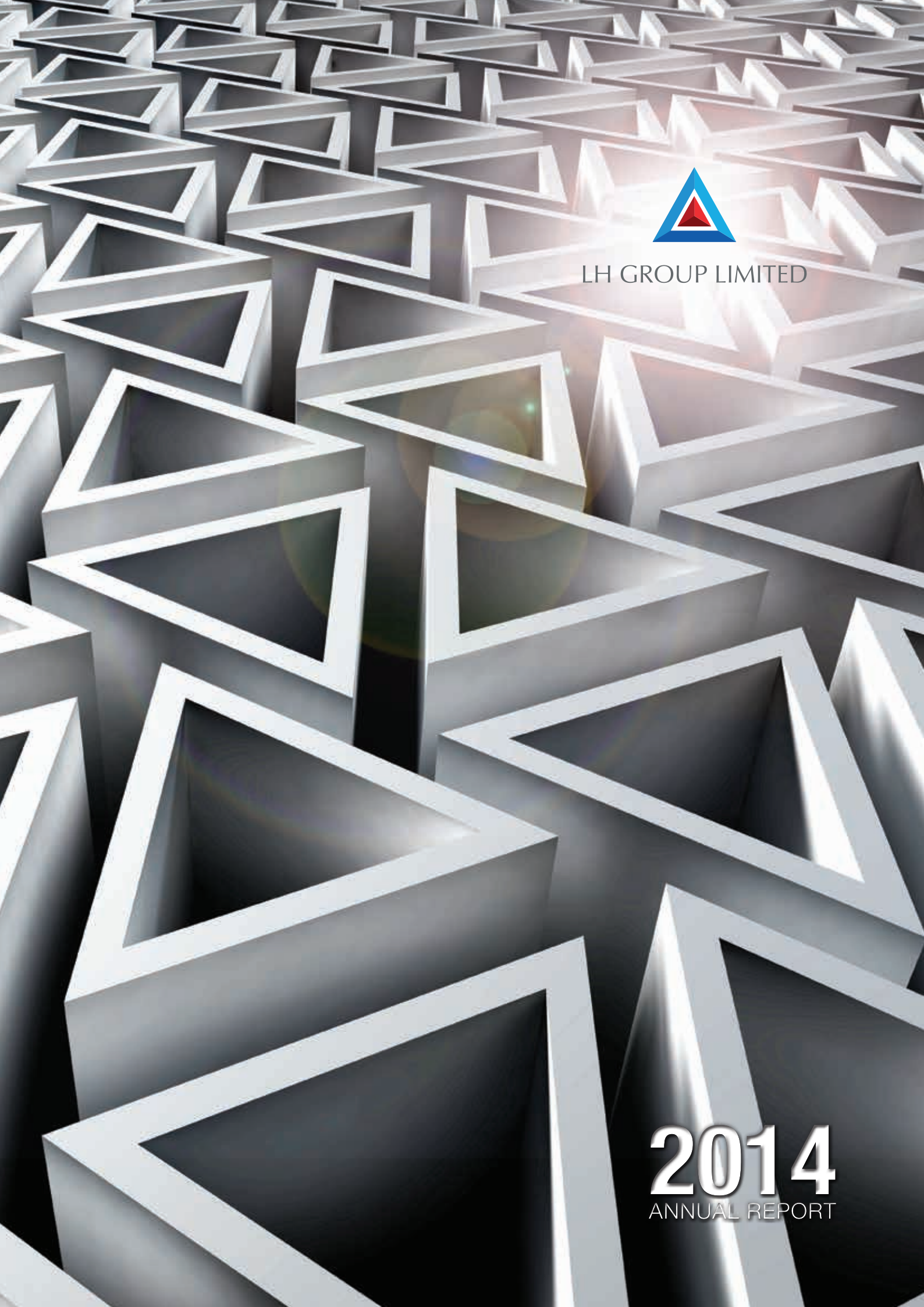


LH GROUP LIMITED

2014
ANNUAL REPORT

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COMPANY PROFILE



LH Group Limited was listed on the Main Board of Singapore Exchange Securities Trading Limited in 1994. The Group operates under two divisions – the Aluminium Division and the Vehicle Division.

The business and experience of the Aluminium Division includes design, fabrication and installation of building façade and interior wall such as curtain walling system, cladding system, high quality doors and windows.

The Aluminium Division's technical expertise and track record accumulated over the years enabled the Group to register with the top grading (L6) with the Singapore Building and Construction Authority. This allows the Division to tender for projects with unlimited tender values.

The Aluminium Division has completed several Housing Development Board projects, such as The River Vista @ Kallang and The SkyTerrace @ Dawson (ongoing), as well as the Singapore Changi Airport Terminal 3, The Sail @ Marina Bay, The Capella @ Sentosa, Educational Institution Building @ Tampines – United World College South East Asia, Orchard Central, The Clift @ McCallum Street, The Tennery, Floridian and Jardin Condominium.

The Vehicle Division, which is primarily based in South Korea, manufactures vehicle traction devices and vehicle parts.

CHAIRMAN'S MESSAGE

Dear Shareholder

On behalf of your Board of Directors, I hereby present the performance of the Group for the financial year ended 31 December 2014.

Despite the growth in our revenue, the Group recorded a lower gross profit margin from 19.8% in FY2013 to 9.1% in FY2014 due mainly to execution of lower margin projects. In view of the increasing competition in the industry, we will continue to be judicious and strategic in our tenders to ensure reasonable margins in securing new contracts; remain prudent in our operating cost structure; continue to enhance our productivity and improving efficiency in our business operations in order to ensure profitability.

ALUMINIUM DIVISION

In FY2014, our Aluminium Division contributed a significant increase to our Group's revenue by $16.8 million from $12.8 million in FY2013 to $29.6 million in FY2014 due mainly to progressive recognition of projects revenue from existing order book in FY2013 and new projects secured in FY2014. The partial outsourced production facilities since FY2012 to lower cost countries allowed the Division to expand its production capacity while maintaining a low cost base to enable the Group to stay competitive in the industry. The Division continued to enhance the designs of its products to reduce material as well as production cost.

The reduction in overheads and new sources of suppliers and fabricators were factors that helped to improve the Division's competitiveness. The Division started the year with a gross order book of $71.1 million and ended the year with $64.7 million in its gross order book.

VEHICLE DIVISION

The revenue for the Vehicle Division decrease to $2.9 million in FY2014 from $4.6 million in FY2013 due mainly to the poor sales in winter as there was little snowfall in South Korea.

The performance of the Division was affected by increasing competition in the South Korea market as well as difficulties in entering new markets in other countries. In the countries it



planned to market, the Group received allegation of patent infringement. The Group had proceed to fight the patent infringement suit in Germany and with the favourable outcome from the legal suit in Germany, the Division will continue its overseas marketing effort in FY2015.

NEW OPPORTUNITIES

While the Group is concentrating its efforts to improve the performances of the Aluminium and the Vehicle Divisions, it will also continue to seek opportunities for growth amid the challenging operating environment.

DIVIDEND AND ANNUAL GENERAL MEETING

In view of the increasing challenging operating environment, I regret to inform our shareholders that there will be no dividend for the current year.

I welcome our shareholders to participate in our forthcoming Annual General Meeting, which will be held on 27 April 2015 at Blk 8, Level 1, Liang Huat Industrial Complex, 51 Benoi Road, Singapore 629908.

APPRECIATION

Finally, I take this opportunity to thank our shareholders, our customers, suppliers, subcontractors and our bankers, for their continuous support of LH Group. My appreciation goes to all our staff for their dedication and hard work, and to my fellow directors for their contributions.

TAN HAI PENG MICHEAL
Executive Chairman



OUR PROJECTS



01 *SkyTerrace @ Dawson (Artist impression)*

02 *Orchard Central*

03 *Junction 10*







04 *Jardin*

05 *Horizon Residences (Artist impression)*



OUR PROJECTS

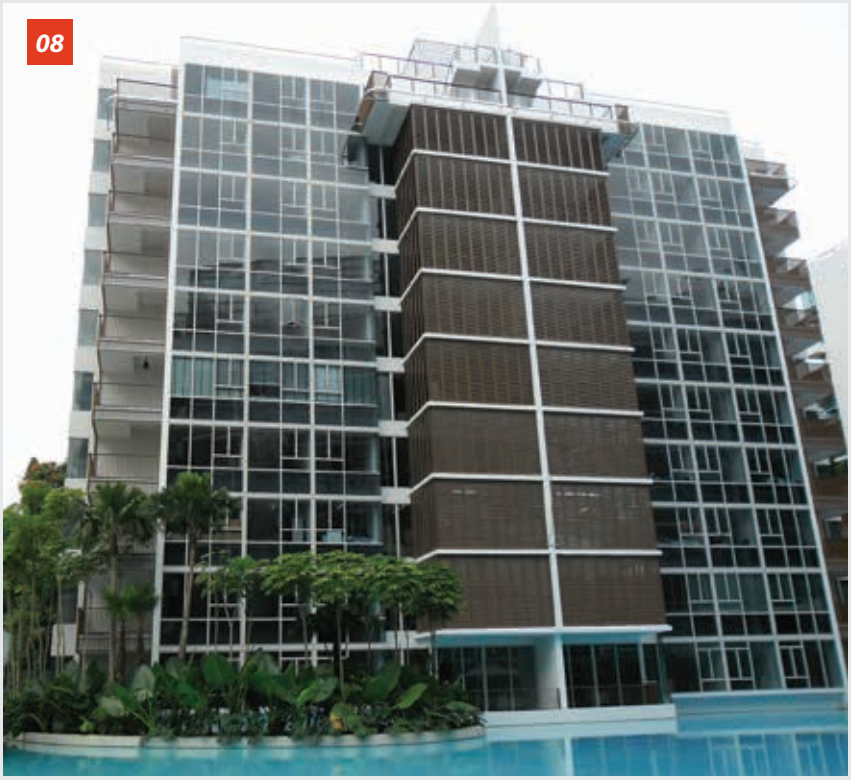




06 *The Clift*

07 *The Sail*

08 *Floridian*




GRIPONE™
TRACTION DEVICES
SNOW CRUISER™
TRACTION DEVICES
SNOW CRUISER™
COMBINE
QUICK FIX IN 30 SECONDS
Semi-permanent use
SNOW CRUISER
SPORTS
QUICK FIX IN 30 SECONDS
Semi-permanent use

BOARD OF DIRECTORS











TAN HAI PENG MICHEAL, P.B.M. *Executive Chairman*
Mr. Tan is Executive Director and was appointed on 17 September 2007. He is appointed as the Board Chairman on 15 March 2010 and he is also Chairman of the Executive Committee. He is responsible for the business development activities of the Group. He is non-executive director of Viva Industrial Trust Management Pte Ltd and Viva Asset Management Pte Ltd, both Trustee Managers of the stapled security Viva Industrial Trust. He is also an Executive Director of Ho Lee group of companies which deals primarily in construction, rental and trading of construction equipment and heavy machinery and property development. He obtained his Master of Business Administration (For Senior Executive) degree from the National University of Singapore in 2004 and the Bachelor of Science in Computer Engineering with Highest Honours from the Florida Institute of Technology, USA in 1990.

CHNG HEE KOK *Managing Director*
Mr. Chng was appointed as an Executive Director on 3 March 2011 and subsequently as Managing Director on 1 March 2012. He was an Independent Director of the Company from 24 October 2007. He is a member of the Executive Committee. Mr Chng was a Member of Parliament from 1984 to 2001 and served on the Sentosa Development Corporation board and was a past Director of the Governing Council of the Singapore Institute of Directors. He is a Fellow of the Singapore Institute of Directors. His past chief executive appointments of public listed companies include that of Yeo Hiap Seng Ltd, Scotts Holdings Ltd, Hartawan Holdings Ltd and HG Metal Manufacturing Ltd. He obtained his Master of Business Administration degree from the National University of Singapore in 1984 and Bachelor of Engineering (Mechanical), First Class Honours degree from the University of Singapore in 1972. Mr Chng is a Director of a number of public listed companies, including Pacific Century Regional Developments Ltd and Full Apex Holdings Ltd.

TAN HAI SENG BENJAMIN *Non-Independent Non-Executive Director*
Mr. Tan is Non-Independent Non-Executive Director and was appointed on 17 September 2007. He is also a member of the Audit Committee, Remuneration Committee, Nominating Committee and the Executive Committee. He is currently the Managing Director of Ho Lee group of companies which deals primarily in construction, rental and trading of construction equipment and heavy machinery and property development. Mr. Tan is currently the Treasurer of the Singapore Contractors Association Council of Management. He has more than 20 years of experience in the construction industry. He obtained his degree in Bachelor of Science in Business Administration from the University of Central Florida, USA in 1993.

BOB LOW SIEW SIE *Lead Independent Non-Executive Director*
Mr. Low is an Independent Non-Executive Director since 30 November 2005. He serves as Lead Independent Director, Audit Committee Chairman, member of Nominating Committee and Remuneration Committee. Currently the Principal Consultant of Bob Low & Co. (Chartered Accountants Singapore) engage principally in corporate assurance, corporate restructuring and recovery, acting as Judicial Manager, Receiver – Manager, Scheme Manager, tax compliance and advisory. He is also a Lead Independent Director of China Hongcheng Holdings Limited and Interra Resources Limited. An independent director of Veio Capital Master Fund Limited, Veio Capital Offshore Feeder Fund Limited and Veio Capital US Feeder Fund Limited. Fellow member of the Chartered Certified Accountant, UK, Certified Public Accountants of Australia, Insolvency Practitioners Association of Singapore, member of the Chartered Institute of Arbitrators of UK, Singapore Institute of Arbitrators, Singapore Academy of Law and Singapore Institute of Directors. Mr Low obtained his Bachelor of Laws, Second Lower Honours degree from London University in 1985.

DAVID LIM TECK LEONG *Independent Non-Executive Director*
Mr. Lim is an Independent Non-Executive Director and was appointed on 21 October 2008. He is the Chairman of the Remuneration Committee and the Nominating Committee and a member of the Audit Committee. Mr. Lim is the Non-Executive Chairman and Independent Director of Croesus Retail Asset Management Pte Ltd, the Trustee Manager of Croesus Retail Trust. He is an Independent Director of G.K. Goh Holdings Limited and New Toyo International Holdings Limited and a Non-Independent and Non-Executive Director of Tien Wah Press Holdings Bhd.

Mr. Lim is the founder and Managing Partner of David Lim & Partners LLP with over 30 years of experience in corporate finance and litigation. He has represented multiple corporations from a myriad of sectors including finance and banking, fund management, private equity, oil and gas, healthcare, construction, information technology and communications, among others. He sits as an Independent Director on the board of public listed companies in Singapore, and on the boards of private companies in Singapore, Indonesia and Thailand in non-executive capacity. He is a Fellow of the Singapore Institute of Directors.

Mr. Lim qualified as a Barrister-at-Law at Gray's Inn, London, UK.

KEY MANAGEMENT

DOUGLAS SHIN DAE KYUN
Executive Director of Autotrax International Pte Ltd and Autovox Korea Co., Ltd

Mr. Shin is the founder and Chief Executive Officer of Autovox Inc, the company from which the Group acquired the business of vehicle traction devices and vehicle parts. He was appointed as director of Autotrax International Pte Ltd and Autovox Korea Co., Ltd on 6 September 2011 and 19 September 2011 respectively. Mr. Shin has over 15 years of experience in logistics, distribution, and business management. His previous experiences include Business Development Manager, Europe for TNT Worldwide Express and Country General Manager, Korea of US Airborne Express. Mr. Shin has a Bachelor of Arts from the Seoul National University, South Korea and Post Graduate in Sales and Marketing from the West London Polytechnic.

CHEONG CHEE KUAN
Group Financial Controller

Ms. Cheong joined our Group on 2 January 2015 as Group Financial Controller. She is responsible for our Group's financial reporting and compliance processes. Prior to joining our Group, Ms. Cheong was an Audit Partner in De Associates, Chartered Accountants of Singapore, from 2008 to 2013. She joined LTC & Associates, Singapore as an audit senior in 2002 and left as an audit manager in 2007. Ms. Cheong graduated from Association of Chartered Certified Accountants with a professional certificate and she is a member of the Institute of Singapore Chartered Accountants.

Josephine Ng
Operational Manager – Aluminium Division

Ms. Ng joined our Group on 18 June 2008 as Contracts Manager – Aluminium Division and was promoted to Operational Manager in January 2015. She is responsible for the overall operational efficiency of the Aluminium Division, which include project budgeting, costing, tendering, contracts management, factory operations, quality assurance and budget cost control. She was an assistant quantity surveyor with Lee Kim Tah Pte Ltd from 1981 and left for further studies in 1984. She joined QS Partnership as an assistant quantity surveyor in 1989. In 1992, she joined CC Yeo Quantity Surveyor. She obtained her Master of Engineering Science (Civil) degree from The University of Sydney, Australia in 1989 and Bachelor of Engineering (Building Engineering) with Distinction from Footscray Institute of Technology (now known as Victoria University), Australia in 1987.

OPERATIONS AND FINANCIAL REVIEW

The Group's revenue for FY2014 increased by $15.1 million to $32.6 million from $17.5 million in FY2013. The significant increase was due mainly to an increase in revenue from our Aluminium Division by $16.8 million, offset by a decrease in revenue from our Vehicle Division by $1.7 million in FY2014. Revenue for our Aluminium Division increased to $29.6 million in FY2014 from $12.8 million in FY2013 due mainly to progressive recognition of project revenue from our existing order books in FY2013 and new projects secured in FY2014. The revenue for the Vehicle Division decreased to $2.9 million in FY2014 from $4.6 million in FY2013 due mainly to poor sales in winter as there was little snowfall in South Korea.

Despite recording higher revenue in FY2014, the Group's gross profit decreased from $3.5 million in FY2013 to $3.0 million in FY2014. The lower gross profit in FY2014 was due mainly to the lower project margin achieved by our Aluminium Division in FY2014 as compared to FY2013. This is aggravated by a decrease in revenue from our Vehicle Division in FY2014.

The total expenses increased marginally by $0.1 million from $4.7 million in FY2013 to $4.8 million in FY2014 as a result of increases in distribution and administrative expenses by approximately $0.4 million, offset by a decrease in finance expenses by $0.3 million.

Distribution and administrative expenses increased by $0.4 million in FY2014 as compared to FY2013 was due mainly to:

(i) increase in travelling expenses by $47,000; and

(ii) increase in staff costs by $309,000 due mainly to employee share options expenses of $219,000 in FY2014 and increase in headcount in FY2014.

Finance expenses decreased by $0.3 million in FY2014 as compared to FY2013 due mainly to absence of amortization of interest expenses on redemption liability in FY2014.

As a result of the foregoing, the Group reported net profit after income tax of $0.3 million in FY2014 as compared to $1.3 million for FY2013.

CORPORATE **GOVERNANCE**

Corporate Governance

The Board of Directors (the "Board") is committed to ensure that a high standard of corporate governance is practised throughout LH Group Limited (the "Company") and its subsidiaries (the "Group"), as a fundamental part of its responsibilities to protect and enhance shareholder value and the financial performance of the Group.

This report describes the Group's corporate governance practices and structures that were in place during the financial year ended 31 December 2014, with specific reference to the principles and guidelines of the revised Code of Corporate Governance (the "2012 Code") and where applicable, the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Singapore Companies Act, and the Audit Committee Guidance Committee ("ACGC") Guidebook, focusing on areas such as internal controls, risk management, financial reporting, internal and external audit.

BOARD MATTERS

Board's Conduct of its Affairs

The Board of Directors at the date of this report comprises:–

Mr. Tan Hai Peng Micheal	(Executive Chairman)
Mr. Chng Hee Kok	(Managing Director)
Mr. Tan Hai Seng Benjamin	(Non-Independent Non-Executive Director)
Mr. Bob Low Siew Sie	(Independent Non-Executive Director)
Mr. David Lim Teck Leong	(Independent Non-Executive Director)

The Board's role is to:

- Provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Group to meet its objectives;
- Establish a framework of prudent and effective controls which enables risk to be assessed and managed, including safeguarding of shareholders' interests and the Group's assets;
- Review management's performance;
- Identify the key stakeholder groups and recognise that their perceptions affect the Group's reputation;
- Set the Group's values and standards, and ensure that obligations to shareholders and others are understood and met; and
- Approve major investment and funding decisions.

The Board regularly reviews the Group's strategic business plans, the assessment of key risks by management and the operational and financial performance of the Group to enable the Group to meet its objectives. The Board has overall responsibility for establishing and maintaining a framework of good corporate governance in the Group, including the risk management systems and internal controls to safeguard shareholders' interests and the Group's assets. All Board members bring their independent judgement, diversified knowledge and experience to bear on issues of strategy, performance, resources and standards of conduct and ethics.

The Board objectively takes decisions in the interests of the Group. The Board has delegated specific responsibilities to four Committees, namely the Executive, Audit, Nomination and Remuneration Committees. Information on each of the four Committees is set out below. The Board accepts that while these Committees have the authority to examine particular issues and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility on all matters lies with the Board.

CORPORATE **GOVERNANCE**

The Board meets at least four times a year. Fixed meetings are scheduled at the start of each year. Ad hoc meetings are called when there are pressing matters requiring the Board's consideration and decision in between the scheduled meetings.

The Articles of Association of the Company allow directors to participate in a Board meeting by telephone conference or video-conference whereby all persons participating in the meeting are able to communicate as a group, without requiring the director's physical presence at the meeting. The number of Board and Board Committee meetings held in the current financial year and the attendance of directors during these meetings are as follows:

	Board	Audit Committee	Remuneration Committee	Nominating Committee	Executive Committee
No. of meetings held	4	4	1	1	6
No. of meetings attended:					
Tan Hai Peng Micheal	4	4*	1*	1*	6
Chng Hee Kok	4	4*	1*	1*	6
Tan Hai Seng Benjamin	4	4	1	1	6
Bob Low Siew Sie	4	4	1	1	N.A.
David Lim Teck Leong	3	3	1	1	N.A.

* Attended by invitation

A formal letter is provided to each director upon his appointment, setting out the director's duties and obligations. The Group also conducts an orientation programme for new directors to familiarise them with the business activities of the Group, its strategic direction and corporate governance practices.

To keep pace with new laws, regulations, changing commercial risks and financial reporting standards, all directors are encouraged to be member of the Singapore Institute of Directors and attend specifically tailored training conducted by professionals at least annually. Directors are also encouraged to attend, at the Group's expense, relevant and useful seminars for their continuing education and skills improvement courses that are conducted by external organisations. The Company Secretary will bring to directors' attention, information on seminars that may be of relevance or use to them.

Board Composition and Independent Directors

The Board comprises five (5) members, three (3) of whom are non-executive directors. All non-executive directors, except for Mr. Tan Hai Seng Benjamin who is an Executive Director of Ho Lee Group Pte Ltd and Teck Lee Holdings Pte Ltd, the immediate and the ultimate holding company of the Group respectively, are independent i.e., they have no relationship with the Company, its related companies, its majority shareholders, or their officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Group, and they are able to exercise objective judgement on corporate affairs independently from management and its majority shareholders. Independent and non-executive directors make up more than half of the Board.

CORPORATE **GOVERNANCE**

All directors are required to disclose any relationships or appointments which would impair their independence to the Board timely. Based on the evaluations and results of a review conducted by the Nominating Committee, the Board views all the non-executive directors of the Company, except for Mr. Benjamin Tan, as independent in character, judgement and that there are no relationships which are likely to affect or could appear to affect the director's judgement.

The Board, on annual basis, determines whether or not a director is independent, taking into account the 2012 Code's definition. The Board had assessed the independence of each independent director and whose tenure had exceeded nine years from the date of their first appointment. The Board is of the view that an individual's independence cannot be arbitrarily determined merely on the basis of a set period of time. On the contrary, the independent directors continue to provide stability to the Board and the Group has benefited greatly from the presence of individuals who are specialist in their own fields and they have, over time, not only gained valuable insight into the Group, its business, markets and industry but have brought their breadth and depth of business experience to the Group.

Based on the Board's observation, the independent directors had demonstrated independent mindedness and conduct at Board and Board committee meetings. The Board is of the firm view and opinion that the independent directors are able to exercise independent judgement in the best interest of the Company in the discharge of their duties as independent directors despite their extended tenure in office.

The Board, having reviewed the individual independent director's judgement and conduct in carrying out their duties for the year in review, concluded that Mr. Bob Low Siew Sie remained independent from management and provided a strong independent element on the Board, being free from any business or other relationship which could materially interfere with the exercise of his judgement.

The Board reviews the size of the Board on an annual basis, and considers the present Board size as appropriate for the current scope and nature of the Group's operations. As independent and non-executive directors make up more than half of the Board, no individual or group is able to dominate the Board's decision-making process. There is also balance in the Board because of the presence of independent and non-executive directors of the calibre necessary to carry sufficient weight in Board decisions. Although all the directors have an equal responsibility for the Group's operations, the role of these independent and non-executive directors is particularly important in ensuring that the strategies proposed by Management are constructively challenged, fully discussed and examined, and take account of the long term interests, not only of the shareholders, but also of employees, customers, suppliers and the many communities in which the Group conducts business.

As a group, the directors bring with them a broad range of industry knowledge, expertise and experience in areas such as accounting, finance, business and management, strategic planning and customer service relevant to the direction of a large, expanding group. Mr. Chng Hee Kok has vast experience in managing listed companies from various industries. Mr. Tan Hai Peng Micheal and Mr. Tan Hai Seng Benjamin have experience, specifically in the construction industry, the core business of the Group. Mr. Bob Low Siew Sie is trained in finance and law. Mr. David Lim Teck Leong is trained in law. A brief description of the background of each director is presented in the "Board of Directors" section of this annual report.

Whilst the Company is controlled by Ho Lee Group Pte Ltd, its immediate holding company, the investment of minority shareholders is fairly represented through the representation of independent directors.

CORPORATE **GOVERNANCE**

Chairman and Managing Director ("MD")

The roles of the Chairman and the MD are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman, Mr. Tan Hai Peng Micheal is an executive director responsible for leading the Board and facilitating its effectiveness. He promotes high standards of corporate governance on the Board and within the Group, and is free to act independently in the best interests of the Group. The MD, Mr. Chng Hee Kok, is an executive director responsible for the business direction and operational decisions of the Group. The Chairman and MD are not related. The division of responsibilities between the Chairman and the MD has been set out in a set of guidelines reviewed and endorsed by the Board.

The Chairman ensures that Board meetings are held as and when necessary. He leads the Board to ensure its effectiveness and approves the agenda of each Board Meeting in consultation with the MD. The Chairman reviews most Board papers before they are presented to the Board and ensures that Board members are provided with accurate, timely and clear information. Further, he ensures that all agenda items included in the Board papers are provided sufficient airtime and adequately debated at Board meetings. Management staff who have prepared the papers, or who can provide additional insight into the matters to be discussed, are invited to present the paper or attend at the relevant time during the Board meeting. The Chairman monitors communications and relations between the Company and its shareholders, between the Board and Management, and between independent and non-independent directors, with a view to encourage constructive relations and dialogue amongst them. The Chairman works to facilitate the effective contribution of non-executive directors. The foregoing responsibilities of the Chairman are included in the abovementioned guidelines endorsed by the Board.

The Board appointed Mr. Bob Low Siew Sie to act as the Lead Independent Director. Shareholders with concerns may contact him directly, when contact through the normal channels via the Chairman, MD or GFC has failed to provide satisfactory resolution, or when such contact is inappropriate. All the Independent Directors including the Lead Independent Director, meet at least annually with the presence of the other executive and non-independent Directors to discuss matters of significance which are thereon reported to the Chairman accordingly.

NOMINATING COMMITTEE ("NC")

Board Membership and Performance

The NC comprises three (3) non-executive members, majority of whom are independent directors. The NC is chaired by an independent non-executive director and as at the date of this Report, the NC members are:

Mr. David Lim Teck Leong	(Chairman)
Mr. Bob Low Siew Sie	(Member)
Mr. Tan Hai Seng Benjamin	(Member)

The NC has a written Terms of Reference endorsed by the Board that sets out its duties and responsibilities. Amongst them, the NC is responsible for making recommendations to the Board on all board appointments, evaluation of performance of the Board and its committees, members and directors, adequacy of the Board's training and professional development programmes and review the Board's succession plans for directors, in particular the Chairman and MD.

The NC is also responsible for determining annually, the independence of directors. In doing so, the NC takes into account the circumstances set forth in the 2012 Code and any other salient factors. Following its annual review, the NC has endorsed the following independence status of the directors:

CORPORATE **GOVERNANCE**

Independent

Mr. Bob Low Siew Sie
Mr. David Lim Teck Leong

Non-independent

Mr. Tan Hai Peng Micheal
Mr. Tan Hai Seng Benjamin
Mr. Chng Hee Kok

The NC is satisfied that sufficient time and attention are given by the directors to the affairs of the Group, taking into consideration the director's number of listed company board representations and other principal commitments. The Board did not determine the maximum number of listed company board representations which any director may hold. The Board has obtained undertaking from each director that they are able to fulfill the time commitment and responsibilities as a director of the Group. However, the Board exercises its discretion in assessing the time commitment of individual directors in view of their multiple board representations.

The NC will determine the criteria for the appointment of new Directors and will set up a process for the selection and appointment of such Directors, taking into consideration the expertise and experience of each candidate.

The NC does not have a practice of appointing alternate directors. In the event when the need should arise, the NC will review on a case by case basis. There were no alternate directors in this financial year.

In the search, nomination and selection process for new directors, the NC identifies the key attributes that an incoming director should have, based on a matrix of the attributes of the existing Board and the requirements of the Group. After endorsement by the Board of the key attributes, the NC taps on the resources of directors' personal contacts and recommendations of potential candidates, and goes through a shortlisting process. If candidates identified from this process are not suitable, executive recruitment agencies are appointed to assist in the search process. Interviews are set up with potential candidates for NC members to assess them, before a decision is reached. The NC also oversees the re-appointment of directors as and when their tenure of appointment is due. In assessing the directors for reappointment, the NC evaluates several criteria including qualifications, contributions and independence of the directors.

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

CORPORATE **GOVERNANCE**

The dates of initial appointment and last re-election of each Director, together with their directorships in other listed companies are set out below:

Name	Date of initial appointment	Date of last re-election	Present directorship in other listed companies	Past directorship in other listed companies in preceding 3 years
Tan Hai Peng Micheal	17 September 2007	25 April 2013	Viva Industrial Trust Management Pte Ltd and Viva Asset Management Pte Ltd, both Trustee Managers of the stapled security Viva Industrial Trust	–
Chng Hee Kok	24 October 2007	25 April 2014	Chinasing Investment Holdings Ltd China Flexible Packaging Holdings Ltd Full Apex (Holdings) Ltd Luxking Group Holdings Ltd Pacific Century Regional Developments Ltd Samudera Shipping Line Ltd	HG Metal Manufacturing Ltd Hartawan Holdings Ltd People's Food Holdings Ltd EL Corp Ltd Sunray Holdings Ltd
Tan Hai Seng Benjamin	17 September 2007	30 April 2012	–	–
Bob Low Siew Sie	30 November 2005	25 April 2014	Interra Resources Limited	Sino Construction Limited China Hongcheng Holdings Ltd
David Lim Teck Leong	21 October 2008	25 April 2013	Croesus Retail Assets Management Pte Ltd, Trustee Manager of Croesus Retail Trust G.K. Goh Holdings Limited New Toyo International Holdings Limited Tien Wah Press Holdings Berhad	Samudera Shipping Line Ltd Z-Obee Holdings Limited

At each Annual General Meeting ("AGM"), not less than one-third of the Directors (referring to those who have been longest in office since their appointment or re-election), are required to retire from office by rotation.

Mr. Tan Hai Seng Benjamin and Mr. Tan Hai Peng Micheal will retire at the Company's forthcoming AGM and will be eligible for re-election.

CORPORATE **GOVERNANCE**

The Board has implemented a process for assessing its effectiveness as a whole and for assessing the contribution by each director to the effectiveness of the Board. The Group has designed and implemented internally the board evaluation process. The Board assessment considered the following key performance criteria:

- Board size and composition;
- Board process;
- Board effectiveness and training;
- Board committees;
- Board committee process;
- Provision of information to the Board;
- Standards of conduct;
- Financial performance; and
- Board compensation.

The Chairman of the Board will give feedback to the NC on the appointment of new directors or retirement or resignation of existing directors and the NC will take into consideration his views in this regard.

The NC viewed that given the background, experience and expertise of each Director, it would not be necessary to evaluate the individual performance of each Director.

Access to Information

All directors receive a set of Board papers prior to the Board meeting. The Board papers are generally issued to directors at least five working days prior to the meeting in sufficient time to enable the directors to obtain further explanations, where necessary, in order to be briefed properly and prepare for the meeting. The Board papers include, among others, the following documents and details:

- Minutes of the previous Board meeting;
- Minutes of meetings of all committees of the Board held since the previous Board meeting;
- Background or explanations on matters brought before the Board for decision or information, including issues being dealt with by Management, and relevant budgets, forecasts and projections. In respect of budgets, any material variance between the projections and actual results is disclosed and explained to the Board; and
- Major operational and financial issues.

As part of good corporate governance, key matters requiring decision are reserved for resolution at Board meetings rather than by circulation to facilitate discussion.

The directors have separate and independent access to the Group's senior management, including the MD, the Group Financial Controller and other key management, as well as the Group's internal and external auditors. Queries by individual directors on circulated papers are directed to Management who will respond accordingly. Where relevant, directors' queries and management's responses are circulated to all Board members for their information.

CORPORATE **GOVERNANCE**

All directors have separate and independent access to the advice and services of the Company Secretary. The Company Secretary attends all meetings of the Board and ensures that Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretary also attends all meetings of the Audit Committee, Remuneration Committee and Nomination Committee. Under the direction of the Chairman, the Company Secretary is responsible for ensuring good information flows within the Board and its committees and between senior management and non-executive directors, as well as facilitating orientation and assisting with professional development as required.

Under the Articles of Association of the Company, the decision to appoint or remove the Company Secretary can only be taken by the Board as a whole.

The Board members are aware that they, whether as a group or individually, in the furtherance of their duties, can take independent professional advice, if necessary, at the Company's expense.

REMUNERATION COMMITTEE

Procedures for Developing Remuneration Policies

The Remuneration Committee is responsible for ensuring a formal and transparent procedure for developing policy on executive remuneration, and for fixing the remuneration packages of individual directors and senior management.

The Remuneration Committee ("RC") comprises three (3) non-executive members, majority of whom, including the Chairman, are independent directors. As at the date of this Report, the RC members are:

Mr. David Lim Teck Leong	(Chairman)
Mr. Bob Low Siew Sie	(Member)
Mr. Tan Hai Seng Benjamin	(Member)

The principal responsibilities of the RC are as follows:

a) recommending to the Board for endorsement a framework of remuneration for the Board and key executives with the aim of building capable and committed Board and management team through competitive compensation and focused management and progressive policies;
b) recommending specific remuneration package and terms of employment for each executive director and key executive;
c) reviewing and recommending directors' fees for non-executive directors, taking into account factors such as their effort and time spent, and their responsibilities; and
d) administering the LHG Employee Share Option Scheme.

The RC reviews the reasonableness of the contracts of service of the executive directors and key management personnel.

If required, the RC will seek expert advice inside or outside the Company on remuneration of all Directors and key executives. The remuneration policy recommended by the RC is submitted for approval by the Board.

CORPORATE **GOVERNANCE**

No director is involved in deciding his own remuneration, except for providing information and documents specifically requested by the RC to assist in its deliberations.

Level and Mix of Remuneration

The remuneration package of executive directors and key executives consists of the following components:

The fixed components comprises of basic salary and Central Provident Fund ("CPF") contribution. To ensure that key executive's remuneration is consistent and comparable with market practice, the RC regularly benchmarks remuneration components against those of comparable companies, while continuing to be mindful that there is a general correlation between increased remuneration and performance improvements.

The variable components comprises variable bonus based on the Group's and the individual's performance, as well as the monthly variable component of the basic salary. To link rewards to performance, the more senior the executive is in the Group, the higher is the percentage of the variable component against total compensation. Bonuses payable to Senior Management are reviewed by the RC and approved by the Board to ensure alignment of their interests with those of shareholders and promote the long term success of the Group.

Benefits provided are consistent with market practice and include medical benefits, flexible benefits, car allowances and club benefits. Eligibility for these benefits will depend on individual salary grade and length of service.

The independent directors are paid a director's fee for their efforts and time spent, responsibilities and contribution to the Board, subject to approval by shareholders at the AGM.

The directors, senior management and staff with at least 12 months of service are eligible for the grant of options under the LHG Employee Share Option Scheme. The options granted will vest only 1 year after the offer date for options granted without discount and 2 years after the offer date for options granted at a discount. The directors, senior management and staff are encouraged to hold their shares beyond the vesting period. More information on the LHG Employee Share Option Scheme is set out in the Directors' Report.

Non-executive directors are also encouraged to acquire shares of the Company.

The RC reviews the scheme put in place by the Company for rewarding the non-executive directors to ensure the compensation is commensurate with effort, time and role of the non-executive directors.

CORPORATE **GOVERNANCE**

Disclosure on Remuneration

The breakdown of remuneration of the Directors of the Company for the financial year ended 31 December 2014 is set out below:

Remuneration Band and Name of Directors	Basic Salary [1]	Directors' fees	Variable or Performance Related Income/Bonus	Benefits-in-kind	Fair value of share options granted	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Chng Hee Kok	263	–	64	15	101	443
Tan Hai Peng Micheal	130	–	–	14	–	144
Tan Hai Seng Benjamin	–	105	–	–	–	105
Bob Low Siew Sie	–	52	–	–	11	63
David Lim Teck Leong	–	45	–	–	11	56

(1) Basic salary include contribution to Central Provident Fund

The Directors, Mr. Tan Hai Seng Benjamin and Mr. Tan Hai Peng Micheal are brothers, and the sons of a substantial shareholder, Mr. Tan Thuan Teck. The service contracts for executive directors are for fixed appointment periods of two years and they do not contain onerous removal clauses. Notice periods are generally six months or less in service contracts for Senior Management. The Remuneration Committee is responsible for reviewing the compensation commitments arising from directors' contracts of service in the event of early termination.

There were no employees of the Group who are immediate family members of a Director, the MD or a substantial shareholder and whose remuneration exceeds $50,000 during the financial year ended 31 December 2014.

KEY EXECUTIVES

The gross remuneration received by each of the key executives (excluding Directors) for the financial year ended 31 December 2014 and the breakdown of the level and mix of the remuneration of the key executives is as follows:

Name of Executives	Salary	Bonus	Fair value of share options granted	Total
	%	%	%	%
$250,000 – $500,000				
Lim Jenny*	63	18	19	100
Below $250,000				
Douglas Shin Dae Kyun	100	–	–	100
Josephine Ng Seok Hoon	68	15	17	100

* Resigned on 27 February 2015

CORPORATE **GOVERNANCE**

To maintain confidentiality of staff remuneration matters, and for competitive reasons, only their remuneration mix is disclosed as per the table above.

The annual reviews of the compensation of Directors and key executives are carried out by the RC to ensure that their remuneration commensurate with their performance, giving due regard to the financial and commercial health and business needs of the Group. The performance of the MD together with other key executives is reviewed periodically by the RC and the Board.

ACCOUNTABILITY

The Board understands its responsibility and provides to the shareholders a balanced and understandable assessment of the Group's performance, position and prospects when presenting interim and other price sensitive public reports, and reports to regulators (if required).

The Board also reviews operational and regulatory compliance reports from management to ensure compliance with all of the Group's operational practices and procedures and relevant regulatory requirements.

The Management currently provides the Board with appropriately detailed management accounts of the Group on a timely basis in order for the Board to understand the Group's financial and operational performance and prospects.

RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of risk. The Board approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instills the right risk focused culture throughout the Group for effective risk governance.

The Board reviewed the adequacy of the Group's risk management framework and systems and conducted sessions with Management to understand the process to identify, assess, manage and monitor risks within the Group. In addition, an internal review by Management was conducted during the year to review on the effectiveness, adequacy and robustness of the Group's risk management policies and processes and make recommendations to enhance the internal controls over the risk management process.

The Group currently does not have a Risk Management Committee but the Management regularly reviews the Group's business and operational activities to identify areas of significant business risks as well as appropriate measures to control and mitigate these risks. The Management reviews all significant control policies and procedures and will highlight all significant matters to the Board and the AC.

The Board with the assistance of the Management, has undertaken an annual assessment on the adequacy and effectiveness of the Group's risk management and internal control systems over financial, operational, compliance and information technology risks. The assessment considered issues dealt with in reports reviewed by the Board during the year together with any additional information necessary to ensure that the Board has taken into account all significant aspects of risks and internal controls for the Group for the financial year ended 31 December 2014.

CORPORATE **GOVERNANCE**

The Board's annual assessment in particular considered:

- the changes since the last annual assessment in the nature and extent of significant risks, and the Company's ability to respond to changes in its business and the external environment;
- the scope and quality of management's ongoing monitoring of risks and of the system of internal controls and the work of its internal audit function and other providers of assurance;
- the extent and frequency of the communication of the results of the monitoring to the Audit Committee; and
- the incidence of significant internal controls weaknesses that were identified during the financial year.

In order to obtain assurance that the Group's risks are managed adequately and effectively, the Board had reviewed an overview of the risks which the Group is exposed to, as well as an understanding of what countermeasures and internal controls are in place to manage them.

The Board has obtained a written confirmation from the MD and GFC:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and
(b) regarding the effectiveness of the Group's risk management and internal control systems.

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

AUDIT COMMITTEE

The Audit Committee comprises three (3) non-executive members, majority of whom, including the Chairman, are independent directors.

Mr. Bob Low Siew Sie	(Chairman)
Mr. David Lim Teck Leong	(Member)
Mr. Tan Hai Seng Benjamin	(Member)

The AC is responsible for assisting the Board in discharging its statutory and other responsibilities relating to internal controls, financial and other accounting matters as well as matters pertaining to regulatory compliance. The Board is of the view that the members of the AC are appropriately qualified to discharge their responsibilities. The details of the Board member's qualifications and experience are presented in this Annual Report under the section "Board of Directors". None of the members nor the Chairman of the AC are former partners or directors of the Group's auditing firms.

The AC has written the Terms of Reference which is endorsed by the Board and sets out the Committee's duties and responsibilities. The AC is authorised by the Board to investigate any matter within its Terms of Reference and has full access to, and cooperation of Management, with full discretion to invite any director or executive officer to attend its meetings. The AC has adequate resources to enable it to discharge its functions properly.

CORPORATE **GOVERNANCE**

During the meetings of the AC held during the financial year, the Committee performed its functions and responsibilities as set out in its Terms of Reference, which include the following:

(i) reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Group and any formal announcements relating to the Group's financial performance;
(ii) reviewing the adequacy of the Group's internal controls, including financial, operational, compliance and information technology controls at least annually;
(iii) reviewing the adequacy and effectiveness of the Group's internal audit function at least annually, including the adequacy of internal audit resources and its appropriate standing within the Group, as well as the scope and results of the internal audit procedures;
(iv) reviewing the scopes, approach and results of the audit and its cost effectiveness, and the independence and objectivity of the independent auditors;
(v) reviewing with the independent auditors their audit plans, audit report, and the independent auditor's evaluation of the system of internal accounting controls, as well as the assistance given by Management to the independent auditor;
(vi) reviewing the nature and extent of the independent auditor's non-audit services to the Group as well as the extent of reliance placed by the independent auditor on the internal auditor's work, seeking to balance the maintenance of objectivity and value for money;
(vii) making recommendations to the Board on the appointment, re-appointment and removal of the independent auditor, and approving the remuneration and terms of engagement of the independent auditor; and
(viii) reviewing the quarterly, half-yearly and full-year financial reports of the Group, prior to their submission to the Board.

The AC held 4 meetings during the financial year. These meetings were attended by the Executive committee and GFC at the invitation of the AC. The Group's independent auditor was also present at the relevant junctures during these meetings. The AC has also met the external and internal auditors, without the presence of any executive of the Group, once during the financial year to:

- obtain feedback on the competency and adequacy of the finance function;
- enquire into the root causes for major audit adjustments and issues; and
- inquire if there are any material weaknesses of control deficiencies over the Group's financial reporting process and the corresponding effect on the financial statements as well as over other operational, compliance and information technology areas.

The AC assesses the independence of the independent auditors annually. The aggregate amount of audit fees paid to the independent auditors for the financial year ended 31 December 2014 was $80,250. The AC noted that there was no non-audit related work carried out by the independent auditors during the current financial year and is satisfied that the independence of the independent auditors has not been impaired.

The Group is committed to a high standard of ethical conduct and adopts a zero tolerance approach to fraud. The Group has a whistle blowing policy in place which encourages the reporting of matters of fraud, corruption or dishonest and unethical practices. The whistle blowing policy is communicated to all staff and is readily available on the Group's information system.

CORPORATE **GOVERNANCE**

The Group undertakes to investigate complaints of suspected fraud and unethical behavior in an objective manner and has put in place, with the AC's endorsement, arrangements by which staff of the Group may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. The objective for such arrangements is to ensure independent investigation of matters raised and to allow appropriate actions to be taken. All such investigations are undertaken by an appointed manager who reports directly to the Chairman of the AC.

Internal Audits

The Company's internal audit function is out-sourced to an independent third party accounting firm (the "Internal Auditor") and is independent of Management. The appointment of the auditing firm to perform such services is approved by the AC. The AC's oversight and supervision of the Group's internal controls are complemented by the work of the Internal Auditor, whose role is to assist the AC to ensure that the Group maintains a sound system of internal controls by regular monitoring of key controls and procedures and ensuring their effectiveness, undertaking investigations as directed by the AC, and conducting regular in-depth audits of high risk areas.

In order to allow for a more open discussion on any issue of concern, the AC meets the Internal Auditor separately without the presence of Management or any executive.

The Internal Auditor's primary line of reporting is to the Chairman of AC.

The AC approves the internal audit plan and budget and ensures the adequacy of internal audit resources. The scope of the Internal Auditors covers all business and support functions within the Group.

During the financial year, the Internal Auditors conducted its audit reviews based on the approved internal audit plans. Upon completion of each audit assignment, the Internal Auditors reported its findings and recommendations to Management who would respond on the actions to be taken. The Internal Auditors submitted its internal audit summary reports to the AC on the status of the audit plan and on audit findings and actions taken by Management on the findings.

INTERESTED PERSON TRANSACTIONS

The AC reviewed the Group's Interested Person Transactions ("IPT") to ensure that the transactions were executed at normal commercial terms and did not prejudice the interests of the Group and its minority shareholders. The AC is satisfied that there were no material contracts involving the interests of the MD, Directors or the controlling shareholders and their subsidiaries. Management reported that the internal control procedures for determining the transaction prices of IPT had not changed since the date of the last Annual General Meeting, at which time the shareholders' mandate for IPT was last renewed. The AC is satisfied that the internal controls over the identification, evaluation, review, approval and reporting of IPT was effective. Management accordingly recommended that the Company need not appoint an independent financial advisor to review the IPT methods and procedures in the current financial year. Pursuant to the provisions under SGX-ST Listing Rule 920(1), the AC concurred with Management's recommendations.

CORPORATE **GOVERNANCE**

The aggregate values of interested person transactions for the financial year ended 31 December 2014 are as follows:

Nature of transaction and name of Interested Person	Aggregate value of all interested person transactions conducted during the year (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) $'000	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000) $'000
Wee Poh Construction Pte Ltd – contract income from project fabrication	–	2,561

EXECUTIVE COMMITTEE

The Executive Committee ("EXCO") comprises three (3) members.

Mr. Tan Hai Peng Micheal	(Chairman)
Mr. Chng Hee Kok	(Member)
Mr. Tan Hai Seng Benjamin	(Member)

The EXCO is established to assist the Board with the operational management of the Group.

The Terms of Reference of the EXCO are as follows:–

- Reviewing strategic and non-strategic investments and divestments;
- Reviewing the Group's strategy, business plans, annual budget and capital structure;
- Reviewing and supervising the operations of the Group including implementing all the Group's operating, financial and personnel policies;
- Reviewing and approving project tenders within designated limit;
- Acting on behalf of the Board in urgent situations, when it is not feasible to convene a meeting of the entire Board; and
- Carrying out such other functions as may be delegated to it by the Board.

SHAREHOLDER RIGHTS AND RESPONSIBILITES

Shareholder Rights

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

The Group strongly encourages shareholder participation during the Annual General Meeting ("AGM"). Shareholders are able to proactively engage the Board and management on the Group's business activities, financial performance and other business related matters. Resolutions are passed through a process of voting by poll and shareholders are entitled to vote in accordance with established voting rules and procedures. The poll results in favour and against for each resolution put forth are presented during the AGM.

CORPORATE **GOVERNANCE**

Registered shareholders including corporations, who are unable to attend the AGM are provided the option to appoint a nominee or custodial services to appoint not more than two proxies. This allows shareholders who hold shares through corporations to attend and participate in the AGM as proxies. The Company allows shareholders who held shares through nominees or custodian banks to attend the AGM as observers, subject to availability of seats.

Communication with Shareholders

The Group values dialogue with its shareholders and believes in regular, effective and fair communication with its shareholders and is committed to hearing shareholders' views and addressing their concerns where possible.

The Group monitors the dissemination of material information to ensure that it is made publicly available on a timely and non-selective basis. Results and annual reports are announced or issued within the mandatory period. All materials are made available on SGXNET for the information of shareholders.

Dividend Policy

The Group does not have a dividend policy. No dividend declaration for the financial year ended 31 December 2014 due to the current financial performance of the Group and Company in the financial year.

Conduct of Shareholder Meetings

The Group believes in encouraging shareholder participation at general meetings. A shareholder who is entitled to attend and vote may either vote in person or appoint a nominee or custodial services to appoint more than two proxies.

For shareholders present in person, the Company has introduced the system of voting by poll and results of each resolution put to vote at the AGM is announced with details of percentages in favour and against.

Each item of special business included in the notice of the meeting will be accompanied by a full explanation of the effects of a proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

At each AGM, the Chairman of the Board presents the progress and performance of the Group and encourages shareholders to participate in the Question and Answer session. The Independent Auditor is present to address shareholders' queries on the conduct of the audit and the preparation and content of the auditor's report.

The Chairpersons of the Audit, Nomination, Remuneration and Executive Committees, or members of the respective committees standing in for them, are present at each Annual General Meeting, and other general meetings held by the Company, if any, to address shareholders' queries. Appropriate senior management personnel/members are also present at general meetings to respond, if necessary, to operational questions from shareholders.

CORPORATE **GOVERNANCE**

DEALINGS IN SECURITIES OF THE COMPANY – BEST PRACTICES

The Company has adopted a set of code of conduct to provide guidance to its officers regarding dealings in the Company's securities, in compliance with Rule 1207(19) of the SGX-ST Listing Manual.

The Company has issued notices to its Directors, officers and employees to state that there must be no dealings in the Company's shares whilst they are in possession of unpublished material or price sensitive information and during the period commencing two weeks before the announcement of the Company's financial statements for each of the first three quarters of the financial year and one month before the announcement of the Company's full year financial statements, as the case may be, and ending on the date of announcement of such financial results. Directors and officers are also prohibited from dealing in the Group's securities on short-term considerations.

MATERIAL CONTRACTS

Other than as disclosed under Interested Person Transactions in this report, there were no material contracts entered into by the Company or any of its subsidiary companies involving the interests of the Managing Director, any director and/or substantial shareholder.

REPORT OF THE **DIRECTORS**
31 DECEMBER 2014

The directors present their report to the members together with the audited consolidated financial statements of LH Group Limited (the "Company") and its subsidiaries (hereinafter collectively referred to as the "Group") for the financial year ended 31 December 2014 and the audited statement of financial position of the Company as at 31 December 2014.

1 DIRECTORS

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

Mr. Tan Hai Peng Micheal
Mr. Chng Hee Kok
Mr. Tan Hai Seng Benjamin
Mr. Bob Low Siew Sie
Mr. David Lim Teck Leong

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

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

3 DIRECTORS' INTEREST IN SHARES OR DEBENTURES

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

	Direct interest		Deemed interest	
Name of directors and companies in which interests are held	**As at 1.1.2014**	**As at 31.12.2014**	**As at 1.1.2014**	**As at 31.12.2014**
(Ordinary shares)				
The Company				
Mr. Tan Hai Peng Micheal	–	–	2,000,056,583	2,000,056,583
Mr. Tan Hai Seng Benjamin	–	–	2,000,056,583	2,000,056,583
The ultimate holding company -				
Teck Lee Holdings Pte Ltd				
Mr. Tan Hai Peng Micheal	4,000,000	4,000,000	–	–
Mr. Tan Hai Seng Benjamin	4,000,000	4,000,000	–	–

Mr. Tan Hai Peng Micheal and Mr. Tan Hai Seng Benjamin, who by virtue of their interest of not less than 20% of the issued share capital of the ultimate holding company, are deemed to have an interest in the shares of Company and all its related corporations.

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

REPORT OF THE **DIRECTORS**
31 DECEMBER 2014

4 DIRECTORS' CONTRACTUAL BENEFITS

Since the end of the previous financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member or with a company in which he has a substantial financial interest, except as disclosed in the accompanying financial statements and in this report, and except that Mr. Tan Hai Peng Micheal and Mr. Chng Hee Kok each have service agreements with the Company, and have received remuneration and other performance bonuses under the provisions of the service agreements.

5 SHARE OPTIONS

(a) LHG Employee Share Option Scheme

The LHG Employee Share Option Scheme (the "LHG ESOS") for key management personnel and employees of the Group was approved by members of the Company at an Extraordinary General Meeting on 25 April 2013 and is administered by the Remuneration Committee.

The LHG ESOS provides a means to recruit, retain and give recognition to employees who have contributed to the growth and success of the Group.

Under the LHG ESOS, options to subscribe for the ordinary shares of the Company are granted to key management personnel and employees who have been in the employment of the Group for a period of at least 12 months, or such shorter period as the Committee may determine. The exercise price of the options is (i) determined at the volume weighted average of the Company's ordinary shares as quoted on the Singapore Exchange for five consecutive market days immediately preceding the date of the grant ("Market Price"); or (ii) set at a discount not exceeding 20% of the Market Price. The vesting of the options is conditional on the key management personnel or employees completing another (i) one year of service to the Group for options granted with the exercise price set at Market Price; or (ii) two years of service to the Group for options granted with the exercise price set at a discount to the Market Price. Once the options are vested, they are exercisable for a period of four years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price.

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

REPORT OF THE DIRECTORS
31 DECEMBER 2014

5 SHARE OPTIONS (CONTINUED)

(a) LHG Employee Share Option Scheme (Continued)

On 4 March 2014, the Company granted options under the LHG ESOS to subscribe for 119,400,000 ordinary shares of the Company at an exercise price of $0.007 per share ("2014 Options"). These options are exercisable from 3 March 2015 to 2 March 2019. The total fair value of these options granted is estimated to be $219,000 using Black-Scholes Valuation Model. Details of the options granted to the directors of the Company are as follows:

	No. of unissued ordinary shares of the Company under option			
Name of director	Granted in the financial year ended 31.12.2014	Aggregate granted since commencement of scheme to 31.12.2014	Aggregate exercised since commencement of scheme to 31.12.2014	Aggregate outstanding as at 31.12.2014
Mr. Chng Hee Kok	55,000,000	55,000,000	–	55,000,000
Mr. Bob Low Siew Sie	6,000,000	6,000,000	–	6,000,000
Mr. David Lim Teck Leong	6,000,000	6,000,000	–	6,000,000

There were no shares of the Company or its subsidiaries issued during the financial year by virtue of the exercise of options granted under the LHG ESOS to take up unissued shares.

Controlling shareholders of the Company and their associates (as defined in the Listing Manual of Singapore Exchange Securities Trading Limited) are not entitled to participate in the LHG ESOS.

The participant under the LHG ESOS who has received 5% or more of the total number of shares under option available under the LHG ESOS is as follows:

	No. of unissued ordinary shares of the Company under option			
Name of participant	Granted in the financial year ended 31.12.2014	Aggregate granted since commencement of scheme to 31.12.2014	Aggregate exercised since commencement of scheme to 31.12.2014	Aggregate outstanding as at 31.12.2014
Ms. Jenny Lim	30,000,000	30,000,000	–	30,000,000

REPORT OF THE **DIRECTORS**
31 DECEMBER 2014

5 SHARE OPTIONS (CONTINUED)

(b) Share options outstanding

The number of unissued ordinary shares of the Company under option in relation to the LHG ESOS outstanding at the end of the financial year was as follows:

	No. of unissued ordinary shares under option at 31.12.2014	Exercise price	Exercise period
2014 Options	118,300,000	$0.007	3.3.2015 – 2.3.2019

6 AUDIT COMMITTEE

The members of the Audit Committee ("AC") at the end of the financial year were as follows:

Mr. Bob Low Siew Sie	(Chairman)
Mr. David Lim Teck Leong	(Member)
Mr. Tan Hai Seng Benjamin	(Member)

All members of the AC were non-executive directors.

The AC performs its functions in accordance with Section 201B (5) of the Companies Act, Chapter 50. In performing its functions, the Audit Committee reviewed:

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

Further details of the terms of reference of the committee are included in the accompanying Corporate Governance Report.

The AC has recommended to the Board that the independent auditors, Moore Stephens LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

REPORT OF THE **DIRECTORS**
31 DECEMBER 2014

7 INDEPENDENT AUDITORS

The independent auditors, Moore Stephens LLP, Public Accountants and Chartered Accountants have expressed their willingness to accept re-appointment.

On behalf of the Board of Directors

Mr. Chng Hee Kok
Director

Mr. Tan Hai Peng Micheal
Director

Singapore

25 March 2015

STATEMENT BY THE **DIRECTORS**

31 DECEMBER 2014

In the opinion of the directors,

(a) the statement of financial position of the Company and the consolidated financial statements of the Group as set out on pages 37 to 95, are drawn up so as to give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014, and of the results of the business, changes in equity and cash flows of the Group for the financial year then ended; and

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

On behalf of the Board of Directors

Mr. Chng Hee Kok
Director

Mr. Tan Hai Peng Micheal
Director

Singapore

25 March 2015

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF LH GROUP LIMITED
(INCORPORATED IN SINGAPORE)

We have audited the accompanying financial statements of LH Group Limited (the "Company") and its subsidiaries (the "Group"), as set out on pages 37 to 95, which comprise the statements of financial position of the Company and of the Group as at 31 December 2014, and the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory notes.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair profit and loss accounts and balance sheets and to maintain accountability of assets.

AUDITORS' RESPONSIBILITY

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal controls 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 controls. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

INDEPENDENT **AUDITORS' REPORT**

TO THE MEMBERS OF LH GROUP LIMITED
(INCORPORATED IN SINGAPORE)

OPINION

In our opinion, the statement of financial position of the Company and the consolidated financial statements of the Group 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 Company and of the Group as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the financial year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Moore Stephens LLP
Public Accountants and
Chartered Accountants

Singapore

25 March 2015

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group 2014 $'000	Group 2013 $'000
Revenue	4	32,573	17,450
Cost of sales		(29,590)	(13,991)
Gross profit		2,983	3,459
Other operating income	5	2,161	2,489
Expenses:			
Distribution		(328)	(281)
Administrative		(3,157)	(2,785)
Other operating		(1,305)	(1,302)
Finance	6	(29)	(332)
Total expenses		(4,819)	(4,700)
Profit before income tax	7	325	1,248
Income tax (expense)/credit	9	(1)	7
Net profit for the financial year		324	1,255
Other comprehensive income, net of tax:			
Items that may be reclassified subsequently to profit or loss			
– Currency translation differences arising from consolidation		(36)	92
Total comprehensive income for the financial year		288	1,347
Profit/(Loss) attributable to:			
Equity holders of the Company		893	1,689
Non-controlling interest		(569)	(434)
		324	1,255
Total comprehensive income/(loss) attributable to:			
Equity holders of the Company		874	1,736
Non-controlling interest		(586)	(389)
		288	1,347
Earnings per share	10		
– Basic (cents)		0.02	0.04
– Diluted (cents)		0.02	0.04

The accompanying notes form an integral part of these financial statements

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2014

	Note	Group		Company	
		2014 $'000	2013 $'000	2014 $'000	2013 $'000
ASSETS					
Current assets					
Cash and bank balances	11	9,281	7,907	7,539	7,069
Financial assets, at fair value through profit or loss	12	7	11	–	–
Trade receivables	13	15,351	13,264	1,883	2,110
Other receivables and other current assets	14	3,245	4,880	15,533	15,421
Inventories	15	4,965	4,389	–	–
Due from customers on construction contracts	16	923	1,865	–	–
		33,772	32,316	24,955	24,600
Non-current assets					
Investments in subsidiaries	17	–	–	3,941	3,941
Intangible assets	18	1,909	2,027	–	–
Property, plant and equipment	19	1,545	1,958	209	329
		3,454	3,985	4,150	4,270
Total assets		37,226	36,301	29,105	28,870
LIABILITIES					
Current liabilities					
Trade payables	20	4,299	3,282	–	–
Other payables	21	1,450	1,512	296	312
Borrowings	22	356	643	14	343
Current tax liabilities		37	34	–	–
Due to customers on construction contracts	16	2,185	2,455	–	–
Provision for warranty	23	1,759	1,728	–	–
		10,086	9,654	310	655
Non-current liabilities					
Borrowings	22	–	14	–	14
		–	14	–	14
Total liabilities		10,086	9,668	310	669
NET ASSETS		27,140	26,633	28,795	28,201
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	25	48,196	48,196	48,196	48,196
Reserves	26	(20,771)	(21,864)	(19,401)	(19,995)
		27,425	26,332	28,795	28,201
Non-controlling interest	27	(285)	301	–	–
Total equity		27,140	26,633	28,795	28,201

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF **CHANGES IN EQUITY**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Attributable to equity holders of the Company							
	Share capital $'000	Accumulated losses $'000	Share options reserve $'000	Other reserves $'000	Currency translation reserve $'000	Total $'000	Non-controlling interest $'000	Total equity $'000
Group								
Balance at 1 January 2014	48,196	(20,764)	–	(1,150)	50	26,332	301	26,633
Net profit for the financial year	–	893	–	–	–	893	(569)	324
Other comprehensive income for the year, net of tax:								
Currency translation differences arising from consolidation	–	–	–	–	(19)	(19)	(17)	(36)
Total comprehensive income/ (loss) for the financial year	–	893	–	–	(19)	874	(586)	288
Grant of employee share options	–	–	219	–	–	219	–	219
Balance at 31 December 2014	48,196	(19,871)	219	(1,150)	31	27,425	(285)	27,140
Balance at 1 January 2013	48,196	(22,453)	–	(4,879)	3	20,867	690	21,557
Cancellation of option to acquire non-controlling interest of a subsidiary (Note 24)	–	–	–	3,729	–	3,729	–	3,729
Total transactions with owners in their capacity as owners	–	–	–	3,729	–	3,729	–	3,729
Net profit for the financial year	–	1,689	–	–	–	1,689	(434)	1,255
Other comprehensive income for the year, net of tax:								
Currency translation differences arising from consolidation	–	–	–	–	47	47	45	92
Total comprehensive income/ (loss) for the financial year	–	1,689	–	–	47	1,736	(389)	1,347
Balance at 31 December 2013	48,196	(20,764)	–	(1,150)	50	26,332	301	26,633

The accompanying notes form an integral part of these financial statements

CONSOLIDATED STATEMENT OF **CASH FLOWS**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Group	
	2014	**2013**
	$'000	**$'000**
Cash Flows from Operating Activities		
Profit before income tax	325	1,248
Adjustments for:		
Amortisation of intellectual properties	196	194
Depreciation of property, plant and equipment	689	616
Gain on disposal of property, plant and equipment	(7)	(59)
Interest expense	29	332
Interest income	(30)	(58)
Employee share options expense	219	–
Unrealised foreign exchange (gain)/loss	(120)	57
Operating cash flow before working capital changes	1,301	2,330
Movement in working capital		
Changes in inventories and construction contracts	96	(2,486)
Changes in trade, other receivables and other current assets	(452)	(5,034)
Changes in financial assets, at fair value through profit or loss	4	3
Changes in trade, other payables and provision for warranty	986	(1,806)
Cash generated from/(used in) operations	1,935	(6,993)
Interest received	30	58
Interest paid	(29)	(17)
Income tax refund	1	–
Net cash generated from/(used in) operating activities	1,937	(6,952)
Cash Flows from Investing Activities		
Additions to property, plant and equipment	(328)	(500)
Proceeds from disposal of plant and equipment	66	138
Net cash used in investing activities	(262)	(362)
Cash Flows from Financing Activities		
Movement in fixed deposits pledged with bank	1,981	19
Increase in bank borrowings	–	20
Repayment of finance lease liabilities	(55)	(55)
Net cash generated from/(used in) financing activities	1,926	(16)
Net increase/(decrease) in cash and cash equivalents	3,601	(7,330)
Cash and cash equivalents at the beginning of financial year	537	7,869
Effects of currency translation on cash and cash equivalents	1	(2)
Cash and cash equivalents at the end of financial year (Note 11)	4,139	537

The accompanying notes form an integral part of these financial statements

NOTES TO THE **FINANCIAL STATEMENTS**

31 DECEMBER 2014

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

1 GENERAL INFORMATION

LH Group Limited (the "Company") is a public limited company incorporated and domiciled in Singapore and is listed on the Mainboard of the Singapore Exchange Securities Trading Limited ("SGX-ST"). The registered office and the principal place of business is located at Blk 8, #08-05, Liang Huat Industrial Complex, 51 Benoi Road, Singapore 629908.

The Company's immediate holding company and ultimate holding company are Ho Lee Group Pte Ltd and Teck Lee Holdings Pte Ltd respectively. Both companies are incorporated in Singapore. The ultimate controlling party is Mr. Tan Thuan Teck.

The principal activity of the Company is that of an investment holding company. The principal activities of its subsidiaries are disclosed in Note 17.

2 SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Preparation

The financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") and the provisions of the Singapore Companies Act, Chapter 50. The financial statements have been prepared under the historical cost convention, except as disclosed in the accounting policies below.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and contingent liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis.

Critical accounting judgements and key sources of estimation uncertainty used that are significant to the financial statements are disclosed in Note 3 to the financial statements.

Adoption of New/Revised FRS

For the financial year ended 31 December 2014, the Group has adopted the following new/revised FRS that are mandatory for application in the said year and which are relevant to the Group as follows:

FRS 27 (Revised)	*Separate Financial Statements*
FRS 110	*Consolidated Financial Statements*
FRS 112	*Disclosures of Interests in Other Entities*
Amendments to FRS 36	*Recoverable Amount Disclosures for Non-Financial Assets*

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation (Continued)

Adoption of New/Revised FRS (Continued)

FRS 27 (Revised) Separate Financial Statements

FRS 27 (Revised) Separate Financial Statements will now solely address separate financial statements, the requirements for which are substantially unchanged. The adoption of this standard does not have an impact on the financial position or financial performance of the Group.

FRS 110 Consolidated Financial Statements

FRS 110 supersedes FRS 27 Consolidated and Separate Financial Statements and INT FRS 12 Consolidation – Special Purpose Entities. It changes the definition of control and applies it to all investees to determine the scope of consolidation. It requires an investor to reassess the decision whether to consolidate an investee when events indicate that there may be a change to one of the three elements of control, i.e. power, variable returns and the ability to use power to affect returns. The adoption of this standard does not have an impact on the financial position or financial performance of the Group.

FRS 112 Disclosure of Interests in Other Entities

FRS 112 combines the disclosure requirements for subsidiaries, joint arrangements, associates and structured entities within a comprehensive disclosure standard. It requires an entity to provide summarised financial information about the assets, liabilities, profit or loss and cash flows of each subsidiary that has non-controlling interests that are material to the reporting entity. The adoption of this standard has no impact on the financial position or financial performance of the Group.

Amendments to FRS 36 Recoverable Amount Disclosures for Non-Financial Assets

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or Cash-Generating Unit (CGU) to periods in which an impairment loss has been recognised or reversed. The amendments also expand and clarify the disclosure requirements applicable when an asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal. As this is a disclosure standard, the adoption of this standard does not have an impact on the financial position or financial performance of the Group.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation (Continued)

New/Revised FRS Issued But Not Yet Effective

At the date of authorisation of these financial statements, the relevant new FRS that have been issued but are not yet effective are as follows:

Improvements to FRSs, issued in January 2014	
– FRS 24	*Related Party Disclosures*
– FRS 102	*Share-based Payment*
– FRS 103	*Business Combination*
– FRS 108	*Operating Segments*
Amendments to FRS 27	*Equity Method in Separate Financial Statements*
FRS 115	*Revenue from Contracts with Customers Contributions*
FRS 109	*Financial Instruments*

Improvements to FRSs January 2014 – FRS 24 Related Party Disclosures

The amendment clarifies that an entity providing key management personnel services to the reporting entity or to the parent of the reporting entity is a related party of the reporting entity. In addition, an entity that uses a management entity is required to disclose the expense incurred for management services. The amendment is effective for annual periods beginning on or after 1 July 2014. As this is a disclosure standard, it has no impact on the financial position or the financial performance of the Group.

Improvements to FRSs January 2014 – FRS 102 Share-based Payment

The amendment changes the definitions of 'vesting conditions' and 'market condition' and add the definitions of 'performance condition' and 'service condition' to clarify various issues, includings: (i) a performance condition must contain a service condition; (ii) a performance target must be met while the counterparty is rendering a service; (iii) a performance target may relate to the operations or activities of an entity, or those of another entity in the same group; (iv) a performance condition may be a market or non-market condition; and (v) if the counterparty, regardless of the reason, ceases to provide a service during the vesting period, the service condition is not satisfied. The amendment is effective prospectively for which the grant date of the share-based transaction is on or after 1 July 2014. The Group is in the process of assessing the impact on the financial statements.

Improvements to FRSs January 2014 – FRS 103 Business Combinations

The amendment clarifies that contingent consideration of an acquirer in a business combination shall be measured at fair value at each reporting date and change in fair value shall be recognised in profit or loss in accordance with FRS 39. This amendment is effective prospectively to business combinations for which the acquisition date is on or after 1 July 2014. The Group is in the process of assessing the impact on the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Preparation (Continued)

New/Revised FRS Issued But Not Yet Effective (Continued)

Improvements to FRSs January 2014 – FRS 108 Operating Segments

The amendment requires an entity to disclose the judgement made by management in applying the aggregation criteria to operating segments and clarifies that an entity shall only provide reconciliations of the total of the reportable segments' assets to the entity's assets if the segment assets are reported regularly. The amendment is effective for annual periods beginning on or after 1 July 2014. As this is a disclosure standard, it has no impact on the financial position or the financial performance of the Group.

Amendments to FRS 27 Equity Method in Separate Financial Statements

The amendment will allow entities to use the equity method to account for investments in subsidiaries, joint ventures and associates in the entities' separate financial statements. This is in addition to the accounting policy choice to account for such investments at cost less impairment, or fair value (in accordance with FRS 39), which currently exists and will continue to be available. The standard is effective for annual periods beginning on or after 1 January 2016. The Group is in the process of assessing the impact on the financial statements.

FRS 115 Revenue from Contracts with Customers Contributions

FRS 115 sets out the requirements for recognising revenue that apply to all contracts with customers (except for contracts that are within the scope of the standards on leases, insurance contracts and financial instruments). FRS 115 replaces the previous revenue Standards: FRS 18 Revenue and FRS 11 Construction Contracts, and the related interpretations on revenue recognition; INT FRS 115 Agreements for the Construction of Real Estate; INT FRS 118 Transfers of Assets from Customers; and INT FRS 31 Revenue – Barter Transactions Involving Advertising Services. It is effective for annual periods beginning on or after 1 January 2017 and earlier application is permitted. The Group is in the process of assessing the impact on the financial statements.

FRS 109 Financial Instruments

FRS 109 was introduced to replace FRS 39 Financial Instruments: Recognition and Measurement. FRS 109 changes the classification and measurement requirements for financial assets and liabilities, and also introduces a three-stage impairment model that will impair financial assets based on expected losses regardless of whether objective indicators of impairment have occurred. This standard also provides a simplified hedge accounting model that will align more closely with the entity's risk management strategies. The standard is effective for annual period beginning on or after 1 January 2018. The Group is in the process of assessing the impact on the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Currency Translation

Functional and Presentation Currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The financial statements are presented in Singapore Dollar ("$"), which is the functional and presentation currency of the Company and all values are rounded to the nearest thousand ($'000) except when otherwise indicated.

Transactions and Balances

Transactions in a currency other than the functional currency ("foreign currency") are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Currency translation differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the financial reporting date are recognised in profit or loss, except for currency translation differences on net investment in foreign entities and borrowings and other currency instruments qualifying as net investment hedges for foreign operations. These currency translation differences are recognised in the currency translation reserve within equity in the consolidated financial statements and transferred to profit or loss as part of the gain or loss on disposal of the foreign operation.

Non-monetary items that are measured in terms of historical cost in foreign currencies are not retranslated. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing at the date when the fair value was determined.

Translation of Group Entities' Financial Statements

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

– Assets and liabilities are translated at the closing exchange rate at the financial reporting date;

– Income and expenses are translated at an average exchange rate (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated using the exchange rates at the dates of the transactions); and

– All resulting currency translation differences are recognised in other comprehensive income and accumulated in the foreign currency translation reserve within equity. These currency translation differences are reclassified to profit or loss on disposal or partial disposal (i.e. loss of control) of the entity giving rise to such reserve. Any currency translation differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

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

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries

Consolidation

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through the power over the entity.

Subsidiaries are consolidated from the date of acquisition, being the date on which control is transferred to the Group and deconsolidated from the date on which control ceases.

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

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

Acquisition of Business

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

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

Contingent consideration arrangements arising from business combinations under the revised FRS 103 *Business Combinations*, are recognised at fair value at initial recognition, even if it is deemed not to be probable of payment at the date of the acquisition. All subsequent changes in the contingent consideration are recognised in the profit or loss, rather than goodwill.

Acquisition-related costs are expensed as incurred.

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

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Subsidiaries (Continued)

Acquisition of Business (Continued)

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

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over the fair values of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed, is recorded as goodwill.

Disposals of Subsidiaries or Businesses

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

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

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

Transactions with Non-Controlling Interests

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

(d) Revenue Recognition

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

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

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Revenue Recognition (Continued)

Construction Contracts – Contract Income and Manufacturing Contract Income

Revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (see Note 2(l) construction contracts below).

Sale of Goods – Trading Income

Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer, in accordance with the terms of the sales contract.

Dividend Income

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

Other Income

Interest income is recognised using the effective interest method. Service income is recognised in the period in which the services are rendered.

(e) Property, Plant and Equipment

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. The cost of an item of plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost includes professional fees and capitalised borrowing costs for qualifying assets. The projected cost of dismantlement, removal or restoration is also included as part of the cost of a plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of acquiring or using the asset.

Depreciation on property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives as follows:

	Useful lives
Buildings	40 years
Plant and equipment	1 to 10 years
Motor vehicles	6 years
Leasehold improvements	2 to 8 years

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Property, Plant and Equipment (Continued)

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. Other subsequent expenditure is recognised as repair and maintenance expense in profit or loss during the financial year when incurred.

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

(f) Investment in Subsidiaries

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

(g) Intangible Assets

Intangible assets acquired in a business combination and recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses.

Patents

Patents acquired are initially recognised at cost and are subsequently carried at cost less accumulated amortisation and accumulated impairment loss. These costs are amortised to profit or loss using a straight-line basis over their estimated useful lives of 15 years. The estimated useful life and amortisation method are reviewed at the end of each financial reporting date, with the effect of any changes in estimate being accounted for on a prospective basis.

Goodwill

Goodwill on acquisition of subsidiaries represents the excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previously-held equity interest in the acquiree over the fair values of the identifiable assets acquired net of the fair values of the liabilities and any contingent liabilities assumed.

Goodwill arising from the acquisition of subsidiaries is recognised separately as an intangible asset and carried at cost less accumulated impairment losses.

Gains and losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the entity disposed.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(h) Impairment of Non-financial Assets

Intangible Assets (other than goodwill)
Property, Plant and Equipment
Investments in Subsidiaries

Intangible assets (other than goodwill), property, plant and equipment and investments in subsidiaries are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

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

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount. The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss, unless the asset is carried at revalued amount, in which case, such impairment loss is treated as a revaluation decrease.

An 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.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of an asset other than goodwill is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years. A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss, unless the relevant asset is carried at revalued amount, in which case, such reversal is treated as revaluation increase. However, to the extent that an impairment loss on the same revalued asset was previously recognised as an expense, a reversal of that impairment is also recognised in profit or loss.

Goodwill

Goodwill is tested annually for impairment and whenever there is any indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's CGU expected to benefit from synergies arising from the business combination.

An impairment loss is recognised when the carrying amount of a CGU, including the goodwill, exceeds the recoverable amount of the CGU. The recoverable amount of a CGU is the higher of the CGU's fair value less cost to sell and value-in-use.

The total impairment loss of a CGU is allocated first to reduce the carrying amount of goodwill allocated to the CGU and then to the other assets of the CGU pro-rata on the basis of the carrying amount of each asset in the CGU.

An impairment loss on goodwill is recognised in profit or loss and is not reversed in a subsequent period.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial Assets

Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss and loans and receivables. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition and re-evaluates this designation at each financial reporting date.

Financial assets, at fair value through profit or loss

This category has two sub-categories: financial assets held for trading, and those designated at fair values through profit or loss at inception. Financial assets are classified as held for trading if they are acquired principally for the purpose of selling in the short term. Financial assets designated as at fair value through profit or loss at inception are those that are managed and their performances are evaluated on a fair value basis, in accordance with a documented Company investment strategy. Assets in this category are presented as current assets if they are either held for trading or are expected to be realised within twelve months after the financial reporting date.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than twelve months after the financial reporting date which are presented as non-current assets. Loans and receivables are presented as "trade receivables", "other receivables" and "cash and bank balances" on the statements of financial position.

Recognition and Derecognition

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

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership. On disposal of a financial asset, the difference between the carrying amount and the net sales proceeds is recognised in profit or loss.

Initial Measurement

Financial assets are initially recognised at fair value plus transaction costs except for financial assets, at fair value through profit or loss, which are recognised at fair value. Transaction costs for financial assets, at fair value through profit or loss are recognised immediately as an expense.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Financial Assets (Continued)

Subsequent Measurement

Financial assets, at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets, at fair value through profit or loss including the effects of currency translation, interest and dividends are recognised in profit or loss when the changes arise.

Impairment

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are considered indicators that the receivable is impaired.

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

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

(j) Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank balances and deposits with financial institutions, which are readily convertible to a known amount of cash and are subject to an insignificant risk of change in value, and bank overdrafts. Bank overdrafts are presented as current borrowings on the statements of financial position. For the purpose of the consolidated statement of cash flows, cash and cash equivalents are shown net of restricted bank deposits and bank overdrafts.

(k) Inventories

Inventories are carried at the lower of cost and net realisable value. Cost is determined using the weighted average method. The cost of work-in-progress and finished goods comprises raw materials, direct labour, other direct costs and related production overheads (based on normal operating capacity) but excludes borrowing costs. The net realisable value represents the estimated selling price in the ordinary course of business, less the estimated costs of completion and applicable variable selling expenses.

NOTES TO THE **FINANCIAL STATEMENTS**

31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Construction Contracts

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the financial reporting date ("percentage-of-completion method"). When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable and contract costs should be recognised as an expense in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in the contract work and claims that can be measured reliably. A variation or a claim is recognised as contract revenue when it is probable that the customer will approve the variation or negotiations have reached an advanced stage such that it is probable that the customer will accept the claim.

The stage of completion of the contract is measured by reference to the surveys of work performed.

At the financial reporting date, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as due from customers on construction contracts as an asset. Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as due to customers on construction contracts as a liability.

Progress billings not yet paid by customers and retentions by customers are included within "trade receivables". Advances received are included within "trade payables".

(m) Trade and Other Payables

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

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

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or expired. The difference between the carrying amount of the financial liability recognised and the consideration paid and payable is recognised in profit or loss.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Borrowings

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

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

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

(o) Redemption Liability

Redemption liability is recognised at the present value of the redemption amount and accreted through finance charges in profit or loss over the contract period up to the financial redemption amounts. Any adjustments to the redemption amount are recognised as finance charges in profit or loss. The initial redemption liability is correspondingly recognised in equity. Upon cancellation or expiry of options, the redemption liability is adjusted against equity.

(p) Provisions

Provisions for warranty, restructuring costs and legal claims are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is more likely than not that an outflow of resources will be required to settle the obligation, and the amount has been reliably estimated. Restructuring provisions comprise lease termination penalties and employee termination payments. Provisions are not recognised for future operating losses.

The Group recognises the estimated liability to repair or replace products still under warranty at the financial reporting date. This provision is calculated based on historical experience of the level of repairs and replacements.

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(q) Leases

Finance Leases

Leases of plant and equipment where the Group assumes substantially the risks and rewards of ownership are classified as finance leases.

The leased assets and the corresponding lease liabilities (net of finance charges) under finance leases are recognised on the statements of financial position as plant and equipment and finance lease liabilities respectively, at the inception of the leases based on the lower of the fair value of the leased assets and the present value of the minimum lease payments.

Each lease payment is apportioned between the finance expense and the reduction of the outstanding lease liability. The finance expense is recognised in profit or loss on a basis that reflects a constant periodic rate of interest on the finance lease liability.

Operating Leases

Leases of factories and offices where substantially the risks and rewards of ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease. When an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period in which termination takes place.

(r) Income Taxes

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Income Taxes (Continued)

Deferred income tax is measured at:

(i) the tax rates that are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted by the financial reporting date; and

(ii) the tax consequence that would follow from the manner in which the Group expects, at the financial reporting date, to recover or settle the carrying amounts of its assets and liabilities.

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

(s) Employee Compensation

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

Defined Contribution Plans

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

Employee Leave Entitlements

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

Share-Based Compensation

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

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

NOTES TO THE **FINANCIAL STATEMENTS**

31 DECEMBER 2014

2 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(t) Government Grants

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

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

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

(u) Share Capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are recognised as other reserves.

(v) Dividends to Company's Shareholders

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

(w) Fair Value Estimation of Financial Assets and Liabilities

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

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

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

(x) Segment Reporting

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

(y) Financial Guarantee

A financial guarantee contract is a contract that requires the issuer to make specific payments to reimburse the holder for a loss it incurs in the event the Group fails to perform its contractual obligations in accordance with the terms of the financial instrument.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates and assumptions concerning the future and judgements are made in the preparation of the financial statements. They affect the application of the Group's accounting policies, reported amounts of assets, liabilities, income and expenses, and disclosures made. They are assessed on an on-going basis and are based on experience and relevant factors, including expectations of future events that are believed to be reasonable under the circumstances.

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

(i) Critical Accounting Estimates and Assumptions

Construction Contracts and Revenue Recognition

The Group uses the percentage-of-completion method to account for its contract revenue and contract cost. The stage of completion is measured by reference to the surveys of work performed to date.

Significant assumptions are required to estimate the value of work done to date and the recoverable variation works that will affect the stage of completion and the contract costs respectively. Estimation of total contract revenue also includes an estimation of the variation works that are recoverable from the customers. In making these estimates, management has relied on past experience and/or the work of specialists.

Estimated total contract cost for construction contracts comprises direct costs attributable to the construction of each project. In estimating the total budgeted costs for construction contracts, management makes reference to information such as current offers from contractors and suppliers, recent offers agreed with contractors and suppliers, and professional estimations on construction and material costs as well as its past experience.

In particular, the Group is exposed to fluctuations in the prices of aluminium ingots. Any significant increase/decrease in the prices of aluminium ingots will result in a corresponding increase/decrease in the costs incurred by the Group to complete its existing and ongoing projects.

As at 31 December 2014 and 2013, the carrying amounts due from/to customers on construction contracts are disclosed in Note 16 to the financial statements.

If the estimated surveys of work done on uncompleted contracts at the financial reporting date increases/decreases by 10% from management's estimates, the Group's gross profit will increase/decrease by approximately $281,000 (2013: $226,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2014

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(i) Critical Accounting Estimates and Assumptions (Continued)

Impairment of Non-financial Assets

Non-financial assets (excluding goodwill) are tested for impairment whenever there is an indication that such assets may be impaired. The recoverable amounts of cash-generating units ("CGU") have been determined based on value-in-use calculations. These calculations require the use of estimates and assumptions. Changes to the estimates and assumptions will result in changes in the carrying values of the non-financial assets.

If the management's estimated growth rate decrease by 5%, the carrying amount of patents would remain unchanged. As at 31 December 2014, the carrying value of patents was $1,909,000 (2013: $2,027,000).

Estimated Useful Lives of Property, Plant and Equipment and Patents

Property, plant and equipment are depreciated on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these property, plant and equipment to be between 1 to 40 years. The carrying amount of the Group's property, plant and equipment as at the financial reporting date was $1,545,000 (2013: $1,958,000). Patents are amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these patents to be 15 years (2013: 15 years). The carrying amount of the Group's patents was $1,909,000 (2013: $2,027,000).

The Group assesses annually the residual values and the useful lives of the property, plant and equipment and patents and if expectations differ from the original estimates due to changes in the economic environment and the business outlook, such differences will impact the depreciation/amortisation charges in the period in which such estimates are changed.

If depreciation on property, plant and equipment increases/decreases by 10% from management estimates, the Group's profit will decrease/increase by $68,900 (2013: $61,600).

If the useful lives of the patents increase/decrease by 5 (2013: 5) years from management estimates, the Group's profit will increase/decrease by $54,000 and $123,000 (2013: $54,000 and $121,000) respectively for the financial year ended 31 December 2014.

Warranty Claims

The Group gives ten-year warranties on certain products and undertakes to repair or replace items that fail to perform satisfactorily. Management estimates the related provision for future warranty claims based on historical warranty claim information, as well as the recent trends that suggest the past cost information may vary from future claims. The factors that could impact the estimated claim information include the success of the Group's productivity and quality initiatives, as well as parts and labour costs.

As at 31 December 2014, the carrying amount of the provision for warranty was $1,759,000 (2013: $1,728,000). If warranty claims costs increase/decrease by 10% from management's estimates, the Group's profit will decrease/increase by $175,900 (2013: $172,800) respectively.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

3 CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

(ii) Critical Judgements made in Applying Accounting Policies

Impairment of Receivables

Management reviews its receivables for objective evidence of impairment at least quarterly. To determine whether there is objective evidence of impairment, the Group considers factors such as significant financial difficulties of the debtor, the probability that the debtor will enter bankruptcy, and default or significant delay in payments. Management makes a judgement as to whether there is observable data indicating that there has been a significant change in the payment ability of the debtor, or whether there have been significant changes with an adverse effect in the technological, market, economic, or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The Group has charged and reversed impairment losses on trade receivables to profit or loss for the financial year ended 31 December 2014 of $752,000 (2013: $807,000) and S$1,264,000 respectively (2013: $67,000). As at 31 December 2014, the carrying amount of trade receivables and other receivables was $15,351,000 and $665,000 (2013: $13,264,000 and $617,000) respectively.

4 REVENUE

	Group	
	2014	2013
	$'000	$'000
Contract income	29,568	12,815
Sale of goods	3,005	4,635
	32,573	17,450

5 OTHER OPERATING INCOME

	Group	
	2014	2013
	$'000	$'000
Foreign exchange gain (net)	144	203
Gain on disposal of property, plant and equipment	7	59
Gain on Profit Target (Note 24(A)(ii))	–	1,871
Government grant	10	51
Interest income	30	58
Reversal of impairment allowance for trade receivables	1,264	67
Reversal of provision for warranty	64	71
Non-trade amount due to a third party written back	500	–
Other income	142	109
	2,161	2,489

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

6 FINANCE EXPENSES

	Group	
	2014 $'000	2013 $'000
Amortisation of discount on redemption liability	–	280
Interest on loan from non-controlling interest	–	35
Finance lease interest	3	3
Overdraft interest	26	14
	29	332

7 PROFIT BEFORE INCOME TAX

	Group	
	2014 $'000	2013 $'000
This is determined after charging/(crediting):		
Allowance for impairment of trade receivables *	752	807
Amortisation of patents	196	194
Cost of inventories sold (recognised as cost of sales)	15,961	8,522
Depreciation of property, plant and equipment	689	616
Directors fees *	202	198
Fair value loss on financial assets, at fair value through profit or loss *	4	3
Fees on audit services payable to *		
– auditor of the Company	80	75
– other auditor	20	19
Operating lease expenses in respect of factories and offices	484	410
Provision for warranty	127	46
Reversal of write down of inventories	(8)	(27)
Write down of inventories	136	3

* Included in other operating expenses

There are no non-audit fees paid to auditors of the Company.

8 STAFF COSTS (INCLUDING DIRECTORS' REMUNERATION)

	Group	
	2014 $'000	2013 $'000
Salaries and related costs	4,070	3,674
Contributions to defined contributions plans	236	212
Foreign workers' levy	406	298
	4,712	4,184

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

9 INCOME TAX (EXPENSE)/CREDIT

	Group	
	2014	**2013**
	$'000	**$'000**
Current income tax (paid)/refund		
– current year	(1)	(12)
– over provision in prior years	–	19
	(1)	7

The tax expense on the profit differs from the amount that would arise using the Singapore standard rate of income tax due to the following:

	Group	
	2014	**2013**
	$'000	**$'000**
Profit before income tax	325	1,248
Tax calculated at a tax rate of 17% (2013: 17%)	55	212
Effects of:		
Expenses not deductible for tax purposes	69	88
Income not subject to tax	–	(342)
Tax effect of exempt income	–	(13)
Utilisation of previously unrecognised deferred income tax assets	(342)	(120)
Over provision in prior years	–	(19)
Deferred tax assets not recognised	219	187
	1	(7)

As at 31 December 2014, the Group has approximately $6,748,000 (2013: $6,627,000) and $72,060,000 (2013: $73,105,000) estimated unabsorbed capital allowances and tax losses available for offsetting against future taxable profits. These are available for offset against future taxable profits subject to there being no substantial changes in shareholdings and other requirements as provided in the Singapore Income Tax Act. The related deferred tax benefits arising from the unabsorbed capital allowances and tax losses have not been recognised in the financial statements as there is no reasonable certainty of their realisation in future as disclosed in Note 2(r) to the financial statements.

There is no deferred income tax liabilities have been recognised for the withholding and other taxes that will be payable on the earnings of an overseas subsidiary, if any, when remitted to the holding company as the Group is able to control the timing of the remittance of the earnings and the Group does not expect to remit any earnings on the foreseeable future.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

10 EARNINGS PER SHARE

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

	Group	
	2014	**2013**
Net profit attributable to equity holders of the Company ($'000)	893	1,689
Weighted average number of ordinary shares outstanding for basic earnings per share	3,946,428,548	3,946,428,548
Basic earnings per share (cents per share)	0.02	0.04

Diluted earnings per share

For the purpose of calculating diluted earnings per share, profit attributable to equity holders of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares.

The share options of the Company as disclosed in Note 25 of the financial statements could potentially dilute basic earnings per share in the future, but were not included in the calculation of diluted earnings per share because there is no dilutive effect for the current financial year ended 31 December 2014.

11 CASH AND BANK BALANCES

	Group		Company	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Cash at bank and on hand	4,228	872	2,498	47
Fixed deposits	5,053	7,035	5,041	7,022
Cash and bank balances	9,281	7,907	7,539	7,069

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

	Group	
	2014 $'000	**2013 $'000**
Cash and bank balances	9,281	7,907
Less: Fixed deposits pledged	(5,041)	(7,022)
Less: Bank overdraft (Note 22)	(101)	(348)
Cash and cash equivalents	4,139	537

Fixed deposits earned an average effective interest rate between 0.20% to 1.00% (2013: 0.23% to 1.00%) per annum. Fixed deposits totalling $5,041,000 (2013: $7,022,000) maturing between 6 to 12 months (2013: 3 to 12 months) are pledged to the banks as security for banking facilities amounting to $7,550,000 (2013: $9,450,000). The Group has performance bonds of $614,000 (2013: $602,000) which are secured with pledged fixed deposits.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

12 FINANCIAL ASSETS, AT FAIR VALUE THROUGH PROFIT OR LOSS

	Group	
	2014	**2013**
	$'000	**$'000**
Held for trading		
Listed equity securities – Singapore	7	11

13 TRADE RECEIVABLES

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Due from:				
– third parties	11,345	11,305	–	–
– subsidiaries	–	–	1,883	2,110
– related parties (Note 29)	1,285	856	–	–
Retention receivables:				
– third parties	3,263	3,604	–	–
– related parties (Note 29)	203	302	–	–
	16,096	16,067	1,883	2,110
Less: Allowance for impairment				
– third parties	(693)	(2,751)	–	–
– related parties	(52)	(52)	–	–
	15,351	13,264	1,883	2,110

The trade receivables of the Group comprise 6 debtors (2013: 5 debtors) that individually represented more than 5% of trade receivables.

Trade receivables are non-interest bearing and are generally on 30 to 90 days credit terms.

The amounts due from related parties are trade in nature, unsecured, interest-free and repayable on credit terms.

NOTES TO THE **FINANCIAL STATEMENTS**

31 DECEMBER 2014

14 OTHER RECEIVABLES AND OTHER CURRENT ASSETS

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current				
Other receivables:				
Due from subsidiaries	–	–	15,500	15,398
Deposits	574	547	3	12
Sundry debtors	91	70	–	–
	665	617	15,503	15,410
Other current assets:				
Prepayments to suppliers	2,533	4,235	–	–
Other prepayments	47	28	30	11
	3,245	4,880	15,533	15,421

The amounts due from subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand and include amounts denominated in USD of $5,260,000 (2013: $5,042,000).

15 INVENTORIES

	Group	
	2014 $'000	2013 $'000
Raw materials	2,932	1,182
Consumable stocks	160	377
Work-in-progress	453	947
Finished goods	1,420	1,883
	4,965	4,389

The Group has reversed inventories write down of $8,000 (2013: $27,000) being part of inventory allowances made in prior years, as the inventories were recovered above the carrying amounts through use in ongoing projects.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

16 CONSTRUCTION CONTRACTS

	Group	
	2014	**2013**
	$'000	**$'000**
Current assets		
Costs in excess of progress billings:		
Costs incurred and recognised profits (less recognised losses) on uncompleted contracts	21,105	10,811
Less: Progress billings	(20,182)	(8,946)
Due from customers on construction contracts	923	1,865
Current liabilities		
Progress billings in excess of costs:		
Costs incurred and recognised profits (less recognised losses) on uncompleted contracts	43,653	9,027
Less: Progress billings	(45,838)	(11,482)
Due to customers on construction contracts	(2,185)	(2,455)

17 INVESTMENTS IN SUBSIDIARIES

	Company	
	2014	**2013**
	$'000	**$'000**
Equity investment		
At cost	27,555	27,555
Less: Accumulated impairment losses	(23,614)	(23,614)
	3,941	3,941

The movement in allowance for impairment losses in subsidiaries are as follows:

	Company	
	2014	**2013**
	$'000	**$'000**
At 1 January	23,614	25,279
Impairment loss charged to profit or loss	–	955
Impairment loss written off	–	(2,620)
At 31 December	23,614	23,614

NOTES TO THE **FINANCIAL STATEMENTS**
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17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Details of the subsidiaries are as follows:

Name	Principal activities	Country of incorporation/ principal place of business	Effective equity interest held by the Group		Cost of investment	
			2014 %	2013 %	2014 $'000	2013 $'000
Durabeau Industries Pte Ltd ("DIPL") [1]	Manufacturer of aluminium grilles, windows and doors	Singapore	100	100	5,600	5,600
LH Aluminium Industries Pte Ltd ("LHAI") [1]	Design, engineering, fabrication and installation of aluminium architectural and engineering products	Singapore	100	100	20,000	20,000
Autotrax International Pte Ltd ("Autotrax") [1]	Investment holdings and design, manufacture and marketing of vehicle traction equipment	Singapore	51	51	1,955	1,955
					27,555	27,555

Name	Principal activities	Country of incorporation/ principal place of business	Effective equity interest held by the Group	
			2014 %	2013 %
Held by Autotrax				
Autovox Korea Co., Ltd. ("Autovox Korea") [2]	Manufacturing automotive traction devices and parts	South Korea	51	51

[1] Audited by Moore Stephens LLP, Singapore
[2] Audited by Samhwa Accounting Corporation, a member firm of Moore Stephens International Limited

NOTES TO THE **FINANCIAL STATEMENTS**
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17 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Impairment test

The recoverable amount of the CGU was determined based on value-in-use calculations. Cash flow projections used in these calculations were based on the financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period to the fifth year were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the business in which the CGU operated.

Key assumptions used for value-in-use calculations:

	2014 %	2013 %
Growth rate –		
Aluminium segment	5	5
Vehicle segment	5	10
Discount rate	4.6	6.9

These assumptions were used for the analysis of each CGU within the business segment. Management determined budgeted gross margin based on the past performance and its expectations of market developments. The weighted average growth rates used were based on the estimated demand of the products and the strategic growth plan of the segment. The discount rates used were pre-tax and reflected specific risks relating to the relevant segment.

Accumulated impairment charge of approximately $22,659,000 (2013: $22,659,000) and $955,000 (2013: $955,000) are recognised for subsidiaries in the aluminium segment and vehicle segment ("CGU") respectively. This is due to intense competition in the industry resulting in lower margins for projects secured. The impairment test carried out as at 31 December 2013 for the subsidiaries indicated that the recoverable amounts of the subsidiaries were lower than its carrying amount and accordingly an additional impairment losses of $955,000 was charged for the vehicle segment as at 31 December 2013. The impairment test carried out as at 31 December 2014 for the subsidiaries indicated no further impairment charge is required as at 31 December 2014.

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18 INTANGIBLE ASSETS

	Group	
	2014	**2013**
	$'000	**$'000**
Patents		
Cost		
At 1 January	3,805	3,671
Currency translation	164	134
At 31 December	3,969	3,805
Accumulated amortisation and impairment		
At 1 January	1,778	1,525
Amortisation expense	196	194
Currency translation	86	59
At 31 December	2,060	1,778
Net book value		
At 31 December	1,909	2,027

The Group holds several patents for the manufacture of its vehicle traction devices.

The amortisation expense has been included in the line item "administrative expense" in the consolidated statement of comprehensive income.

Impairment test

The recoverable amount of the CGU to which the patents belong (one of the product lines under the vehicle segment) was determined based on value-in-use calculations. Cash flow projections used in these calculations were based on the financial budgets approved by management covering a one-year period. Cash flows beyond the one-year period to the fifth year were extrapolated using the estimated growth rates stated below. The growth rate did not exceed the long-term average growth rate for the business in which the CGU operated.

Key assumptions used for value-in-use calculations:

	2014	**2013**
	%	**%**
Growth rate	5	10
Discount rate	4.6	6.9

These assumptions were used for the analysis of the CGU within the business segment. Management determined budgeted gross margin based on past performance and its expectations of market developments. The weighted average growth rates used were based on the estimated demand of the products and the strategic growth plan of the segment. The discount rates used were pre-tax and reflected specific risks relating to the relevant segment.

Accumulated impairment charge of $1,229,000 (2013: S$1,229,000) was recognised for the patents in previous financial years.

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19 PROPERTY, PLANT AND EQUIPMENT

	Building $'000	Plant and equipment $'000	Motor vehicles $'000	Leasehold improvements $'000	Total $'000
Group					
2014					
Cost					
At 1 January 2014	304	5,246	909	224	6,683
Additions	–	298	30	–	328
Write off	–	(18)	–	–	(18)
Disposals	–	(23)	(56)	(14)	(93)
Currency translation	1	7	–	1	9
At 31 December 2014	305	5,510	883	211	6,909
Accumulated depreciation and impairment					
At 1 January 2014	7	4,133	493	92	4,725
Depreciation charge for the year	8	493	156	32	689
Write off	–	(18)	–	–	(18)
Disposals	–	(6)	(24)	(4)	(34)
Currency translation	–	6	–	(4)	2
At 31 December 2014	15	4,608	625	116	5,364
Net book value					
At 31 December 2014	290	902	258	95	1,545
2013					
Cost					
At 1 January 2013	–	6,043	900	209	7,152
Additions	304	196	–	–	500
Write off	–	(5)	–	–	(5)
Disposals	–	(1,126)	–	–	(1,126)
Currency translation	–	138	9	15	162
At 31 December 2013	304	5,246	909	224	6,683
Accumulated depreciation and impairment					
At 1 January 2013	–	4,741	341	51	5,133
Depreciation charge for the year	7	419	151	39	616
Write off	–	(5)	–	–	(5)
Disposals	–	(1,047)	–	–	(1,047)
Currency translation	–	25	1	2	28
At 31 December 2013	7	4,133	493	92	4,725
Net book value					
At 31 December 2013	297	1,113	416	132	1,958

NOTES TO THE **FINANCIAL STATEMENTS**
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19 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Plant and equipment $'000	Motor vehicles $'000	Total $'000
Company			
2014			
Cost			
At 1 January 2014	1,528	543	2,071
Additions	46	–	46
Write off	(18)	–	(18)
At 31 December 2014	1,556	543	2,099
Accumulated depreciation and impairment			
At 1 January 2014	1,479	263	1,742
Depreciation charge for the year	76	90	166
Write off	(18)	–	(18)
At 31 December 2014	1,537	353	1,890
Net book value			
At 31 December 2014	19	190	209
2013			
Cost			
At 1 January 2013	1,482	543	2,025
Additions	51	–	51
Write off	(5)	–	(5)
At 31 December 2013	1,528	543	2,071
Accumulated depreciation and impairment			
At 1 January 2013	1,427	172	1,599
Depreciation charge for the year	57	91	148
Write off	(5)	–	(5)
At 31 December 2013	1,479	263	1,742
Net book value			
At 31 December 2013	49	280	329

As at 31 December 2014, the net carrying amount of motor vehicles held under finance leases for the Group amounted to approximately $126,000 (2013: $165,000). The motor vehicles are pledged as security for the related finance lease liabilities as disclosed in Note 22 to the financial statements.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

20 TRADE PAYABLES

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Due to:				
– third parties	3,835	3,147	–	–
– related parties (Note 29)	–	7	–	–
Retention payable:				
– third parties	464	128	–	–
	4,299	3,282	–	–

The amounts due to related parties are trade in nature, unsecured, interest-free and repayable on credit terms.

21 OTHER PAYABLES

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Accruals	769	1,143	293	289
VAT payables	341	152	–	–
Sundry creditors	340	217	3	23
	1,450	1,512	296	312

22 BORROWINGS

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current				
Bank overdraft – secured (a)	101	348	–	288
Short-term loan (b)	241	240	–	–
Finance lease liabilities (c)	14	55	14	55
	356	643	14	343
Non-current				
Finance lease liabilities (c)	–	14	–	14
	–	14	–	14

NOTES TO THE **FINANCIAL STATEMENTS**

31 DECEMBER 2014

22 BORROWINGS (CONTINUED)

(a) Bank overdraft – secured

The bank overdraft is secured over certain fixed deposits of the Group (Note 11). The effective interest rate for the bank overdraft is 5.25% to 5.5% (2013: 5.25% to 5.5%).

(b) Short-term loan

The short-term loan was undertaken by the subsidiary in South Korea as a condition to maintain its status as a venture company in South Korea. The short-term loan will mature on 7 May 2015 (2013: 7 May 2014) and is renewable on an annual basis. The effective interest rate for the loan is 3.85% (2013: 4.74%) per annum.

(c) Finance lease liabilities

The Group entered into finance lease agreement with third parties, for the purchase of motor vehicles incidental to the ordinary course of business. These leases have no escalation clauses. The lease agreement expires in the financial year ending 31 December 2015. The effective interest rate implicit in the lease agreement range is 1.88% (2013: 1.88%) per annum. The outstanding amount of finance leases liabilities are secured by way of a legal mortgage on the underlying leased assets as disclosed in Note 19 to the financial statements.

	Minimum payments 2014 $'000	Present value of payments 2014 $'000	Minimum payments 2013 $'000	Present value of payments 2013 $'000
Group and Company				
Within 1 year	15	14	58	55
Between 1 to 5 years	–	–	15	14
Total minimum lease payments	15	14	73	69
Less: Amounts representing finance charges	(1)	–	(4)	–
Present value of minimum lease payments	14	14	69	69

(d) Other borrowings

As at 31 December 2014, the Group and the Company has $6,936,000 (2013: $8,848,000) and $6,936,000 (2013: $8,848,000) respectively of undrawn committed credit facilities in respect of which all conditions precedent had been met.

NOTES TO THE **FINANCIAL STATEMENTS**
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23 PROVISION FOR WARRANTY

The Group gives ten-year warranties on certain products sold by undertaking to repair or replace items that fail to perform satisfactorily. A provision is recognised at the financial reporting date for expected warranty claims based on past experience of the level of repairs.

Movement in the provision for warranty account is as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
At 1 January	1,728	1,875
Provision made	127	46
Provision utilised	(32)	(122)
Reversal	(64)	(71)
At 31 December	1,759	1,728

24 LOAN FROM NON-CONTROLLING INTEREST AND REDEMPTION LIABILITY

(A) Loan from Non-controlling Interest

	Group	
	2014	**2013**
	$'000	**$'000**
Initial fair value of the loan	–	2,477
Repayment of loan	–	(629)
Waiver of loan by non-controlling interest (i)	–	(628)
Release of the loan to the Company	–	(1,269)
Currency translation	–	(59)
Add: Notional interest		
– At 1 January	–	70
– Charge for the year	–	35
– Currency translation	–	3
– At 31 December	–	108
Carrying value of the loan as at 31 December	–	–

NOTES TO THE FINANCIAL STATEMENTS
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24 LOAN FROM NON-CONTROLLING INTEREST AND REDEMPTION LIABILITY (CONTINUED)

(A) Loan from Non-controlling Interest (Continued)

(i) On 6 March 2012, the Company entered into a Deed agreement with the non-controlling interest to early partial repay USD500,000 ($629,000) of the loan due to the non-controlling interest. As a result of the early partial repayment of USD500,000 ($629,000), the non-controlling interest has agreed to waive off another USD500,000 ($628,000) of the loan and accordingly the net loan due to the non-controlling interest was reduced from the initial USD2,000,000 ($2,587,000) to USD1,000,000 ($1,190,000).

(ii) Pursuant to the shareholders agreement executed between the Company and the non-controlling interest on 31 August 2011 ("Shareholders Agreement"), the non-controlling interest is entitled to a contingent consideration of USD475,000 ($602,000) on achieving a consolidated net profit after tax of USD2,000,000 for Autotrax and Autovox Korea for the financial year ended 31 December 2013.

The consolidated net loss after tax of Autotrax and Autovox Korea for the financial year ended 31 December 2013 was USD254,000 ($322,000). Therefore, the Profit Target has not been met. Pursuant to the Shareholders Agreement, the Adjusted Retention Sum is negative USD2,500,000 ($3,171,000). As such, the sum of contingent consideration of USD475,000 ($602,000) and the loan from the non-controlling interest of USD1,000,000 ($1,269,000) amounting to a total of USD1,475,000 ($1,871,000) was deducted against the Adjusted Retention Sum. The remaining balance ("Shortfall") will be recovered in accordance with the terms agreed in the Supplemental Shareholders Agreement as disclosed under Note 24A(iii). Consequently, the effects of the release of contingent consideration and loan from the non-controlling interest amounting to USD1,475,000 ($1,871,000) have been recognised as a gain on Profit Target in the consolidated statement of comprehensive income (Note 5).

(iii) The Company executed a supplemental shareholders agreement with the non-controlling interest of Autotrax ("Supplemental Shareholders Agreement"). The salient terms of the agreement are as follows:

(a) the Company shall be entitled to the non-controlling interest's share of dividends declared from future profits of Autovox and its subsidiaries until the Shortfall is satisfied.

(b) Autotrax shall repay the Company's shareholders' loan of USD2,500,000 ($3,171,000) outstanding as at 31 December 2013 included in the amounts due from subsidiaries of the Company (Note 14).

(c) upon full satisfaction of (a) and (b) above, for the payment of every USD1 thereafter by Autotrax:

(i) USD0.50 will be paid to the Company up to the amount of USD1,475,000 ($1,871,000) consisting of (i) contingent consideration of USD475,000 ($602,000); and (ii) the remaining non-controlling interest's loan of USD1,000,000 ($1,269,000); and

(ii) USD0.50 will be paid to the Company and the non-controlling interest (based on their respective shareholding in Autotrax) for any further dividends declared by Autotrax.

(d) the put option (Note 24(B)) is cancelled as at 31 December 2013.

NOTES TO THE FINANCIAL STATEMENTS
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24 LOAN FROM NON-CONTROLLING INTEREST AND REDEMPTION LIABILITY (CONTINUED)

(B) Redemption Liability

	Group and Company	
	2014	2013
	$'000	$'000
At 1 January	–	3,322
Amortisation charged to profit or loss	–	280
Cancellation of put option	–	(3,729)
Currency translation	–	127
As at 31 December	–	–

Pursuant to the Supplemental Shareholders Agreement, the put option was cancelled as at 31 December 2013. Consequently, the effects of the cancellation of the put option of $3,729,000 have been recognised against other reserves.

25 SHARE CAPITAL

	Group and Company			
	2014		2013	
	Number of shares issued	$'000	Number of shares issued	$'000
At 1 January and 31 December	3,946,428,548	48,196	3,946,428,548	48,196

Ordinary shares have no par value.

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction at general meetings of the Company and rank equally with regard to the Company's residual assets.

LHG Employee Share Option Scheme ("LHG ESOS")

The LHG ESOS for key management personnel and employees of the Group was approved by members of the Company at an Extraordinary General Meeting on 25 April 2013 and is administered by the Remuneration Committee.

The LHG ESOS provides a means to recruit, retain and give recognition to employees who have contributed to the growth and success of the Group.

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25 SHARE CAPITAL (CONTINUED)

LHG Employee Share Option Scheme (Continued)

Principal Terms of the LHG ESOS

(i) Participants

All key management personnel and employees of the Group who have been in the employment of the Group for a period of at least 12 months, or such shorter period as the Remuneration Committee may determine are eligible to participate in the LHG ESOS.

(ii) Number of Shares

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

(iii) Options, Exercise Period and Exercise Price

Vesting Period and Exercise Period

The vesting of the options is conditional on the key management personnel or employees completing another (i) one year of service to the Group for options granted with the exercise price set at Market Price; or (ii) two years of service to the Group for options granted with the exercisable price set at a discount to Market Price. Once the options are vested, they are exercisable for a period of four years. The options may be exercised in full or in part in respect of 1,000 shares or a multiple thereof, on the payment of the exercise price.

Exercise Price

The exercise price of the options is (i) determined at the volume weighted average of the Company's ordinary shares as quoted on the Singapore Exchange for five-consecutive market days immediately preceding the date of the grant ("Market Price"); or (ii) set at a discount not exceeding 20% of the Market Price.

(iv) Grant of Options

The Remuneration Committee may at any time during the period when the LHG ESOS is in force, except that, for so long as the Company's shares are listed and quoted on the SGX-ST, no options under LHG ESOS shall be granted during the period of one month immediately preceeding the date of announcement of the Company's full-year results and two weeks before the announcement of the Company's first, second and third quarter results of its financial years.

(v) Acceptance of Options

The grant of options shall be accepted within 30 days from the date of offer. Offers of options made to grantees, if not accepted by the closing date, will lapse.

(vi) Duration of the LHG ESOS

The LHG ESOS shall continue to be in force at the discretion of the Remuneration Committee, subject to a maximum period of ten years from 25 April 2013.

NOTES TO THE **FINANCIAL STATEMENTS**
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25 SHARE CAPITAL (CONTINUED)

LHG Employee Share Option Scheme (Continued)

Options Granted under LHG ESOS

During the financial year, the Company has granted options to subscribe for 119,400,000 ordinary shares in the Company at an exercise price of $0.007 per ordinary shares ("2014 Options"). These options are exercisable from 3 March 2015 to 2 March 2019.

Movements in the number of unissued ordinary shares under options and their exercise price are as follows:

	No. of unissued ordinary shares under option					
	At 1.1.2014 '000	Granted during the financial year '000	Forfeited during the financial year '000	At 31.12.2014 '000	Exercise price	Exercise period
Group and Company						
2014 Options	–	119,400	1,100	118,300	$0.007	3.3.2015 – 2.3.2019

None of the unexercised options for 118,300,000 shares are exercisable at the balance sheet date.

The fair value of options, determined using the Black-Scholes Valuation Model, was $219,000. The significant inputs into the model were as follows:

	2014 options
Share price	$0.007
Exercise price	$0.007
Standard deviation	40%
Option life	4
Risk-free interest rate	0.99%

The volatility measured as the standard deviation of the expected share price return was estimated based on statistical analysis of the Company's closing share price on the SGX-ST for the last 12 months till the date of the grant of the share option.

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26 RESERVES

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Accumulated losses	(19,871)	(20,764)	(18,150)	(18,525)
Other reserves	(1,150)	(1,150)	(1,470)	(1,470)
Share options reserve	219	–	219	–
Currency translation reserves	31	50	–	–
	(20,771)	(21,864)	(19,401)	(19,995)

Other reserves comprise share issues expenses arising from the issuance of ordinary shares, waiver of loan by the non-controlling interest, the recognition of the initial redemption liability and the subsequent cancellation of the redemption liability (Note 24 (B)).

Currency translation reserve comprises foreign exchange differences arising from the translation of the financial statements of Group entities whose functional currencies are different from that of the Group's presentation currency.

Share options reserve comprises the fair value of employee share option granted under LHG ESOS.

27 NON-CONTROLLING INTEREST

	Group	
	2014 $'000	2013 $'000
At 1 January	301	690
Share of results of subsidiaries	(569)	(434)
Share of currency translation reserve	(17)	45
At 31 December	(285)	301

28 DISCLOSURE OF DIRECTORS' REMUNERATION

The number of directors of the Company in remuneration bands is as follows:

	Number of directors	
	2014	2013
$250,000 to below $499,999	1	1
Below $250,000	4	4
Total	5	5

NOTES TO THE **FINANCIAL STATEMENTS**
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29 RELATED PARTY TRANSACTIONS

Related Party is defined as follows:

(a) A person or a close member of that person's family is related to a reporting entity, if that person (i) has control or joint control over the reporting entity; (ii) has significant influence over the reporting entity; or (iii) is a member of the key management personnel of the reporting entity of a parent of the reporting entity.

(b) An entity is related to a reporting entity if (i) the entity and the reporting entity are members of the same group; (ii) one entity is an associate or joint venture of the other entity; (iii) both entities are joint ventures of the same third party; (iv) one entity is a joint venture of a third party and the other entity is an associate of the third party; (v) the entity is a post-employment benefit plan for the benefit of employees of either the reporting entity or an entity related to the reporting entity; (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.

Related companies in these financial statements refer to members of the ultimate holding company's group of companies. Other related parties comprise mainly companies which are controlled or significantly influenced by the Group's key management personnel and their close family members.

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling activities of the Group. The directors and executive officers of the Group are considered as key management personnel of the Group.

Some of the Group's transactions and arrangements are between related parties and the effect of these on the basis determined between the parties are reflected in these financial statements. The balances with these related parties are unsecured, interest free and repayable on demand unless stated otherwise.

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

(a) Sales and purchases of goods and services

	Group	
	2014	**2013**
	$'000	**$'000**
Contract income from related companies	2,561	14
Purchase of materials from related parties	10	4
Rental payments made to related companies	81	77

NOTES TO THE **FINANCIAL STATEMENTS**
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29 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Key management personnel compensation

Key management personnel compensation is as follows:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Wages and salaries	979	1,044	657	645
Directors' fees	202	198	202	198
Employers' contribution to Central Provident Fund	42	49	29	29
Benefits-in-kind	70	68	29	29
Share option expenses	205	–	178	–
	1,498	1,359	1,095	901

Compensation to directors of the Company amounted to $811,000 (2013: $685,000). Details on directors' remuneration are disclosed in the Corporate Governance Report.

30 OPERATING LEASE COMMITMENTS

The future minimum lease payable under non-cancellable operating leases, in respect of the factory and office premises with varying terms and renewal rights contracted for at the financial reporting date but not recognised as payables, are as follows:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Payable:				
Within 1 year	538	263	9	5
Between 1 to 5 years	–	37	–	–
	538	300	9	5

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

31 FINANCIAL RISK MANAGEMENT

The Group and the Company are exposed to financial risks, including the effects of credit risk, liquidity risk, interest rate risk and foreign currency risk arising from the normal course of the Group's and the Company's operations. The following sections provide details regarding the Group's and the Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

(a) Credit risk

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. The major classes of financial assets of the Group and the Company are cash and cash equivalents, trade receivables and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit history, and obtaining sufficient collateral or buying credit insurance where appropriate to mitigate credit risk. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

Credit exposure to an individual counterparty is restricted by credit limits that are approved by the management based on ongoing credit evaluations. The counterparty's payment profile and credit exposure are continuously monitored by management.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the statements of financial position.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with a good payment record with the Group and Company. Cash and cash equivalents that are neither past due nor impaired are placed with or entered into with reputable financial institutions.

The Group's and the Company's financial assets not past due or impaired include trade and other receivables amounting to $14,769,000 (2013: $12,848,000) and $17,386,000 (2013: $17,520,000) respectively.

NOTES TO THE **FINANCIAL STATEMENTS**

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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Financial assets that are past due but not impaired

There are no other classes of financial assets that are past due but not impaired except for trade receivables.

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

	Group	
	2014	**2013**
	$'000	**$'000**
Less than 30 days	779	133
30 to 60 days	30	–
61 to 90 days	438	5
91 to 120 days	–	–
More than 120 days	–	895
	1,247	1,033

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

	Group	
	2014	**2013**
	$'000	**$'000**
Gross amount	745	2,803
Less: Allowance for impairment	(745)	(2,803)
	–	–
At 1 January	2,803	2,277
Impairment losses charged to profit or loss	752	807
Impairment losses written off	(1,546)	(214)
Impairment reversed	(1,264)	(67)
At 31 December	745	2,803

The impaired trade receivables arose from long outstanding amounts due from customers which remained unpaid as at the financial reporting date and accordingly there are significant uncertainties over the recovery of these amounts due from these customers. These receivables are not secured by any collateral or credit enhancement.

NOTES TO THE FINANCIAL STATEMENTS
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31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Credit risk (Continued)

Other receivables

The carrying amount of other receivables due from a former subsidiary individually determined to be impaired and the movement in the related allowance for impairment is as follows:

	Company	
	2014	2013
	$'000	$'000
At 1 January	–	655
Impairment losses charged to profit or loss	–	40
Impairment loss written off	–	(695)
At 31 December	–	–

(b) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities, the availability of funding through an adequate amount of committed credit facilities and the ability to close out market positions at short notice.

Management monitors rolling forecasts of the Group's and Company's liquidity reserve (comprises undrawn borrowing facilities and cash and cash equivalents (Note 11)) on the basis of expected cash flow. This is generally carried out in accordance with the practice and limits set by the Group.

These limits vary by location to take into account the liquidity of the market in which the entity operates. In addition, the Group's and Company's liquidity management policy involves projecting cash flows in major currencies and considering the level of liquid assets necessary to meet these, monitoring liquidity ratios and maintaining debt financing plans.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

The table below analyses the maturity profile of the Group's and Company's financial liabilities based on contractual undiscounted cash flows. Balances due within twelve months equal their carrying amounts as the impact of discounting is not significant.

		Cash flow		
	Carrying amount $'000	Contractual cash flow $'000	Less than 1 year $'000	1 to 5 years $'000
2014				
Group				
Trade payables	4,299	4,299	4,299	–
Other payables	1,109	1,109	1,109	–
Borrowings	356	357	357	–
	5,764	5,765	5,765	–
Company				
Other payables	296	296	296	–
Borrowings	14	15	15	–
	310	311	311	–
2013				
Group				
Trade payables	3,282	3,282	3,282	–
Other payables	1,360	1,360	1,360	–
Borrowings	657	661	646	15
	5,299	5,303	5,288	15
Company				
Other payables	312	312	312	–
Borrowings	357	361	346	15
	669	673	658	15

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Liquidity risk (Continued)

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

		Cash flow	
	Contractual cash flow $'000	Less than 1 year $'000	1 to 5 years $'000
Group			
Financial guarantees – As at 31 December			
– 2014	1,343	191	1,152
– 2013	1,158	120	1,038
Company			
Financial guarantees – As at 31 December			
– 2014	1,053	176	877
– 2013	888	–	888

(c) Interest rate risk

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates.

The Group and Company have adequate credit facilities to ensure necessary liquidity as shown below.

The Group and Company have cash balances placed with reputable banks. The Group and Company manage its interest rate risk on its interest income by placing the cash balances in varying maturities and interest rate terms.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Interest rate risk (Continued)

The financial assets and liabilities of the Group and Company are non-interest bearing except for cash and bank balances and borrowings as set out in the table below:

	Within 1 year $'000	Within 1 – 5 years $'000	Total $'000
2014			
Group			
Fixed rate			
Cash and bank balances	5,041	–	5,041
Borrowings	(356)	–	(356)
Variable rate			
Cash and bank balances	3,268	–	3,268
Company			
Fixed rate			
Cash and bank balances	5,041	–	5,041
Borrowings	(14)	–	(14)
Variable rate			
Cash and bank balances	2,458	–	2,458
2013			
Group			
Fixed rate			
Cash and bank balances	7,022	–	7,022
Borrowings	(643)	(14)	(657)
Variable rate			
Cash and bank balances	28	–	28
Company			
Fixed rate			
Cash and bank balances	7,022	–	7,022
Borrowings	(343)	(14)	(357)
Variable rate			
Cash and bank balances	20	–	20

At the financial reporting date, the Group's and the Company's exposure to interest rate risk is not significant.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Foreign currency risk

The Group has transactional currency exposures arising from its ordinary course of business that are denominated in a currency other than the functional currency of the Group's entities, which is primarily Singapore Dollar. The foreign currencies in which these transactions are denominated are mainly United States Dollar ("USD") and South Korean Won ("KRW").

The Group's currency exposure based on the information provided to key management is as follows:

	$ $'000	USD $'000	KRW $'000	Other $'000	Total $'000
2014					
Group					
Financial assets					
Cash and bank balances	9,024	230	14	13	9,281
Financial assets, at fair value through profit or loss	7	–	–	–	7
Trade receivables	14,921	–	430	–	15,351
Other receivables and other current assets	156	–	480	29	665
Due from customers on construction contracts	923	–	–	–	923
Total financial assets	25,031	230	924	42	26,227
Financial liabilities					
Trade payables	3,567	159	112	461	4,299
Other payables	842	–	265	2	1,109
Borrowings	14	–	342	–	356
	4,423	159	719	463	5,764
Net financial assets/(liabilities)	20,608	71	205	(421)	20,463

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Foreign currency risk (Continued)

	$ $'000	USD $'000	KRW $'000	Other $'000	Total $'000
2013					
Group					
Financial assets					
Cash and bank balances	7,353	28	449	77	7,907
Financial assets, at fair value through profit or loss	11	–	–	–	11
Trade receivables	12,484	–	780	–	13,264
Other receivables and other current assets	89	–	487	41	617
Due from customers on construction contracts	1,865	–	–	–	1,865
	21,802	28	1,716	118	23,664
Financial liabilities					
Trade payables	2,939	62	47	234	3,282
Other payables	1,217	–	143	–	1,360
Borrowings	417	–	240	–	657
	4,573	62	430	234	5,299
Net financial assets/(liabilities)	17,229	(34)	1,286	(116)	18,365

As at 31 December 2014 and 2013, the Company's financial assets and financial liabilities are denominated in Singapore dollars and have no foreign currency risk exposure except for the amount due from subsidiary of $5,260,000 (2013: $5,042,000) disclosed in Notes 14 which are denominated in USD.

If the USD and KRW strengthened against the $ by 5% (2013: 5%) with all other variables including the tax rate being held constant, the effects arising from the net financial asset/liability position on net profit after tax and equity will increase/(decrease) as follows:

	Group $'000	Company $'000
2014		
USD	4	263
KRW	10	–
2013		
USD	(2)	252
KRW	64	–

If the USD and KRW weakened against the $ by 5%, the effects would have been equal but opposite of the amounts as shown above, on the basis that all other variables remain constant.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Capital risk

The Group's and Company's objectives when managing capital are to safeguard the Group's and Company's ability to continue as a going concern and to maintain an optimal capital structure so as to maximise shareholder value. In order to maintain or achieve an optimal capital structure, the Group and Company may adjust the amount of dividend payment, return capital to shareholders, issue new shares, buy back issued shares, obtain new borrowings or sell assets to reduce borrowings.

In the management of capital risk, management takes into consideration the net debt to equity ratio as well as the Group's and Company's working capital requirement. The net debt to equity ratio is calculated as net debt divided by total capital. Net debt is calculated as total liabilities less total provisions, current tax liabilities and cash and bank balances.

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Net debt	(991)	(1)	(7,229)	(6,400)
Total equity	27,425	26,332	28,795	28,201
Net debt to equity ratio	N.M	N.M	N.M	N.M

N.M – Not meaningful as cash and bank balances are in excess of total liabilities less total provisions and current tax liabilities.

The Group and the Company do not have any externally imposed capital requirements for the financial years ended 31 December 2014 and 2013. There were no changes in the Group's and Company's approach to capital management during the financial year.

(f) Fair value measurement

The fair value information presented represents the Group's and the Company's best estimate of those values and may be subject to certain assumptions and limitations. The methodologies and assumptions used in the estimation of fair values depend on the terms and characteristics of the various financial instruments. The following methods and assumptions are used to determine the fair value of each class of financial instruments for which it is practicable to determine that value.

Cash and cash equivalents, trade and other receivables, and trade and other payables

The carrying amounts less impairment provision of these balances approximate their fair values due to the relatively short-term maturity of these financial instruments or are repriced frequently.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2014

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value measurement (Continued)

Non-current liabilities

The fair values of non-current liabilities are calculated based on discounted expected future principal and interest cash flows. The discount rates used are based on market rates for similar instruments at the reporting date. As at 31 December 2013, the carrying values of the non-current liabilities approximate the fair values.

Other financial assets and liabilities

The following table provides an analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable:

(i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;

(ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and

(iii) Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

	Level 1 $'000	Level 2 $'000	Level 3 $'000
Group			
Recurring fair value measurements			
2014			
Financial asset at fair value through profit or loss – Trading securities	7	–	–
2013			
Financial asset at fair value through profit or loss – Trading securities	11	–	–

There were no transfers between Level 1 and Level 2 during the current and previous financial year.

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

The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined by using valuation techniques. The Group uses a variety of methods and makes assumptions that are based on market conditions existing at each year end date. Quoted market prices or dealer quotes for similar instruments are used to estimate fair value for long-term debt for disclosure purposes. Other techniques, such as estimated discounted cash flows, are used to determine fair value for the remaining financial instruments.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

31 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value measurement (Continued)

Other financial assets and liabilities (Continued)

Movements in level 3 financial instruments measured at fair value:

	Contingent consideration payable	
	2014	2013
	$'000	$'000
Group		
At 1 January	–	602
Released to profit or loss	–	(602)
At 31 December	–	–

32 STATEMENT OF OPERATIONS BY SEGMENTS

(a) Business segment

Segment information

Management has determined the operating segments based on the reports reviewed by the Executive Committee ("EXCO") that are used to make strategic decisions. The EXCO comprises the executive directors and a non-executive director.

The EXCO considers the business from both a geographic and business segment perspective. Geographically, the Group's business activities are in Singapore and the Republic of Korea ("South Korea") and derive revenue mainly from construction projects and sale of goods.

Other services including investment holding and trading activities; but these are not included within the reportable operating segments, as they are not included in the reports provided to the EXCO. The results of these operations are included in the "others" column.

Sales between segments are carried out at arm's length. The revenue from external parties reported to the EXCO is measured in a manner consistent with that in the statement of comprehensive income.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

32 STATEMENT OF OPERATIONS BY SEGMENTS (CONTINUED)

(a) Business segment (Continued)

(i) Segment assets

The amounts provided to the EXCO with respect to total assets are measured in a manner consistent with that of the financial statements. For the purposes of monitoring segment performance and allocating resources between segments, the EXCO monitors the property, plant and equipment, inventories, receivables and operating cash attributable to each segment. All assets are allocated to reportable segments other than cash and bank balances of the Company.

(ii) Segment liabilities

The amounts provided to the EXCO with respect to total liabilities are measured in a manner consistent with that of the financial statements. These liabilities are allocated based on the operations of the segment. All liabilities are allocated to the reportable segments other than income tax liabilities.

(iii) The Group's activities comprise the following reportable segments:

Aluminium – includes trading, project fabrication and contract manufacturing;

Vehicle – includes manufacturing and distribution of vehicle traction devices and other vehicle parts; and

Others – includes corporate office and investment holding activities which are not directly attributable to a particular business segment above.

NOTES TO THE **FINANCIAL STATEMENTS**
31 DECEMBER 2014

32 STATEMENT OF OPERATIONS BY SEGMENTS (CONTINUED)

(a) Business segment (Continued)

	Aluminium		Vehicle		Others		Elimination		Consolidated	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Turnover										
External sales	29,631	12,855	2,942	4,595	–	–	–	–	32,573	17,450
Inter-segment sales	–	–	–	–	1,891	1,906	(1,891)	(1,906)	–	–
Total turnover	29,631	12,855	2,942	4,595	1,891	1,906	(1,891)	(1,906)	32,573	17,450
Segment result	1,251	167	(1,220)	(334)	422	1,684	(99)	63	354	1,580
Finance costs									(29)	(332)
Profit before income tax									325	1,248
Income tax									(1)	7
Net profit after income tax									324	1,255
Segment assets	23,839	24,565	6,968	7,849	17,614	12,781	(18,734)	(15,963)	29,687	29,232
Add: Unallocated assets									7,539	7,069
Total assets									37,226	36,301
Segment liabilities	20,776	22,664	10,105	9,999	310	381	(21,142)	(23,410)	10,049	9,634
Add: Current tax liabilities									37	34
Total liabilities									10,086	9,668
Other information										
Additions to										
– Property, plant and equipment	75	54	207	397	46	49	–	–	328	500
Depreciation	231	191	368	334	90	91	–	–	689	616
Amortisation	–	–	196	194	–	–	–	–	196	194
Impairment for:										
– Trade receivables	752	806	–	1	–	–	–	–	752	807
– Investment in subsidiaries	–	–	–	–	–	955	–	(955)	–	–
Reversal of allowance for impairment of trade receivables	(1,264)	(67)	–	–	–	–	–	–	(1,264)	(67)

NOTES TO THE **FINANCIAL STATEMENTS**

31 DECEMBER 2014

32 STATEMENT OF OPERATIONS BY SEGMENTS (CONTINUED)

(b) Geographical segment

Geographically, management manages and monitors the business in two primary geographic areas: Singapore and South Korea. The segments in Singapore derive revenue mainly from construction projects, while South Korea derives revenue mainly from trading activities which is categorised as vehicle segment.

Sales are based on the country in which the customers are located. Non-current assets are shown by the geographical area where the assets are located.

	Sales		Non-current assets	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Group				
Singapore	29,631	12,855	279	479
South Korea	2,942	4,595	3,175	3,506
	32,573	17,450	3,454	3,985

Revenue of approximately $12,909,000 (2013: $6,148,000) are derived from two (2013: two) external customers who accounted for at least 10% of the Group's revenue each. These revenues are attributable to the aluminium segment (2013: aluminium and vehicle segments).

33 LEGAL MATTERS

As at 31 December 2014, the Group has an ongoing legal matter on an alleged infringement of trademarks and patents in Germany.

A Switzerland company ("SwissCo") had alleged that certain models of the vehicle tractions devices of the vehicle segment infringed certain trademarks and patents owned by SwissCo. Autotrax had applied to the German courts for declaratory judgement to confirm the non-infringement of SwissCo's trademarks and patents by the products of Autotrax. On 22 January 2014, the German courts have decided that the products of one of its subsidiaries do not infringe the trademarks owned by SwissCo and certain trademarks owned by SwissCo will be deleted. The Group's subsidiary is appealing on the infringement of patents where SwissCo continues to allege that the Group's subsidiary is infringement of certain patents owned by SwissCo. The outcome of the patent matter is pending.

Other than the estimated legal fees, there is no cost to be recognised as at the financial reporting date. As the vehicle segment currently has no revenue derived from Germany and there is no such revenue assumed in the preparation of the future discounted cashflow for the segment, there is no significant financial impact resulting from the matter.

34 AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Directors of LH Group Limited on the date of the Statement by the Directors.

NOTICE OF **ANNUAL GENERAL MEETING**

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at Blk 8, 1st Floor Liang Huat Industrial Complex, 51 Benoi Road, Singapore 629908 on Monday, 27th April 2015 at 10.00 a.m. to transact the following business: -

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2014 and the Directors' Report and the Auditors' Report thereon. **(Resolution 1)**

2. To approve the Directors' fees of $202,000.00 for the financial year ended 31 December 2014. **(Resolution 2)**

3. (i) To re-elect Mr. Tan Hai Seng Benjamin who retires in accordance with Article 89 of the Company's Articles of Association and who, being eligible, offers himself for re-election. **(Resolution 3(i))**

   Mr. Tan Hai Seng Benjamin, a Non-Independent Non-Executive Director of the Company, if re-elected will remain as a member of the Audit Committee, Nominating Committee, Remuneration Committee and Executive Committee.

   (ii) To re-elect Mr. Tan Hai Peng Micheal who retires in accordance with Article 89 of the Company's Articles of Association and who, being eligible, offers himself for re-election. **(Resolution 3(ii))**

4. To re-appoint Messrs Moore Stephens LLP as independent auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 4)**

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

AS SPECIAL BUSINESS

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

6. **Authority to allot and issue shares**

   "That pursuant to Section 161 of the Companies Act, and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST"), approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to: **(Resolution 5)**

(a) (i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

   (ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, "Instruments") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

   (iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

NOTICE OF **ANNUAL GENERAL MEETING**

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

provided always that

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

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

(ii) any subsequent bonus issues, consolidation or subdivision of shares;

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

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

7. **Authority to issue shares under the LHG Employee Share Option Scheme** **(Resolution 6)**

That pursuant to Section 161 of the Companies Act, Cap. 50, the Directors of the Company be authorised and empowered to offer and grant options under the LHG Employee Share Option Scheme ("the Scheme") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme shall not exceed fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

NOTICE OF **ANNUAL GENERAL MEETING**

8. **Renewal of Shareholders' Mandate for Interested Person Transactions** **(Resolution 7)**

"That:–

(1) approval be and is hereby given for the purposes of Chapter 9 of the Listing Manual of the SGX-ST, for the Company, its subsidiaries, its target associated companies and corporations which become the Company's subsidiaries or target associated companies (the "Group") or any of them to enter into any of the transactions falling within the types of Interested Person Transactions as described in the Appendix with any party who is of the class of Interested Persons as described in the Appendix provided that such transactions are made on an arm's length basis and on normal commercial terms and in accordance with the review procedures for such Interested Person Transactions as set out in the Appendix (the "Shareholders' Mandate");

(2) the Shareholders' Mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and

(3) 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 or in the interests of the Company to give effect to the Shareholders' Mandate and/or this Resolution."

Dated this 10th day of April 2015

BY ORDER OF THE BOARD

Liew Meng Ling
Company Secretary
Singapore

NOTICE OF **ANNUAL GENERAL MEETING**

Notes:

1) A member of the Company entitled to attend and vote at the Meeting is entitled to appoint a proxy in his stead.

2) A proxy need not be a member of the Company.

3) If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.

4) The instrument appointing a proxy must be deposited at the registered office of the Company at Blk 8, #08-05 Liang Huat Industrial Complex, 51 Benoi Road, Singapore 629908 not later than 48 hours before the time appointed for the Meeting.

Explanatory Notes:–

Resolution 5: The ordinary resolution proposed in item 6 above, if passed, is to enable the Directors to issue further shares in the Company up to an amount not exceeding 50 per cent. of the issued shares of the Company (excluding treasury shares) of which the aggregate number of shares to be issued other than on a *pro-rata* basis to existing shareholders, does not exceed 20 per cent. of the Company's issued shares (excluding treasury shares). For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the number of issued shares (excluding treasury shares) of the Company at the time this Resolution is passed, after adjusting for (1) new shares arising from the conversion or exercise of any convertible securities or employee share options that are outstanding when this Resolution is passed; and (2) any subsequent bonus issues, consolidation or subdivision of shares. This authority will, unless revoked or varied at a General Meeting, expire at the next Annual General Meeting of the Company.

Resolution 6: The ordinary resolution proposed in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company at a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate (for the entire duration of the Scheme) fifteen per cent. (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Resolution 7: The ordinary resolution proposed in item 8 above, if passed, will renew the mandate given by Shareholders on 25 April 2014 allowing the Company, its subsidiaries and associated companies that are entities at risk (as that term is used in Chapter 9 of the Listing Manual of the SGX-ST) or any of them, to enter into transactions with interested persons as defined in Chapter 9 of the Listing Manual of the SGX-ST. Please refer to the Appendix to this Notice of Annual General Meeting for details.

NOTICE OF **ANNUAL GENERAL MEETING**

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its 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.

ANALYSIS OF **SHAREHOLDINGS**

AS AT 18 MARCH 2015

ANALYSIS OF SHAREHOLDINGS AS AT 18 MARCH 2015

CLASS OF SHARES: ORDINARY SHARES
VOTING RIGHTS: 1 VOTE PER SHARE
NO. OF TREASURY SHARES: NIL

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	29	0.20	489	0.00
100 -1,000	5,538	37.47	3,181,152	0.08
1,001 – 10,000	5,273	35.68	20,776,813	0.53
10,001 – 1,000,000	3,675	24.87	620,593,740	15.72
1,000,001 & ABOVE	263	1.78	3,301,876,354	83.67
TOTAL	14,778	100.00	3,946,428,548	100.00

TOP TWENTY SHAREHOLDERS AS AT 18 MARCH 2015

	NAME	NO. OF SHARES	%
1	HO LEE GROUP PTE LTD	2,000,000,000	50.68
2	YK HOLDINGS PTE LTD	182,224,000	4.62
3	XU YONGSHENG	61,618,500	1.56
4	WONG BENG HWEE	57,131,000	1.45
5	MAYBANK KIM ENG SECURITIES PTE LTD	54,274,296	1.38
6	NG KIM CHOON	47,476,000	1.20
7	YANG SIEW HO	28,848,000	0.73
8	UNITED OVERSEAS BANK NOMINEES PTE LTD	24,909,300	0.63
9	LEE SOK WANG	23,404,000	0.59
10	DBS NOMINEES PTE LTD	22,306,245	0.57
11	PHILLIP SECURITIES PTE LTD	21,316,300	0.54
12	OCBC NOMINEES SINGAPORE PTE LTD	19,798,650	0.50
13	TAN BUCK SOONG	17,737,000	0.45
14	BANK OF SINGAPORE NOMINEES PTE LTD	17,516,000	0.44
15	ZHU XILIN	16,752,000	0.43
16	WONG THEN SIN	16,343,000	0.42
17	QUAK LEE ENG	15,000,000	0.38
18	CHOO POH MUI (ZHU BAOMEI)	13,828,000	0.35
19	NG HWEE KOON	12,401,100	0.31
20	LIM HOCK YEONG	12,000,000	0.30
		2,664,883,391	67.53

SUBSTANTIAL SHAREHOLDER AS AT 18 MARCH 2015

		NO. OF SHARES DIRECT INTEREST	%	NO. OF SHARES DEEMED INTEREST	%
1	HO LEE GROUP PTE LTD	2,000,000,000	50.68	56,583	0.001
2	TECK LEE HOLDINGS PTE LTD	–	–	2,000,056,583	50.68
3	TAN THUAN TECK	–	–	2,000,056,583	50.68
4	TAN HAI PENG MICHEAL	–	–	2,000,056,583	50.68
5	TAN HAI SENG BENJAMIN	–	–	2,000,056,583	50.68

49.32% of the Company's issued paid-up capital is in the hands of the public. Rule 723 of the SGX-ST Listing Rule has been complied with.

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LH GROUP LIMITED

(Incorporated in the Republic of Singapore)
(Company Registration Number: 198203779D)

IMPORTANT

1. For investors who have used their CPF monies to buy LH Group Limited shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.

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

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 10 April 2015.

PROXY FORM

*I/We _____ of

_____

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

Name	Address	NRIC/ Passport No.	Proportion of shareholdings to be represented by proxy (%)

*and/or

as *my/our *proxy/proxies to vote for *me/us on *my/our behalf and, if necessary, to demand a poll, at the Annual General Meeting of the Company to be held at Blk 8, 51 Benoi Road, 1st Floor Liang Huat Industrial Complex, Singapore 629908 on Monday, 27th April 2015 at 10.00 a.m. and at any adjournment thereof.

*I/we direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "X" in the spaces provided hereunder. If no specified directions as to voting are given, the *proxy/proxies will vote or abstain from voting at *his/their discretion.

No.	Ordinary Resolutions	For	Against
1.	**Ordinary Business** To receive and adopt the Audited Financial Statements of the Company for the financial year ended 31 December 2014 and the Directors' Report and the Auditors' Report thereon.		
2.	To approve the Directors' fees for the financial year ended 31 December 2014.		
3.	(i) To re-elect Mr Tan Hai Seng Benjamin, a director retiring in accordance with Article 89 of the Company's Articles of Association.		
	(ii) To re-elect Mr Tan Hai Peng Micheal, a director retiring in accordance with Article 89 of the Company's Articles of Association.		
4.	To re-appoint Messrs Moore Stephens LLP as the independent auditors of the Company and to authorise the Directors to fix their remuneration.		
5.	**Special Business** To authorise Directors to issue shares pursuant to Section 161 of the Companies Act and the listing rules of the Singapore Exchange Securities Trading Limited.		
6.	Authority to issue shares under the LHG Employee Share Option Scheme.		
7.	Renewal of Shareholders' Mandate.		

Dated this _____ day of _____ 2015

Total Number of Shares Held

_____

Signature(s) of Member(s)/Common Seal
* *Delete accordingly*

IMPORTANT. Please read notes overleaf

Notes:–

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
3. The instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney or duly authorised officer.
4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at Blk 8, #08-05 Liang Huat Industrial Complex, 51 Benoi Road, Singapore 629908 not later than 48 hours before the time set for the Annual General Meeting.
6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
7. The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.

First Fold

AFFIX STAMP

The Company Secretary
LH GROUP LIMITED
Blk 8, #08-05 Liang Huat Industrial Complex
51 Benoi Road
Singapore 629908

Second Fold

Third Fold

CORPORATE INFORMATION

BOARD OF DIRECTORS

MR. TAN HAI PENG MICHEAL *Executive Chairman*

MR. CHNG HEE KOK *Managing Director*

MR. TAN HAI SENG BENJAMIN *Non-Independent Non-Executive Director*

MR. BOB LOW SIEW SIE *Lead Independent Non-Executive Director*

MR. DAVID LIM TECK LEONG *Independent Non-Executive Director*

AUDIT COMMITTEE

MR. BOB LOW SIEW SIE *Chairman*
MR. DAVID LIM TECK LEONG
MR. TAN HAI SENG BENJAMIN

NOMINATING COMMITTEE

MR. DAVID LIM TECK LEONG *Chairman*
MR. BOB LOW SIEW SIE
MR. TAN HAI SENG BENJAMIN

REMUNERATION COMMITTEE

MR. DAVID LIM TECK LEONG *Chairman*
MR. BOB LOW SIEW SIE
MR. TAN HAI SENG BENJAMIN

EXECUTIVE COMMITTEE

MR. TAN HAI PENG MICHEAL *Chairman*
MR. TAN HAI SENG BENJAMIN
MR. CHNG HEE KOK

REGISTERED OFFICE

Blk 8, #08-05
Liang Huat Industrial Complex
51 Benoi Road
Singapore 629908
Website: www.lhgroup.com.sg

REGISTRAR AND SHARE TRANSFER OFFICE

B.A.C.S Private Limited
63 Cantonment Road
Singapore 089758

PRINCIPAL BANKERS

Malayan Banking Berhad
Citibank, N.A. Singapore

THE AUDITORS

Moore Stephens LLP
Chartered Accountants of Singapore
10 Anson Road #29-15
International Plaza
Singapore 079903

Partner-in-charge: Neo Keng Jin
(appointed since financial year ended 31 December 2011)

COMPANY SECRETARY

MS. LIEW MENG LING

Designed and produced by
TOPPAN
TOPPAN VITE PTE. LTD.
(65) 6578 6522



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