Far East Group Limited

112 Lavender Street, #04-00
Far East Refrigeration Building
Singapore 338728
Tel: (65) 6293 9733
Fax: (65) 6296 5326
www.fareastgroup.com.sg

FAR EAST GROUP LIMITED | ANNUAL REPORT 2015

Far East Group Limited

STAYING COMMITTED & RELIABLE

ANNUAL REPORT 2015

our

VISION

A highly motivated and inspired team, working in unison towards leadership, striving for excellence through quality and technology and being ever sensitive and responsive to its employees, customers and the society in which we live in.

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

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

The contact person for the Sponsor is Ms Lam Siew Hwa, Director, Corporate Finance, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02, Singapore 068896, telephone (65) 6854 6160.

corporate PROFILE

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

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

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

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

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

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

ceo's MESSAGE

Mr. Loh Mun Yew

DEAR SHAREHOLDERS,

FY2015 has been a very challenging year for the Group. Let me present to you the annual report for the financial year ended 31 December 2015 ("FY2015") on behalf of Far East Group Limited ("Far East Group" or the "Group").

While the Heating, Ventilation, Air-Conditioning and Refrigeration ("HVACR") industry remains a growth industry lifted by the growth of the cold chain market across the Asia Pacific region, and China, the world's second largest economy and one of our key markets which we targeted for the Group's growth, has recorded one of its slowest economic growth in six years at close to 7%. On the ground, many projects have been put on hold and delayed due to the shortage of financing.

The ASEAN region, where we distribute our "Eden" brand of heat exchangers and agency products, has felt the snowball effect and has not been spared as well. We had to contend with the increasingly competitive markets with tightening margins and higher costs of imports due to the strengthening of the US dollar and gradual increase in interest rates.

Despite the gloomy economic environment, the management has put in place plans to prepare our operations to take on the challenging environment that we are headed towards by continually exploring costs reductions and to improve on the production processes. We have enhanced our efforts in reducing costs of production by better control of the use of materials and material costs and enhancing efficiencies in manufacturing.

OPERATIONS AND FINANCIAL REVIEW

The impact of the regional economic slowdown affected the Group with a dip in revenue of 5.1% from S$36.7 million in FY2014 to S$34.8 million in FY2015. Revenue from our China business dropped from S$8.1 million to S$6.6 million.

Revenue from all three segments fell against the same comparative period last year. The commercial and light industrial (refrigeration) segment, the residential and commercial (air-conditioning) segment and the oil, marine and gas (refrigeration and air-conditioning) segment fell by 2.5%, 13.8% and 13.6% respectively.

Gross profit decreased by S$1.7 million or 14.5%, from S$11.7 million in FY2014 to S$10.0 million in FY2015. The Group's gross profit margin decreased by 3.2 percentage points from 31.9% in FY2014 to 28.7% in FY2015. Other than the impact of lower revenue due mainly to regional economic slowdown and stiffer competition and, there was a provision for stock obsolescence of S$1.0 million.

Operating expenses increased moderately by 6.7% or S$0.8 million due to an increase in exhibition expense of S$0.1 million, an allowance for doubtful debt of S$0.3 million, an increase in IT expenses of S$0.1 million due to a change of an ERP system and an increase in loss on foreign exchange of S$0.3 million.

The Group posted a net loss after tax of S$1.6 million in FY2014 as compared to a net profit after tax of S$1.2 million a year ago, reflecting the impact of the regional economic slowdown. Loss per share of 1.18 Singapore cents resulted in FY2015, a reversal from the earnings per share of 1.17 Singapore cents in FY2014. Net asset value per share as at 31 December 2015 decreased to 22.8 Singapore cents from 25.0 Singapore cents a year earlier.

OUR FORWARD STRATEGY

Our forward strategy combines three key initiatives that include increasing revenue contribution from China (propelled by Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd. ("ERM")); moving up the value chain; and expanding our distribution networks principally in China and Southeast Asia, as previously set out in the annual report for FY2014, is still relevant. While we expect FY2016 to be equally challenging, China remains a key market for our Group to grow and expand regardless of the economic slowdown.

We are expanding our distribution network by entering into a joint-venture with several partners in the HVACR industry to promote of products to regions that we have little or no presence in. In the ASEAN region, we have arranged for more direct imports from our suppliers to our regional subsidiaries to lower freight, logistic and other operating costs.

Our Group continues to explore partnerships that will enable us to derive synergies in our operations in the future.

DIVIDEND

As the Group has experienced a very challenging year and has recorded losses, the Board has recommended that no dividends be paid for FY2015. We would appreciate the shareholders' understanding and continued support to allow the Group's resources be used to take on the challenges ahead.

ACCOLADE

We are honoured to announce that Far East Group was named runner-up for "The Most Transparent Company Award 2015" in the Catalist category at the 16th Securities Investors Association Singapore ("SIAS") Investors' Choice Awards for two consecutive years. This award recognises exemplary corporate governance and transparency practices throughout the year.

APPRECIATION

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

We look forward to your continued support as we take on another challenging year ahead.

LOH MUN YEW
Chief Executive Officer & Executive Director

board of DIRECTORS

Standing (L-R): Mak Yen-Chen Andrew, Karen Loh Pui Lai, Hew Koon Chan, Loh Ah Peng @ Loh Ee Ming, Steven Loh Mun Yew, Tan Hwee Kiong, David Leng Chee Keong

LOH AH PENG @ LOH EE MING

Non-Executive Chairman

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

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

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

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

STEVEN LOH

Chief Executive Officer and Executive Director

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

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

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

DAVID LENG

Chief Operating Officer (Sales and Marketing) and Executive Director

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

Mr Leng has held several managerial positions in the automotive and leasing industry since the start of his career before joining Barcelona

Motors Pte Ltd and Perocom Motors Pte Ltd (both of which are distributors of new motor vehicles) as the general manager, where he was mainly responsible for the two companies' day-to-day operations and financial performance from 1995 to 2003.

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

KAREN LOH

Non-Executive Director

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

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

HEW KOON CHAN

Independent Non-Executive Director

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

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

ANDREW MAK

Independent Non-Executive Director

Mr Andrew Mak was appointed to the Board on 28 June 2011. He is a practising lawyer with more than 20 years' experience in legal practice. He is currently a consultant with Fortis Law Corporation.

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

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

TAN HWEE KIONG

Independent Non-Executive Director

Mr Tan Hwee Kiong was appointed to the Board on 28 June 2011. He is a senior business leader with 25 years of industrial and commercial experience, 16 years of which was involved in the HVAC&R industry. Mr Tan spent most of his HVAC&R career in Carrier Refrigeration Corporation (a division of UTC Group), where he served in various capacities in the commercial and transportation refrigeration business, including being the regional managing director for South-Asia region, regional director for ASEAN, general manager of Qingdao Haier-Carrier Refrigeration, general sales manager of Carrier Refrigeration Shanghai Co., Ltd and country manager for Taiwan, etc.

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

executive OFFICERS

FRANCIS LAI

Chief Financial Officer

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

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

ALLAN WARD

Chief Operating Officer (Engineering and Manufacturing)

Mr Allan Ward stepped down as Executive Director on 29 April 2015 as he was relocated to Australia. He remains as Chief Operating Officer (Engineering and Manufacturing) of the Group. He is responsible for the overall day-to-day operations of Far East Maju and Safety Enterprises. He is also responsible for all the engineering and design of "Eden" products, research and development activities, the Group's manufacturing activities, plant design, machinery evaluation, and ensuring the Group's ISO and design philosophies are not compromised.

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

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

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

RICHARD CHUNG

Head of Systems and Projects

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

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

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

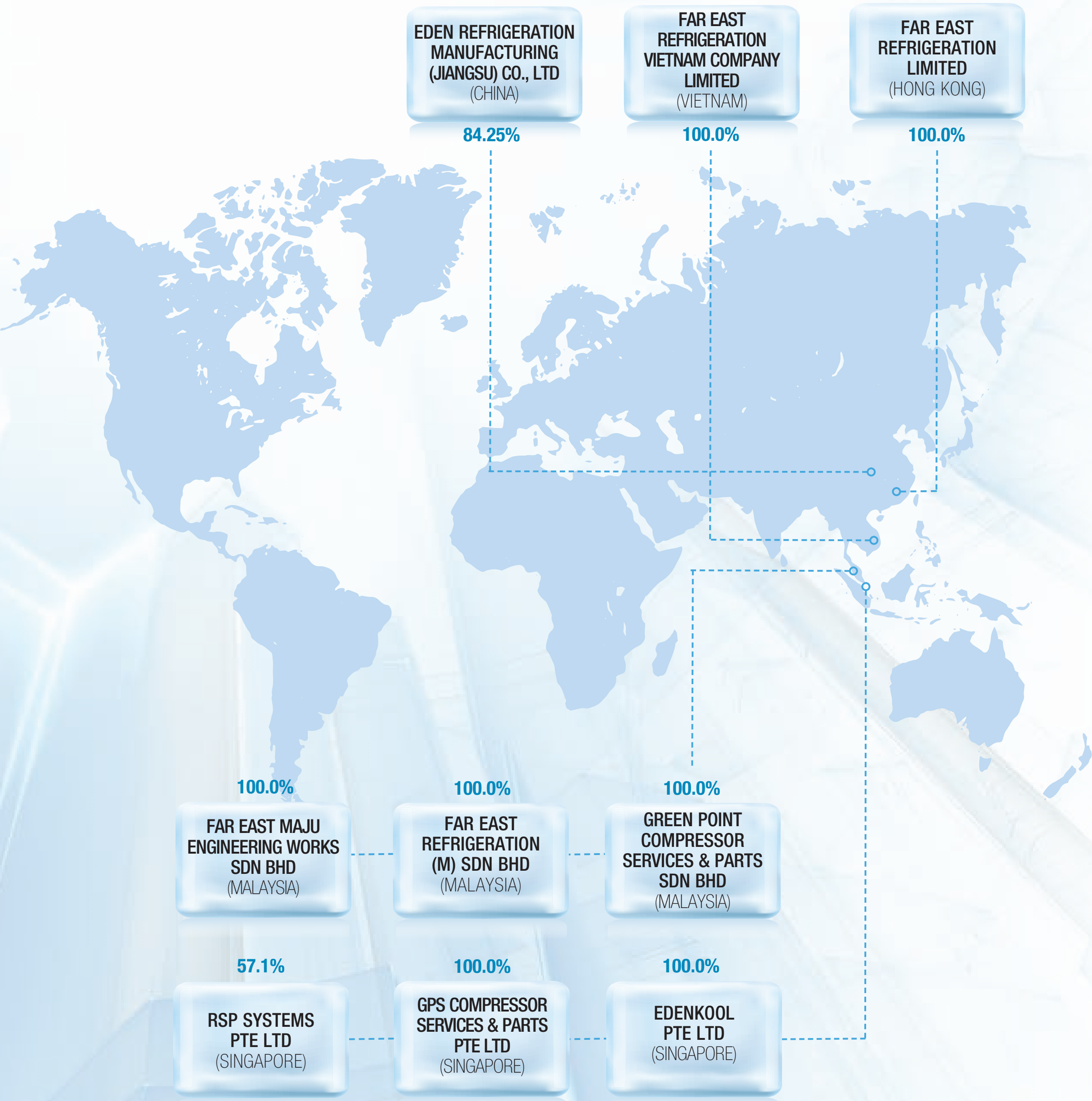
ROGER WONG

Sales Director

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

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

corporate STRUCTURE



* Please note that the subsidiaries listed in this section are our principal subsidiaries. Please refer to Note 8 to the Financial Statements for the full list of our subsidiaries.

general INFORMATION

DIRECTORS

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

COMPANY SECRETARY
Chia Foon Yeow

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

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

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

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

BANKERS
United Overseas Bank Limited
DBS Bank Ltd

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

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

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

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

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corporate GOVERNANCE REPORT

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

This report outlines the Company's corporate governance practices and structures that were in place for the financial year ended 31 December 2015 ("**FY2015**"), with specific reference made to each of the principles of the Code of Corporate Governance 2012 (the "**Code**"). The Board confirms that, for FY2015, the Group has complied with the principles and guidelines of the Code where appropriate. Where there are deviations from the Code, appropriate explanations are provided.

BOARD MATTERS

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

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

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

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

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

The Board meets regularly with at least two (2) scheduled meetings held within each financial year. Where necessary, additional meetings may be held to address significant transactions or issues. The constitution[1] of the Company ("**Constitution**") also provides for telephonic meetings.

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

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[1] Pursuant to the recent amendments of the Companies Act (Cap. 50 of Singapore), the Memorandum and Articles of Association of the Company are deemed by law to be merged to form the Constitution of the Company.

corporate GOVERNANCE REPORT

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

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

The number of Board and Board Committee meetings held and attended by each Board member for FY2015 is set out as follows:

	Board	**Board Committees**		
		Audit	**Nominating**	**Remuneration**
Number of meetings held	**4**	**2**	**1**	**1**
	Number of meetings attended			
Mr Loh Ah Peng @ Mr Loh Ee Ming	4	2	1*	1*
Mr Loh Mun Yew	4	2	1*	1*
Mr Leng Chee Keong	4	2	1*	1*
Ms Loh Pui Lai	4	2	1*	1*
Mr Hew Koon Chan	4	2	1	1
Mr Mak Yen-Chen Andrew	4	2	1	1
Mr Tan Hwee Kiong	3	1	0	0

* *By Invitation*

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

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

The Board comprises seven (7) members, consisting of two (2) Executive Directors, two (2) Non-executive Directors and three (3) Independent Directors as follows:

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

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

corporate GOVERNANCE REPORT

The Company endeavours to maintain a strong and independent element on the Board. As there are three (3) Independent Directors on the Board, the prevailing applicable requirement of the Code that at least one-third of the Board be comprised of Independent Directors is satisfied. The Board noted that the requirement for independent directors to make up at least half of the Board where the Chairman and the Chief Executive Officer are immediate family members or the Chairman is not an independent director (Guideline 2.2 of the Code) only needs to be fulfilled at the annual general meeting of the Company ("**AGM**") following the end of financial year commencing on or after 1 May 2016. Necessary arrangements will be made in due course for the satisfaction of the aforesaid guideline. All of the Board Committees are chaired by Independent Directors and the NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The Independent Directors have confirmed that they do not have any relationship with the Company or its related corporations or its officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgment with a view to the best interests of the Company. The Board, taking into account the views of the NC, has determined that Mr Mak Yen-Chen Andrew, Mr Hew Koon Chan and Mr Tan Hwee Kiong are independent. The independence of each Director is reviewed annually and as and when circumstances require by the NC based on the guidelines set forth in the Code.

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

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

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

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

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

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

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

corporate GOVERNANCE REPORT

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

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

The NC is responsible for the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Directors are encouraged to attend relevant training programmes conducted by the Singapore Institute of Directors, Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), and business and financial institutions and consultants. The costs of such training programmes will be borne by the Company.

Pursuant to the Constitution, at least one-third of the Directors are required to retire from office provided that all Directors shall retire from office at least once every three (3) years at an AGM. The Constitution also provides that the retiring Directors are eligible to offer themselves for re-election.

The NC has recommended to the Board that Mr Loh Mun Yew, Mr Hew Koon Chan and Mr Tan Hwee Kiong be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC has considered each of the said Director's overall contributions and performance.

Mr Loh Mun Yew will, upon re-election as a Director, remain as the Chief Executive Officer and Executive Director of the Company. Mr Hew Koon Chan will, upon re-election as a Director, remain as the Chairman of the AC and a member of the NC and RC. Mr Tan Hwee Kiong will, upon re-election as a Director, remain as the Chairman of the RC and a member of the AC and NC.

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

Name	Age	Appointment	Date of initial appointment	Date of last re-election	Directorship in other listed companies
Loh Ah Peng @ Loh Ee Ming[1]	82	Non-executive Chairman	18 March 1964	30 April 2014	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None
Loh Mun Yew[1]	49	Chief Executive Officer and Executive Director	02 May 1990	30 April 2014	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None

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Name	Age	Appointment	Date of initial appointment	Date of last re-election	Directorship in other listed companies
Leng Chee Keong	59	Chief Operating Officer (Sales and Marketing) and Executive Director	18 February 2005	28 April 2015	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None
Loh Pui Lai[1]	44	Non-executive Director	28 June 2011	28 April 2015	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None
Hew Koon Chan	54	Independent Director	28 June 2011	30 April 2014	**Present Directorships** Nordic Group Limited Roxy-Pacific Holdings Limited DeClout Limited **Past Directorships (in the last three (3) preceding years)** None
Mak Yen-Chen Andrew	46	Independent Director	28 June 2011	28 April 2015	**Present Directorships** Leader Environmental Technologies Limited Falcon Energy Group Limited **Past Directorships (in the last three (3) preceding years)** None
Tan Hwee Kiong	50	Independent Director	28 June 2011	30 April 2014	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None

Note:

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

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

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

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

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

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

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

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

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

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

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

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

REMUNERATION MATTERS

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

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

The RC will recommend to the Board a framework of remuneration for the Directors and key management personnel and determine specific remuneration packages for each Executive Director. The recommendations of the RC will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to, Directors' fees, salaries, allowances, bonuses, options, share-based incentives, awards and benefits-in-kind shall be reviewed by the RC. In addition, the RC will perform an annual review of the remuneration of key management personnel, as well as employees related to the Directors and substantial shareholders of the Company to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities. They will also review and approve any bonuses, pay increases and/or promotion for these employees. The RC will review the level and structure of remuneration to align with the long-term interest and risk policies of the Company in order to attract, retain and motivate the Directors and key management personnel. The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of Executive Directors and key management personnel to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance. Accordingly, the RC will also review the Company's obligations arising in the event of termination of the employment of Directors and key management personnel. During FY2015, the RC did not seek any external professional advice on fixing remuneration packages for the Directors and key management personnel.

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

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

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

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

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

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

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

There are no termination or retirement benefits that are granted to the Directors. The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company and the Group. Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties.

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

Remuneration Band & Name of Director	Base/Fixed salary	Directors' fees[1]	Variable or performance benefits related income/Bonus	Other benefits
Between S$250,000 – S$499,999				
Mr Loh Mun Yew	90%	–	7%	3%
Mr Leng Chee Keong	90%	–	7%	3%
Mr Allan Ward[2]	84%	–	16%	–
S$249,999 and below				
Mr Loh Ah Peng @ Loh Ee Ming	–	100%	–	–
Ms Loh Pui Lai	–	100%	–	–
Mr Hew Koon Chan	–	100%	–	–
Mr Mak Yen-Chen Andrew	–	100%	–	–
Mr Tan Hwee Kiong	–	100%	–	–

Notes:

(1) Directors' fees had been approved by the shareholders of the Company at the last AGM held on 28 April 2015.

(2) Mr Allan Ward held the position of Executive Director of the Group from 1 January 2015 to 28 April 2015. He resigned from the position on 29 April 2015 and continues to hold the position of Chief Operating Officer (Engineering and Manufacturing) of the Group.

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

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The breakdown, showing the level and mix of each of the top five key management personnel's remuneration in the financial year under review by percentage (%) is, as follows:

Remuneration Band & Name of Key Management Personnel	Base/Fixed salary	Directors' fees[1]	Variable or performance benefits related income/Bonus	Other benefits
Between S$250,000 – S$499,999				
Mr Allan Ward[1]	84%	–	16%	–
S$249,999 and below				
Mr Wong Thiam Hock	–	84%	11%	5%
Mr Lee Han Keong	–	86%	9%	5%
Mr Francis Lai Kum Wai	–	84%	10%	6%
Mr Ho Choon Liat Benjamin	–	83%	9%	8%

Note:

(1) Mr Allan Ward held the position of Executive Director of the Group from 1 January 2015 to 28 April 2015. He resigned from the position on 29 April 2015 and continues to hold the position of Chief Operating Officer (Engineering and Manufacturing) of the Group.

The annual aggregate remuneration accrued to the top five (5) key management personnel of the Company (who are not Directors or Chief Executive Officer) for FY2015 is S$1,096,972.

The Company has not disclosed the exact details of the remuneration of each individual Director and the top five (5) key management personnel of the Company as it is not in the best interests of the Company and Directors to disclose such details due to the sensitive nature of such information. The current management team have been serving the Company for a considerable period of time and it is a stable team. It is important for the Company to retain talent for the long-term interests of the Company and ensure stability and continuity of business operations with a competent management team in place. Such disclosure of remuneration of each Director and key management personnel in a highly competitive market for talents may potentially result in staff movement.

No employee who was an immediate family member of a Director was paid more than S$50,000 during FY2015. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister, and parent of such person.

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

ACCOUNTABILITY AND AUDIT

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

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

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

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

The Chief Executive Officer and the Chief Financial Officer have provided a letter of confirmation that as at the end of FY2015, (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the Company's risk management and internal control systems are effective.

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

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

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

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

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

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

– ensuring that the internal audit function is adequate;

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

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

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

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

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

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

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

Summary of the AC's activities

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

The AC has met once with the external auditors and once with the internal auditors respectively, without the presence of the Management in FY2015.

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

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

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

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

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

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

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

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

Principle 14: Fair and equitable treatment of all shareholders.

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

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

All shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules including the voting procedures are set out in the notice of general meetings. The Constitution allows all shareholders to appoint up to two (2) proxies to attend general meetings and vote on his/her/their behalf. Further, the Company allows corporations which provide nominee or custodial services to appoint more than two (2) proxies.

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

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

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

– Other announcements on the SGXNET; and

– Press releases on major developments regarding the Group.

Communication with shareholders is managed by the Board. The Company is committed to regular and proactive communication with its shareholders in line with the continuous disclosure obligations of the Company under the Catalist Rules. Pertinent information will be disclosed to shareholders in a timely, fair and equitable manner. The Company does not practise selective disclosure. Price sensitive information is first publicly released before the Company meets with any group of investors or analysts.

The Group has specifically entrusted an investor relations team comprising the Chief Executive Officer, the Chief Operating Officer (Sales and Marketing) and the Chief Financial Officer with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns.

Pertinent information is communicated to shareholders through:

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

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

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

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

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the above, any declaration of dividends is clearly communicated to the shareholders via SGXNET. For FY2015, the Board has proposed that no dividend be declared due to the losses suffered in the financial year.

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

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

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

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

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In compliance with the prevailing rules under the Catalist Rules, all resolutions will be voted on by way of poll at general meetings held on and after 1 August 2015. This will entail shareholders being invited to vote on each of the resolutions by poll, using polling slips (rather than by a show of hands), thereby allowing all shareholders present or represented at the meeting to vote on a one share, one vote basis. The voting results of all votes cast for, or against, each resolution and the respective percentages will then be screened at the meeting and announced through SGXNET after the meeting.

DEALINGS IN SECURITIES

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

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

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

AUDITOR AND AUDIT FEES

The aggregate amount of fees paid to the Company's external auditors, Ernst & Young LLP and member firms of Ernst & Young Global, in FY2015, was S$124,000 and S$114,000 respectively, comprising approximately S$207,000 audit fees and S$31,000 non-audit fees for acting as tax agent. The Group confirms that it has complied with Rule 712 and Rule 715 of the Catalist Rules in relation to its auditing firms. The AC, having reviewed such non-audit services, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

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

NON-SPONSOR FEES

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees paid to the Company's sponsor, Canaccord Genuity Singapore Pte. Ltd., in FY2015.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiaries involving the interests of the Chief Executive Officer, any Director or controlling shareholder, either still subsisting at the end of FY2015, or if not then subsisting, entered into since the end of the previous financial year.

INTERESTED PERSON TRANSACTIONS

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

corporate GOVERNANCE REPORT

The Group has obtained a renewal of general mandate from Shareholders for interested person transactions in FY2015 and is proposing to renew the same general mandate for FY2016 as set out in the Appendix to this Annual Report.

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

Disclosure on Compliance with the Code of Corporate Governance 2012

Guideline	Questions	How the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	(a) The Company has complied with all the principles and guidelines of the Code save for the following: • **Independent directors to make up at least half of the board** The Board noted that the requirement for independent directors to make up at least half of the Board where the Chairman and the Chief Executive Officer are immediate family members or the Chairman is not an independent director (Guideline 2.2 of the Code) only needs to be fulfilled at the AGM following the end of financial year commencing on or after 1 May 2016. Necessary arrangements will be made in due course for the satisfaction of the aforesaid guideline. • **Disclosure of the remuneration of directors and key management personnel** The Company has not disclosed the exact details of the remuneration of each individual Director and the top five (5) key management personnel due to sensitive nature of such information and the highly competitive market for talents, and a disclosure of such would be prejudicial to the Company's interests. • **Appointment of lead independent director** Although the Non-executive Chairman is the father of the Chief Executive Officer, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence.

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corporate GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
		All major decisions are made in consultation with the Board. In view of the above, the Board is of the view that the Company does not need to appoint a lead independent director.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(b) • **Independent directors to make up at least half of the board** The Code's requirement to have at least half of the Board be comprised of Independent Directors only needs to be fulfilled at the AGM following the end of financial year commencing on or after 1 May 2016. • **Disclosure of the remuneration of directors and key management personnel** The RC ensures that the remuneration of directors and key management personnel, although undisclosed, is appropriate, by recommending to the Board a framework of remuneration for the Board and key management personnel to ensure that the structure is competitive and sufficient to attract, retain and motivate key management personnel to run the Company successfully in order to maximise shareholders' value. The recommendations of the RC on the remuneration of Directors and key management personnel will be submitted for endorsement by the Board. The members of the RC do not participate in any decisions concerning their own remuneration. • **Appointment of lead independent director** Although the Non-executive Chairman is the father of the Chief Executive Officer, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence.

corporate GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
		All major decisions are made in consultation with the Board. In view of the above, the Board is of the view that the Company does not need to appoint a lead independent director.
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	Please refer to Principle 1 of the Corporate Governance Report.
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees?	(a) The Board comprises business leaders and professionals with financial, legal and business management backgrounds. The members of the Board with their combined business, management and professional experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction.
	(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	(b) The Board periodically examines its size to ensure that it is of an appropriate number for effective decision-making, taking into account the scope and nature of the operations of the Group. The Board has considered the present Board size and is satisfied that the current size facilitates effective decision-making and is appropriate for the nature and scope of the Group's operations.
	(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	(c) The NC has put in place a formal and transparent process for all appointments to the Board. It has adopted written terms of reference defining its membership, administration and duties. As part of the process for the selection, appointment and re-appointment of Directors, the NC takes into consideration the following issues: composition, diversity and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance. The Board is of the view that the current composition provides an appropriate balance and diversity of skills, experience, gender and knowledge of the company.

corporate
GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	No new Directors were appointed in FY2015. Please refer to Principle 4 of the Corporate Governance Report for details on the nomination process.
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	(a) No new Directors were appointed in FY2015. Please refer to paragraph 5 of Principle 1 of the Corporate Governance Report. (b) Please refer to paragraphs 6 and 7 of Principle 1 of the Corporate Governance Report.
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of directors?	(a) The Board has determined and set that as a general rule, the maximum number of listed company board appointments be not more than six (6) companies. However, any Director may hold more than six (6) listed company board representations should the NC be satisfied and is of the view that such Directors are able to devote sufficient time and attention to the affairs of the Company after taking into account their individual circumstances, contributions, responsibilities and other principal commitments. (b) Not applicable. (c) In assessing the performance of each individual Director, the NC considers whether he has multiple board representations and other principal commitments, and is able to and adequately carry out his duties as a Director notwithstanding such commitments.
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	(a) Please refer to Principle 5 of the Corporate Governance Report. (b) Yes. The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory.

corporate GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
Independence of Directors		
Guideline 2.1 and 2.2	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	The Board noted that the requirement for independent directors to make up at least half of the Board where the Chairman and the Chief Executive Officer are immediate family members or the Chairman is not an independent director (Guideline 2.2 of the Code) only needs to be fulfilled at the AGM following the end of financial year commencing on or after 1 May 2016. Necessary arrangements will be made in due course for the satisfaction of the aforesaid guideline.
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	(a) No. (b) Not applicable.
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	No.
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the Chief Executive Officer's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The Company has not disclosed exact details of the remuneration of each individual Director as it is not in the best interests of the Company and Directors to disclose such details due to the sensitive nature of such information and the highly competitive market for talents.

corporate GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the Chief Executive Officer).	(a) Please refer to Principle 9 of the Corporate Governance Report. (b) The annual aggregate remuneration paid to the top five (5) key management personnel of the Company (who are not Directors or the Chief Executive Officer) for FY2015 is S$1,096,972.
Guideline 9.4	Is there any employee who is an immediate family member of a director or the Chief Executive Officer, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the Chief Executive Officer.	No.
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	(a) Please refer to Principle 9 of the Corporate Governance Report. (b) Please refer to Principle 9 of the Corporate Governance Report. (c) Yes.

corporate GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Please refer to Principle 6 of the Corporate Governance Report.
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	For FY2015, the Company has outsourced its internal audit function to a qualified public accounting firm, PricewaterhouseCoopers LLP. Please refer to Principle 13 of the Corporate Governance Report for further information.
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	(a) Please refer to Principle 11 of the Corporate Governance Report.
	(b) In respect of the past 12 months, has the Board received assurance from the Chief Executive Officer and the Chief Financial Officer as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	(b) Yes.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.	(a) The aggregate amount of fees paid to the Company's external auditors, Ernst & Young LLP and member firms of Ernst & Young Global, in FY2015 was S$238,000 of which audit fees amounted to approximately S$207,000.

corporate GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
	(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	(b) Save for a fee of S$31,000 for tax-related services, no other non-audit fees were paid to the Group's external auditors, Ernst & Young LLP and member firms of Ernst & Young Global for FY2015. The AC, having reviewed such non-audit services, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	(a) Please refer to Principles 15 and 16 of the Corporate Governance Report.
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	(b) The Group has specifically entrusted an investor relations team comprising the Chief Executive Officer, the Chief Operating Officer for Sales and Marketing and the Chief Financial Officer with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	(c) Please refer to Principles 15 and 16 of the Corporate Governance Report.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	For FY2015, the Board has proposed that no dividends be declared due to the losses suffered in the financial year. The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

directors' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Far East Group Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2015.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

Directors

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

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

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

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

	Direct interest		Deemed interest	
Name of director	**At 1 January 2015**	**At 31 December 2015**	**At 1 January 2015**	**At 31 December 2015**
Universal Pte. Ltd.[(1)]				
Ordinary shares				
Loh Ah Peng @ Loh Ee Ming	19,688	19,688	5,000	5,000
Loh Mun Yew	13,270	13,270	–	–
Loh Pui Lai	5,170	5,170	–	–

directors' STATEMENT

Name of director	Direct interest At 1 January 2015	Direct interest At 31 December 2015	Deemed interest At 1 January 2015	Deemed interest At 31 December 2015
Far East Group Limited				
Ordinary shares				
Loh Ah Peng @ Loh Ee Ming	860,500	1,260,500	–	–
Loh Mun Yew	981,900	981,900	–	–
Leng Chee Keong	6,324,800	6,589,800	–	–
Loh Pui Lai	–	–	6,300,000	6,300,000

Note:

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

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

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2016.

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

Options

No options to take up unissued shares of any company in the Group were granted during the financial year. As at 31 December 2015, no options over unissued shares of the Company or its subsidiaries were outstanding.

Audit committee

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

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators

directors' STATEMENT

- Reviewed the cost effectiveness and the independence and objectivity of the external auditor
- Reviewed the nature and extent of non-audit services provided by the external auditor
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

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

The AC convened two meetings during the year with full attendance from all members, except for one where a member was absent. The AC has also met with internal and external auditors, without the presence of the Company's management, at least once a year.

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

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the Board,

Loh Mun Yew
Director

Leng Chee Keong
Director

Singapore

31 March 2016

independent AUDITOR'S REPORT

For the financial year ended 31 December 2015

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

Report on the Financial Statements

We have audited the accompanying financial statements of Far East Group Limited (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 39 to 103, which comprise the balance sheets of the Group and the Company as at 31 December 2015, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

independent AUDITOR'S REPORT

For the financial year ended 31 December 2015

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

Report on Other Legal and Regulatory Requirements

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

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

31 March 2016

balance SHEETS

As at 31 December 2015

(In Singapore dollars)

	Note	Group 2015	Group 2014	Company 2015	Company 2014
		$	$	$	$
Non-current assets					
Fixed assets	4	16,228,391	17,316,253	7,037,212	7,320,330
Investment property	5	–	–	–	–
Intangible assets	6	717,034	796,409	–	–
Land use rights	7	2,102,153	2,129,400	–	–
Investments in subsidiaries	8	–	–	15,201,621	15,201,621
Unquoted investment	9	91,351	89,669	–	–
Deferred tax assets	10	62,410	131,201	62,410	–
Other receivables	13	–	13,448	–	–
Deposits		10,925	–	–	–
Prepayments		12,903	–	–	–
		19,225,167	20,476,380	22,301,243	22,521,951
Current assets					
Inventories	11	12,832,023	11,417,720	5,532,615	5,484,972
Trade debtors	12	6,617,837	7,418,922	2,823,346	3,830,387
Other receivables	13	932,666	837,496	30,919	63,505
Deposits		180,510	152,962	10,111	22,732
Prepayments		73,871	116,477	40,768	60,695
Advance payment to suppliers		190,719	497,393	95,354	411,543
Amounts due from subsidiaries (trade)	14	–	–	3,729,344	1,225,105
Amounts due from subsidiaries (non-trade)	14	–	–	1,004,506	540,907
Amounts due from affiliated companies (trade)	14	9,240	–	–	–
Tax recoverable		234,822	410,438	46,046	8,263
Fixed deposits	32	490,490	443,542	6,259	6,244
Cash and bank balances	32	4,487,552	5,693,965	1,157,911	2,664,225
		26,049,730	26,988,915	14,477,179	14,318,578
Current liabilities					
Trade payables	15	1,867,163	1,952,639	747,690	1,107,155
Advance payment from customers		463,385	342,520	82,371	292,034
Trust receipts and bills payable (secured)	16	5,112,891	3,293,359	4,894,499	2,997,767
Other creditors		712,623	641,796	329,840	274,575
Accruals and other liabilities	17	1,971,401	2,155,591	1,222,896	1,218,791
Provision for warranty	18	14,376	27,916	14,376	27,916
Dividend payable		114,839	142,784	114,419	112,141
Amounts due to subsidiaries (trade)	14	–	–	917,520	1,052,549
Amounts due to subsidiaries (non-trade)	14	–	–	103,000	129,522
Amounts due to affiliated companies (trade)	14	41,361	39,142	–	–
Amounts due to affiliated companies (non-trade)	14	166,192	155,259	–	–
Provision for income tax		15,285	239,945	–	–
Finance lease obligations (current)	19	389,728	427,598	382,449	415,577
Term loans (current)	20	5,255,620	4,292,486	3,860,197	3,124,409
		16,124,864	13,711,035	12,669,257	10,752,436

balance SHEETS

As at 31 December 2015

(In Singapore dollars)

	Note	Group 2015	Group 2014	Company 2015	Company 2014
		$	$	$	$
Net current assets		9,924,866	13,277,880	1,807,922	3,566,142
Non-current liabilities					
Deferred tax liabilities	10	104,339	149,874	–	85,225
Finance lease obligations (non-current)	19	65,506	455,068	64,888	447,338
Term loans (non-current)	20	2,253,782	3,771,686	2,253,782	3,771,686
		2,423,627	4,376,628	2,318,670	4,304,249
Net assets		26,726,406	29,377,632	21,790,495	21,783,844
Equity attributable to owners of the Company					
Share capital	21	19,264,441	19,264,441	19,264,441	19,264,441
Retained earnings		7,407,519	9,032,581	2,203,661	2,197,010
Capital reserve		322,393	322,393	322,393	322,393
Translation reserve	22	(2,313,184)	(1,553,338)	–	–
		24,681,169	27,066,077	21,790,495	21,783,844
Non-controlling interests		2,045,237	2,311,555	–	–
Total equity		26,726,406	29,377,632	21,790,495	21,783,844

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

consolidated
INCOME STATEMENT

For the year ended 31 December 2015

(In Singapore dollars)

	Note	Group 2015	Group 2014
		$	$
Revenue	23	34,811,408	36,670,008
Cost of sales		(24,811,321)	(24,971,001)
Gross profit		10,000,087	11,699,007
Other operating income	24	869,174	1,143,524
Distribution and selling expenses		(4,596,943)	(3,902,587)
Administrative expenses		(6,877,717)	(7,077,548)
Other operating expenses	25	(274,574)	(34,968)
(Loss)/profit from operations	26	(879,973)	1,827,428
Finance expenses	28	(368,017)	(340,545)
Interest income		21,957	9,630
(Loss)/profit before tax		(1,226,033)	1,496,513
Tax expense	29	(407,995)	(282,284)
(Loss)/profit for the year		(1,634,028)	1,214,229
Attributable to:			
Owners of the Company		(1,277,926)	1,268,362
Non-controlling interests		(356,102)	(54,133)
		(1,634,028)	1,214,229
(Loss)/earnings per share			
Basic and diluted (cents)	30	(1.18)	1.17

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

consolidated statement of COMPREHENSIVE INCOME

For the year ended 31 December 2015

(In Singapore dollars)

	Group	
	2015	2014
	$	$
(Loss)/profit for the year	(1,634,028)	1,214,229
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translating foreign operations	(670,062)	(56,317)
Total comprehensive income for the year	(2,304,090)	1,157,912
Attributable to:		
Owners of the Company	(2,037,772)	1,210,753
Non-controlling interests	(266,318)	(52,841)
	(2,304,090)	1,157,912

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

statements of
CHANGES IN EQUITY
For the year ended 31 December 2015

(In Singapore dollars)

	Attributable to owners of the Company						
	Equity, total	**Equity attributable to owners of the Company, total**	**Share capital**	**Retained earnings**	**Capital reserve**	**Translation reserve**	**Non-controlling interests**
Group	**$**	**$**	**$**	**$**	**$**	**$**	**$**
As at 1 January 2014	28,838,056	26,473,660	19,264,441	8,382,555	322,393	(1,495,729)	2,364,396
Profit for the year	1,214,229	1,268,362	–	1,268,362	–	–	(54,133)
Other comprehensive income	(56,317)	(57,609)	–	–	–	(57,609)	1,292
Total comprehensive income for the year	1,157,912	1,210,753	–	1,268,362	–	(57,609)	(52,841)
Contributions by and distributions to owners							
Dividends (Note 31)	(618,336)	(618,336)	–	(618,336)	–	–	–
As at 31 December 2014	29,377,632	27,066,077	19,264,441	9,032,581	322,393	(1,553,338)	2,311,555
As at 1 January 2015	29,377,632	27,066,077	19,264,441	9,032,581	322,393	(1,553,338)	2,311,555
Loss for the year	(1,634,028)	(1,277,926)	–	(1,277,926)	–	–	(356,102)
Other comprehensive income	(670,062)	(759,846)	–	–	–	(759,846)	89,784
Total comprehensive income for the year	(2,304,090)	(2,037,772)	–	(1,277,926)	–	(759,846)	(266,318)
Contributions by and distributions to owners							
Dividends (Note 31)	(347,136)	(347,136)	–	(347,136)	–	–	–
As at 31 December 2015	26,726,406	24,681,169	19,264,441	7,407,519	322,393	(2,313,184)	2,045,237

statements of CHANGES IN EQUITY

For the year ended 31 December 2015

(In Singapore dollars)

	Equity, total	Share capital	Retained earnings	Capital reserve
Company	**$**	**$**	**$**	**$**
As at 1 January 2014	21,630,846	19,264,441	2,044,012	322,393
Profit for the year	771,334	–	771,334	–
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	771,334	–	771,334	–
Contributions by and distributions to owners				
Dividends (Note 31)	(618,336)	–	(618,336)	–
As at 31 December 2014 and 1 January 2015	21,783,844	19,264,441	2,197,010	322,393
Profit for the year	353,787	–	353,787	–
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	353,787	–	353,787	–
Contributions by and distributions to owners				
Dividends (Note 31)	(347,136)	–	(347,136)	–
As at 31 December 2015	21,790,495	19,264,441	2,203,661	322,393

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

consolidated
CASH FLOW STATEMENT
For the year ended 31 December 2015

(In Singapore dollars)

	Note	Group 2015	Group 2014
		$	$
Cash flows from operating activities			
(Loss)/profit before tax		(1,226,033)	1,496,513
Adjustments:			
Allowance for doubtful trade debts	26	360,581	50,485
Allowance for doubtful trade debts written back	26	–	(2,500)
Allowance for/(write back of) obsolete and slow-moving inventories, net	26	1,021,114	(378,271)
Fixed assets written off	26	550	2,944
(Gain)/loss on disposal of fixed assets, net	26	(37,372)	3,587
Depreciation of fixed assets	26	1,485,767	1,248,309
Dividend income from unquoted investment	24	(452,717)	(369,186)
Amortisation of intangible assets	26	94,098	88,981
Amortisation of land use rights	26	46,632	45,551
Warranty written back, net	26	(13,540)	(108,999)
Finance expenses	28	368,017	340,545
Interest income		(21,957)	(9,630)
Translation difference		(580,916)	(68,990)
Operating cash flows before working capital changes		1,044,224	2,339,339
(Increase)/decrease in:			
Inventories		(2,435,417)	(653,233)
Trade debtors		440,504	150,807
Other receivables		79,126	768,568
Deposits, prepayments and advance payment to suppliers		297,904	478,144
Increase/(decrease) in:			
Trade payables		(85,476)	(459,090)
Advance payment from customers		120,865	15,455
Other creditors		70,827	249,763
Accruals and other liabilities		(184,190)	259,610
Amounts due to affiliated companies, net		3,912	25,607
Cash flows (used in)/generated from operations		(647,721)	3,174,970
Interest paid		(368,017)	(340,545)
Income taxes paid		(565,361)	(431,873)
Income taxes refunded		131,578	61
Interest income		21,957	9,630
Net cash flows (used in)/generated from operating activities		(1,427,564)	2,412,243

consolidated
CASH FLOW STATEMENT
For the year ended 31 December 2015

(In Singapore dollars)

	Note	Group 2015	Group 2014
		$	$
Cash flows from investing activities			
Proceeds from disposal of fixed assets		38,695	314
Purchase of fixed assets	4	(536,023)	(895,535)
Dividends received		291,869	208,256
Net cash outflow on acquisition of a subsidiary	8	–	(1)
Net cash flows used in investing activities		(205,459)	(686,966)
Cash flows from financing activities			
Dividends paid		(375,081)	(629,095)
Fixed deposits pledged to bank		–	430,573
Trust receipts and bills payable		1,819,532	(1,478,343)
Repayment of finance lease obligations		(427,432)	(698,311)
Repayment of term loans		(4,156,220)	(2,024,219)
Proceeds from term loans		3,601,450	1,918,999
Net cash flows generated from/(used in) financing activities		462,249	(2,480,396)
Net decrease in cash and cash equivalents		(1,170,774)	(755,119)
Effect of exchange rate changes on cash and cash equivalents		11,309	34,140
Cash and cash equivalents at beginning of year		6,137,507	6,858,486
Cash and cash equivalents at end of year	32	4,978,042	6,137,507

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

notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

1. Corporate information

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

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

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

The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

The financial statements are presented in Singapore Dollars (SGD or $), except when otherwise indicated.

2.2 Changes in accounting policies

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

notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Cont'd)

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 1 *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(b) Amendments to FRS 19 *Employee Benefits*	1 January 2016
Amendments to FRS 7 *Disclosure Initiative*	1 January 2017
Amendments to FRS 12 *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018

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

FRS 115 Revenue from Contracts with Customers

FRS 115 establishes a new five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

Key issues for the Group include identifying performance obligations, accounting for contract modifications, applying the constraint to variable consideration, evaluating significant financing components, measuring progress toward satisfaction of a performance obligation, recognising contract cost assets and addressing disclosure requirements.

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

notes to the
FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Cont'd)

2.3 Standards issued but not yet effective (cont'd)

FRS 109 Financial Instruments

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

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

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

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

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

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

notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Cont'd)

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

(b) Business combinations and goodwill

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

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

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

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

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

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

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

2.5 Transactions with non-controlling interests

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

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

2. Summary of significant accounting policies (Cont'd)

2.6 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss.

2.7 Fixed assets

All fixed assets are initially recorded at cost. Subsequent to recognition, fixed assets other than freehold land and assets under construction are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

Software costs is measured on initial recognition at cost which includes directly attributable costs such as professional fees arising directly from bringing the software to its working condition and cost of testing whether the software is functioning properly. Following initial recognition, software is carried at cost less accumulated amortisation and any impairment in value. Software costs is amortised over the useful economic life and assessed for impairment whenever there is indication that the software may be impaired.

notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Cont'd)

2.7 Fixed assets (cont'd)

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

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

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

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

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

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

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

2.8 Investment properties

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

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

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

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

notes to the
FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Cont'd)

2.9 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

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

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

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

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

Customer list

The customer list was acquired in business combinations and is amortised on a straight-line basis over its useful life of 8 years.

2.10 Land use rights

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

2.11 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount.

In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used.

notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Cont'd)

2.11 Impairment of non-financial assets (cont'd)

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

Impairment losses are recognised in profit or loss.

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

2.12 Subsidiaries

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

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

2.13 Affiliated companies

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

2.14 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Cont'd)

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

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

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

De-recognition

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

Regular way purchase or sale of a financial asset

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

notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Cont'd)

2.14 Financial instruments (cont'd)

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

2.15 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

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

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

notes to the
FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Cont'd)

2.15 Impairment of financial assets (cont'd)

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

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

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

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

(b) Financial assets carried at cost

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

(c) Available-for-sale financial assets

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

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

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

notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Cont'd)

2.16 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

2.17 Inventories

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

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

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

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

2.18 Provisions

General

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

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

Warranty provisions

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

2.19 Government grants

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

2.20 Financial guarantee

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

notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Cont'd)

2.20 Financial guarantee (cont'd)

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

2.21 Borrowing costs

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

2.22 Employee benefits

(a) Defined contribution plans

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

(b) Employee leave entitlement

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

2.23 Leases

(a) As lessee

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

notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Cont'd)

2.23 Leases (cont'd)

(a) As lessee (cont'd)

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

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

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(e). Contingent rents are recognised as revenue in the period in which they are earned.

2.24 Revenue

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

(a) Sale of goods

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

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

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

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

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

notes to the
FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Cont'd)

2.24 Revenue (cont'd)

(e) Rental income

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

(f) Royalty income

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

(g) Management fee income

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

2.25 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Cont'd)

2.25 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

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

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

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

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

(c) Sales tax

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

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

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

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

notes to the
FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

2. Summary of significant accounting policies (Cont'd)

2.26 Share capital and share issuance expenses

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

2.27 Contingencies

A contingent liability is:

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

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

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

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

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

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

3. Significant accounting judgments and estimates

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

3.1 Judgments made in applying accounting policies

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

(i) Determination of functional currency

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

notes to the
FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

3. Significant accounting judgments and estimates (Cont'd)

3.1 Judgments made in applying accounting policies (cont'd)

(ii) Income taxes

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

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

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

As at 31 December 2015, the carrying amounts of the Group's tax recoverable, provision for income tax, deferred tax assets and deferred tax liabilities amounted to $234,822 (2014: $410,438), $15,285 (2014: $239,945), $62,410 (2014: $131,201) and $104,339 (2014: $149,874) respectively. As at 31 December 2015, the carrying amounts of the Company's tax recoverable, deferred tax assets and deferred tax liabilities amounted to $46,046 (2014: $8,263), $62,410 (2014: $Nil) and $Nil (2014: $85,225) respectively.

3.2 Key sources of estimation uncertainty

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

(i) Useful lives of fixed assets and customer list

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

As at 31 December 2015, the carrying amounts of the Group's and Company's fixed assets amounted to $16,228,391 (2014: $17,316,253) and $7,037,212 (2014: $7,320,330) respectively. As at 31 December 2015, the carrying amount of the Group's customer list amounted to $528,404 (2014: $606,740).

notes to the
FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

3. Significant accounting judgments and estimates (Cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(ii) Impairment of intangible assets

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

As at 31 December 2015, the carrying amount of the Group's intangible assets as at 31 December 2015 was $717,034 (2014: $796,409).

(iii) Impairment of non-financial assets

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

As at 31 December 2015, the carrying amounts of the Company's investment in subsidiaries, the Company's and the Group's fixed assets were $15,201,621 (2014: $15,201,621), $7,037,212 (2014: $7,320,330) and $16,228,391 (2014: $17,316,253) respectively.

(iv) Allowance for obsolete and slow-moving inventories

When necessary, allowance is provided for obsolete and slow-moving inventories to adjust the carrying value of inventories to the lower of cost and net realisable value. Management has estimated the allowance for obsolete and slow-moving inventories based on review of an aging analysis of inventories at the end of the reporting period. As at 31 December 2015, the carrying amounts of the Group's and Company's inventories amounted to $12,832,023 (2014: $11,417,720) and $5,532,615 (2014: $5,484,972) respectively.

(v) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. As at 31 December 2015, the carrying amounts of the Group's and Company's trade and other receivables, including balances with subsidiaries and affiliated companies, amounted to $7,559,743 (2014: $8,269,866) and $7,588,115 (2014: $5,659,904) respectively.

notes to the
FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

4. Fixed assets

Group	Freehold land	Freehold buildings	Leasehold land and buildings	Plant and machinery	Motor vehicles	Renovation	Office equipment, furniture and fittings	Computers	Assets under construction	Software	Total
	$	$	$	$	$	$	$	$	$	$	$
Cost											
At 1.1.2014	3,514,046	2,875,129	5,100,490	6,060,708	746,000	1,959,117	709,937	703,449	699,106	–	22,367,982
Additions	–	–	–	53,219	–	83,465	66,153	65,387	637,893	1,386,782	2,292,899
Disposals	–	–	–	(268)	–	–	(6,389)	(2,603)	–	–	(9,260)
Write off	–	–	–	(51)	–	–	(86,610)	(133,474)	–	–	(220,135)
Reclassification	–	–	–	(14,746)	14,746	–	–	–	–	–	–
Transfer to other creditors	–	–	(104,577)	–	–	–	–	–	–	–	(104,577)
Translation differences	(18,084)	(22,434)	43,224	(35,651)	(7,305)	7,196	(2,329)	(1,478)	7,473	–	(29,388)
At 31.12.2014 and 1.1.2015	3,495,962	2,852,695	5,039,137	6,063,211	753,441	2,049,778	680,762	631,281	1,344,472	1,386,782	24,297,521
Additions	–	–	–	935	6,000	4,494	96,962	21,460	395,938	10,234	536,023
Disposals	–	–	(1,115)	(255)	(161,009)	–	(577)	(2,471)	–	–	(165,427)
Write off	–	–	–	(2,064)	(64,276)	(1,495)	(4,458)	(5,806)	–	–	(78,099)
Reclassification	–	–	751,077	–	–	(751,077)	–	(30,022)	–	30,022	–
Translation differences	(92,736)	(115,044)	73,099	(297,066)	(29,875)	(2,737)	(22,764)	(12,323)	28,716	–	(470,730)
At 31.12.2015	3,403,226	2,737,651	5,862,198	5,764,761	504,281	1,298,963	749,925	602,119	1,769,126	1,427,038	24,119,288

4. Fixed assets (Cont'd)

Group (cont'd)	Freehold land	Freehold buildings	Leasehold land and buildings	Plant and machinery	Motor vehicles	Renovation	Office equipment, furniture and fittings	Computers	Assets under construction	Software	Total
	$	$	$	$	$	$	$	$	$	$	$
Accumulated depreciation											
At 1.1.2014	–	665,894	488,832	2,279,149	603,187	968,574	374,631	612,341	–	–	5,992,608
Charge for the year	–	57,594	211,116	528,663	81,184	203,849	64,795	54,882	–	46,226	1,248,309
Disposals	–	–	–	(137)	–	–	(2,875)	(2,347)	–	–	(5,359)
Write off	–	–	–	(688)	–	–	(83,465)	(133,038)	–	–	(217,191)
Reclassification	–	–	–	(492)	492	–	–	–	–	–	–
Translation differences	–	(6,469)	7,625	(30,583)	(7,741)	3,503	(2,235)	(1,199)	–	–	(37,099)
At 31.12.2014 and 1.1.2015	–	717,019	707,573	2,775,912	677,122	1,175,926	350,851	530,639	–	46,226	6,981,268
Charge for the year	–	47,260	421,511	602,791	28,579	91,734	91,242	58,271	–	144,379	1,485,767
Disposals	–	–	(169)	(158)	(161,009)	–	(297)	(2,471)	–	–	(164,104)
Write off	–	–	–	(2,064)	(64,276)	(1,495)	(3,908)	(5,806)	–	–	(77,549)
Reclassification	–	–	203,707	–	–	(203,707)	–	(22,899)	–	22,899	–
Translation differences	–	(25,216)	(3,718)	(235,942)	(29,538)	(7,958)	(20,340)	(11,644)	–	(129)	(334,485)
At 31.12.2015	–	739,063	1,328,904	3,140,539	450,878	1,054,500	417,548	546,090	–	213,375	7,890,897
Net carrying amount											
At 31.12.2014	3,495,962	2,135,676	4,331,564	3,287,299	76,319	873,852	329,911	100,642	1,344,472	1,340,556	17,316,253
At 31.12.2015	3,403,226	1,998,588	4,533,294	2,624,222	53,403	244,463	332,377	56,029	1,769,126	1,213,663	16,228,391

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FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

4. **Fixed assets (Cont'd)**

Company	Freehold land	Freehold buildings	Leasehold land and buildings	Plant and machinery	Motor vehicles	Renovation	Office equipment, furniture and fittings	Computers	Software	Total
	$	$	$	$	$	$	$	$	$	$
Cost										
At 1.1.2014	2,775,973	1,959,511	2,400,000	281,756	343,608	851,263	228,870	494,821	–	9,335,802
Additions	–	–	–	–	–	–	11,667	36,259	1,386,782	1,434,708
Write off	–	–	–	–	–	–	(68,200)	(93,007)	–	(161,207)
At 31.12.2014 and 1.1.2015	2,775,973	1,959,511	2,400,000	281,756	343,608	851,263	172,337	438,073	1,386,782	10,609,303
Additions	–	–	–	–	6,000	–	50,425	5,372	–	61,797
Write off	–	–	–	–	(64,276)	–	–	–	–	(64,276)
At 31.12.2015	2,775,973	1,959,511	2,400,000	281,756	285,332	851,263	222,762	443,445	1,386,782	10,606,824
Accumulated depreciation										
At 1.1.2014	–	423,884	860,651	281,754	302,493	695,084	157,513	461,401	–	3,182,780
Charge for the year	–	39,190	85,585	2	33,075	33,925	10,518	18,605	46,226	267,126
Write off	–	–	–	–	–	–	(67,926)	(93,007)	–	(160,933)
At 31.12.2014 and 1.1.2015	–	463,074	946,236	281,756	335,568	729,009	100,105	386,999	46,226	3,288,973
Charge for the year	–	39,190	85,714	–	5,189	33,898	14,388	27,858	138,678	344,915
Write off	–	–	–	–	(64,276)	–	–	–	–	(64,276)
At 31.12.2015	–	502,264	1,031,950	281,756	276,481	762,907	114,493	414,857	184,904	3,569,612
Net carrying amount										
At 31.12.2014	2,775,973	1,496,437	1,453,764	–	8,040	122,254	72,232	51,074	1,340,556	7,320,330
At 31.12.2015	2,775,973	1,457,247	1,368,050	–	8,851	88,356	108,269	28,588	1,201,878	7,037,212

notes to the

FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

4. Fixed assets (Cont'd)

Assets pledged as security

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

(a) Freehold land, freehold buildings and leasehold land and buildings of the Company with net carrying amount of $2,775,973 (2014: $2,775,973), $1,457,247 (2014: $1,496,437) and $1,368,050 (2014: $1,453,764), respectively;

(b) Freehold land and freehold buildings of subsidiaries with net carrying amount of $627,253 (2014: $719,989) and $541,341 (2014: $639,239), respectively; and

(c) Leasehold land and buildings of subsidiaries with net carrying amount of $4,444,357 (2014: $4,236,858).

Assets held under finance leases

During the financial year, the Group acquired software and office equipment, furniture and fittings with an aggregate cost of $Nil (2014: $1,397,364) by means of finance leases. The cash outflow on acquisition of fixed assets amounted to $536,023 (2014: $895,535).

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

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Plant and machinery	332,514	379,736	–	–
Motor vehicles	3,750	8,039	3,750	8,039
Office equipment, furniture and fittings	8,462	21,382	–	–
Software	1,201,878	1,340,556	1,201,878	1,340,556

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

5. Investment property

	Group
	$
Balance sheet:	
Cost	
At 1.1.2014, 31.12.2014, 1.1.2015 and 31.12.2015	113,646
Accumulated depreciation	
At 1.1.2014, 31.12.2014, 1.1.2015 and 31.12.2015	(113,646)
Net carrying amount	
At 1.1.2014, 31.12.2014, 1.1.2015 and 31.12.2015	–

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5. Investment property (Cont'd)

	Group 2015	Group 2014
	$	$
Profit or loss:		
Rental income from investment property:		
– Minimum lease payments	42,253	28,880
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating property	1,917	2,630

Management estimates the fair value of the investment property to be $820,800 (2014: $766,800) as at the end of the reporting period, with reference to the trade prices of similar properties in the market.

Property pledged as security

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

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

Description and location	Existing use	Tenure	Unexpired lease term
Office unit, Kowloon, Hong Kong	Office	Leasehold	35 years, up to 2049

6. Intangible assets

Group	Goodwill	Customer list	Total
	$	$	$
Cost:			
At 1.1.2014	181,599	735,128	916,727
Acquisition of a subsidiary (Note 8)	8,070	–	8,070
Translation differences	–	9,154	9,154
At 31.12.2014 and 1.1.2015	189,669	744,282	933,951
Translation differences	(1,039)	18,307	17,268
At 31.12.2015	188,630	762,589	951,219
Accumulated amortisation:			
At 1.1.2014	–	45,353	45,353
Amortisation for the year	–	88,981	88,981
Translation differences	–	3,208	3,208
At 31.12.2014 and 1.1.2015	–	137,542	137,542
Amortisation for the year	–	94,098	94,098
Translation differences	–	2,545	2,545
At 31.12.2015	–	234,185	234,185
Net carrying amount:			
At 31.12.2014	189,669	606,740	796,409
At 31.12.2015	188,630	528,404	717,034

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6. Intangible assets (Cont'd)

Goodwill arising from business combinations and customer list is allocated to the following cash-generating units ("CGUs") for the purpose of impairment testing. The CGUs are represented by the Group's investments in its subsidiaries. The carrying amount of goodwill allocated to each CGU is as follows:

		Group	
		2015	**2014**
		$	**$**
CGU A	Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd ("ERM")	181,599	181,599
CGU B	Green Point Compressor Services & Parts Sdn. Bhd.	7,031	8,070
		188,630	189,669

CGU A

Customer list

The customer list was acquired in business combinations and has a remaining amortisation period of 5.5 years (2014: 6.5 years).

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

Impairment testing of goodwill and customer list

The recoverable amount of CGU A has been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the long-term growth rate used to extrapolate cash flow projections beyond the five-year period are 12.5% and 2.3% respectively with the budgeted gross margin at 25.6%.

Key assumptions used in the value in use calculations

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

Budgeted gross margin – Gross margin is based on average values achieved in the three years preceding the start of the budget period adjusted to exclude one-off expenses such as prior year provisions. This remained constant over the budget period and no major changes for the pricing are anticipated.

Growth rate – The forecasted growth rate is based on expected projects and customers of CGU A from expansion of their distribution network.

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

Sensitivity to changes in assumptions

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

CGU B

Management did not perform impairment testing of goodwill for CGU B as its carrying amount is considered not material.

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For the financial year ended 31 December 2015

7. Land use rights

	Group	
	2015	2014
	$	$
Cost		
At 1 January	2,198,586	2,188,625
Translation differences	19,922	9,961
At 31 December	2,218,508	2,198,586
Accumulated amortisation		
At 1 January	69,186	22,958
Amortisation for the year	46,632	45,551
Translation differences	537	677
At 31 December	116,355	69,186
Net carrying amount		
At 31 December	2,102,153	2,129,400
Amount to be amortised:		
– Not later than one year	46,632	45,551
– Later than one year but not later than five years	186,528	182,204
– Later than five years	1,868,993	1,901,645

The Group has land use rights over a plot of state-owned land in People's Republic of China (PRC) where the Group's PRC manufacturing and storage facilities reside. The land use rights are not transferrable and have a remaining tenure of 45 years up to 2061.

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

8. Investments in subsidiaries

	Company	
	2015	2014
	$	$
Unquoted equity shares, at cost	15,201,621	15,201,621

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8. Investments in subsidiaries (Cont'd)

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest 2015	2014
			%	%
Held by the Company				
Far East Refrigeration (M) Sdn. Bhd. #	Investment holding	Malaysia	100	100
Far East Refrigeration Limited #	Trading of refrigeration and air-conditioning parts	Hong Kong	100	100
RSP Systems Pte Ltd @	Supply and solutions provider of refrigeration and air-conditioning monitoring and energy management systems	Singapore	57.1	57.1
Edenkool Pte Ltd @	Trading of refrigeration and air-conditioning parts	Singapore	100	100
GPS Compressor Services & Parts Pte Ltd @ ^	Repair and maintenance for refrigeration and air-conditioning compressors	Singapore	100	100
Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd #	Manufacturing and trading of electrical, refrigeration and air-conditioning equipment and parts	People's Republic of China	84.25	84.25
Far East Refrigeration Vietnam Company Limited *	Trading of refrigeration and air-conditioning parts	Vietnam	100	100

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For the financial year ended 31 December 2015

8. Investments in subsidiaries (Cont'd)

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest 2015	2014
			%	%
Held through Far East Refrigeration (M) Sdn. Bhd.				
Far East Maju Engineering Works Sdn. Bhd. #	Manufacturing and trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100
Far East Enterprises (K.L.) Sdn. Bhd. #	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100
Far East Enterprises (Penang) Sdn. Bhd. #	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	93.88	93.88
FE & B Engineering (M) Sdn. Bhd. #	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100
Far East Refrigeration (Kuching) Sdn. Bhd. #	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100
Safety Enterprises Sdn. Bhd. #	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100
Green Point Compressor Services & Parts Sdn. Bhd. (GPCSP) #	Repair and maintenance for air-conditioning compressors	Malaysia	100	100

@ Audited by Ernst & Young LLP, Singapore

Audited by member firms of EY Global in the respective countries

* Audited by Global Auditing and Financial Consultancy Co., Ltd in Vietnam

^ Formerly known as Green Point (Singapore) Pte Ltd

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8. Investments in subsidiaries (Cont'd)

Incorporation of a subsidiary

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

Acquisition of a subsidiary

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

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

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

Effect of the acquisition of GPCSP on cash flows

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

Goodwill arising from acquisition

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

Impact of the acquisition on profit or loss

From the acquisition date, GPCSP contributed $3,745 revenue and a loss of $50,359 to the Group's results in 2014.

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9. Unquoted investment

Available-for-sale financial asset

	Group	
	2015	2014
	$	$
Unquoted equity shares, at cost	95,865	95,865
Translation differences	(4,514)	(6,196)
	91,351	89,669

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

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

10. Deferred taxation

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Deferred tax assets arise as a result of:				
Provisions	2,444	153,453	2,444	4,746
Unutilised tax losses	–	194,986	–	194,986
Excess of tax written down value over net carrying amount of fixed assets	70,748	–	70,748	–
Deferred tax liabilities arise as a result of:				
Excess of net carrying amount over tax written down value of fixed assets	104,339	347,156	–	265,001
Unremitted income	10,782	19,956	10,782	19,956
Presented after appropriate offsetting as follows:				
Deferred tax assets	62,410	131,201	62,410	–
Deferred tax liabilities	(104,339)	(149,874)	–	(85,225)

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11. Inventories

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Balance sheet				
Raw materials (at cost)	2,382,592	2,857,421	–	–
Work-in-progress (at cost)	329,966	104,073	34,825	32,717
Finished goods-in-transit (at cost)	699,055	573,911	544,954	568,162
Finished goods (at cost)	9,420,410	7,882,315	4,952,836	4,884,093
	12,832,023	11,417,720	5,532,615	5,484,972
Profit or loss				
Inventories recognised as an expense in cost of sales (Note 26)	23,010,272	23,519,145	17,903,384	18,690,780
Inclusive of the following charge/(credit):				
– Allowance for/(write back of) obsolete and slow-moving inventories, net (Note 26)	1,021,114	(378,271)	634,473	(247,076)

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

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

12. Trade debtors

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Third party trade debtors	7,165,032	7,617,508	2,921,495	3,906,683
Allowance for doubtful debts	(547,195)	(198,586)	(98,149)	(76,296)
	6,617,837	7,418,922	2,823,346	3,830,387

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

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

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
United States Dollar	632,478	1,139,794	600,722	1,029,794
Euro	724,003	612,818	568,261	612,818
Renminbi	38,866	24,495	–	–

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For the financial year ended 31 December 2015

12. Trade debtors (Cont'd)

Debtors that are past due but not impaired

The Group has trade debtors amounting to $2,824,800 (2014: $3,760,771) that are past due at the end of the reporting period but not impaired. These debtors are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Trade debtors past due:				
Less than 30 days	1,219,460	1,173,795	407,645	686,874
30 to 60 days	757,422	896,089	250,925	551,691
61 to 90 days	392,556	547,795	78,235	201,309
91 to 120 days	114,364	54,634	10,084	14,982
More than 120 days	340,998	1,088,458	125,744	583,057
	2,824,800	3,760,771	872,633	2,037,913

Debtors that are impaired

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

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
At beginning of year	198,586	162,171	76,296	58,817
Allowance for the year	360,581	50,485	21,758	20,000
Written off against allowance	–	(9,342)	–	–
Written back	–	(2,500)	–	(2,500)
Translation difference	(11,972)	(2,228)	95	(21)
At end of year	547,195	198,586	98,149	76,296

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

Allowance for doubtful debts amounting to $Nil (2014: $2,500) for both the Group and the Company were written back as these previously impaired amounts recovered from trade debtors were written back in the prior year.

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13. Other receivables

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Staff loan, current	14,394	14,300	–	–
Sundry debtors, current	918,272	823,196	30,919	63,505
	932,666	837,496	30,919	63,505
Staff loan, non-current	–	13,448	–	–
	932,666	850,944	30,919	63,505

The Group's staff loan is unsecured, interest bearing at 2.5% (2014: 2.5%) per annum and repayable over 37 months commencing from December 2013.

Other receivables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
United States Dollar	433	2,845	–	2,845
Euro	69,924	321,380	–	–
Renminbi	864,315	673,543	–	–

14. Amounts due from/(to) subsidiaries
Amounts due from/(to) affiliated companies

These balances are unsecured, non-interest bearing and repayable on demand in cash within twelve months from the end of the financial year, except for the Company's amount due to subsidiary (non-trade) of $100,000 (2014: $100,000) which is interest bearing at 3.0% (2014: 3.0%) per annum.

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

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
At beginning/end of year	17,626	17,626	17,626	17,626

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14. Amounts due from/(to) subsidiaries
Amounts due from/(to) affiliated companies (Cont'd)

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

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
United States Dollar	–	–	38,574	666,231
Ringgit Malaysia	–	–	2,989	443,956
Euro	–	–	1,008,758	103,005
Renminbi	–	–	86,719	121,290

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

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
United States Dollar	–	–	836,635	1,054,768
Renminbi	–	–	–	6,080

15. Trade payables

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

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

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
United States Dollar	453,729	369,343	429,917	361,569
Euro	251,024	99,746	133,222	53,871
Japanese Yen	–	83,675	–	69,083
Renminbi	18,294	–	–	–

16. Trust receipts and bills payable (secured)

Trust receipts and bills payable of the Company are secured by way of legal mortgage on the Company's freehold land, freehold buildings, and leasehold land and buildings with net carrying amount of $2,775,973, $1,457,247 and $1,368,050 (2014: $2,775,973, $1,496,437 and $1,453,764) respectively and joint and several guarantees by certain directors of the Company.

Trust receipts and bills payable of a subsidiary are secured by way of legal mortgage on the subsidiary's freehold land, freehold buildings, and leasehold land and buildings with net carrying amount of $627,253, $541,341 and $98,818 (2014: $719,989, $639,239 and $117,830) respectively, and joint and several guarantees by certain directors of the Group.

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16. Trust receipts and bills payable (secured) (Cont'd)

The trust receipts and bills payable bear interest at Nil% (2014: 0.5%) per annum above the bank's prime rates, from 1.0% to 1.3% (2014: 1.0% to 1.3%) per annum above the bank's cost of funds and at Nil% standard bill rate (2014: 3.95%). As at 31 December 2015, the effective interest rates range from 1.18% to 5.31% (2014: 1.5% to 5.4%) per annum.

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

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Euro	3,581,780	1,897,176	3,581,780	1,817,857
United States Dollar	1,269,962	1,179,910	1,269,962	1,179,910
Japanese Yen	42,756	–	42,756	–

17. Accruals and other liabilities

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Accrued operating expenses	1,907,895	2,155,591	1,146,958	1,218,791
Deposits received	63,506	–	75,938	–
	1,971,401	2,155,591	1,222,896	1,218,791

18. Provision for warranty

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

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
At beginning of year	27,916	156,963	27,916	156,963
Arose during the year	–	7,188	–	7,188
Unused amounts reversed	(13,540)	(116,187)	(13,540)	(116,187)
Utilised	–	(20,048)	–	(20,048)
At end of year	14,376	27,916	14,376	27,916

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19. Finance lease obligations

The Group and Company have finance leases for certain items of office equipment and software. The leases are for a period of 3 years and carry an option to purchase at the end of the lease term. These obligations are secured by a charge over the leased assets (Note 4). The discount rate implicit in the leases is 3.07% (2014: 3.07% to 5.39%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group and the Company.

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

	Group				Company			
	2015		2014		2015		2014	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	$	$	$	$	$	$	$	$
Not later than one year	398,104	389,728	447,513	427,598	390,825	382,449	435,493	415,577
Later than one year but not later than five years	65,755	65,506	463,693	455,068	65,137	64,888	455,962	447,338
Total minimum lease payments	463,859	455,234	911,206	882,666	455,962	447,337	891,455	862,915
Less: Amounts representing finance charges	(8,625)	–	(28,540)	–	(8,625)	–	(28,540)	–
Present value of minimum lease payments	455,234	455,234	882,666	882,666	447,337	447,337	862,915	862,915

20. Term loans

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Secured term loans				
(a) Money market loan bears interest at 3.09% per annum with effect from 21 December 2015 to 21 January 2016 (2014: 1.94% per annum with effect from 17 December 2014 to 15 January 2015)	500,466	500,372	500,466	500,372
(b) Money market loan bears interest at 2.91% per annum with effect from 23 December 2015 to 25 January 2016 (2014: 2.14% per annum with effect from 23 December 2014 to 23 January 2015)	500,318	500,235	500,318	500,235

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20. Term loans (Cont'd)

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Secured term loans (Cont'd)				
(c) Money market loan bears interest at 1.93% per annum with effect from 21 December 2015 to 21 January 2016 (2014: 1.76% per annum with effect from 10 December 2014 to 12 January 2015)	622,324	622,640	622,324	622,640
(d) Money market loan bears interest at 1.95% per annum with effect from 23 December 2015 to 21 January 2016	705,569	–	705,569	–
(e) Term loan bears average interest at 2.424% with effect from May 2013; bears average interest at 2.443% per annum for the second year; bears average interest at 2.931% per annum for the third year; and thereafter at 3.433% per annum. The term loan is repayable in 60 monthly instalments commencing June 2013	1,750,198	2,438,651	1,750,198	2,438,651
(f) Term loan bears average interest at 2.42% per annum with effect from June 2013; bears average interest at 2.445% per annum for the second year; bears average interest at 2.955% per annum for the third year; and thereafter at 3.375% per annum. The term loan is repayable in 60 monthly instalments commencing July 2013	2,035,104	2,834,197	2,035,104	2,834,197
(g) Term loan bears interest at 7.6875% per annum. The loan is repayable in January 2015	–	372,378	–	–
(h) Term loan bears interest at 7.5% per annum with effect from 29 July 2014 to 29 January 2015	–	224,651	–	–
(i) Term loan bears interest at 6.375% per annum with effect from 18 December 2015 to 18 June 2016 (2014: 7.0% per annum with effect from 19 December 2014 to 19 June 2015)	372,956	365,022	–	–

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20. Term loans (Cont'd)

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Secured term loans (cont'd)				
(j) Term loan bears interest at 7.0% per annum with effect from 26 December 2014 to 26 June 2015	–	206,026	–	–
(k) Term loan bears interest at 6.1% per annum with effect from 23 July 2015 to 23 January 2016	367,146	–	–	–
(l) Term loan bears interest at 5.75% per annum with effect from 7 September 2015 to 7 March 2016	384,951	–	–	–
(m) Term loan bears interest at 5.75% per annum with effect from 30 November 2015 to 30 May 2016	270,370	–	–	–
	7,509,402	8,064,172	6,113,979	6,896,095
Repayable within 12 months	5,255,620	4,292,486	3,860,197	3,124,409
Repayable after 12 months	2,253,782	3,771,686	2,253,782	3,771,686
	7,509,402	8,064,172	6,113,979	6,896,095

(a)-(f) The money market loans and term loans are secured by legal mortgages over the Company's freehold land and freehold buildings with net carrying amount of $2,775,973 (2014: $2,775,973) and $1,457,247 (2014: $1,496,437) respectively.

(g)-(m) The term loans are secured by a legal mortgage over a subsidiary's land use rights and leasehold building with net carrying amount of $2,102,153 (2014: $2,129,400) and $4,345,539 (2014: $4,119,028) respectively and joint and several guarantees by a director and the Company.

As at 31 December 2015, the effective interest rates were 3.6% and 2.8% (2014: 3.2% and 3.4%) per annum for the Group and the Company.

21. Share capital

	Group and Company			
	2015		2014	
	No. of shares	$	No. of shares	$
Issued and fully paid ordinary shares				
At beginning/end of year	108,480,000	19,264,441	108,480,000	19,264,441

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

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22. Translation reserve

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

23. Revenue

Revenue represents the invoiced value of goods sold net of returns and allowances, sales tax and goods and services tax.

	Group	
	2015	2014
	$	$
Sale of goods	34,548,067	36,512,506
Project sales and installation work on projects	80,531	43,365
Project maintenance services	182,810	114,137
	34,811,408	36,670,008

24. Other operating income

	Group	
	2015	2014
	$	$
Dividend income from unquoted investment	452,717	369,186
Rental income	240,193	182,267
Scrap sales	77,122	121,192
Foreign currency gain, net	–	68,920
Government grants	42,023	50,447
Gain on disposal of fixed assets, net	37,372	–
Gain on disposal of subsidiary's business	–	324,320
Others	19,747	27,192
	869,174	1,143,524

25. Other operating expenses

	Group	
	2015	2014
	$	$
Preliminary expenses	–	15,469
Loss on disposal of fixed assets	–	3,587
Foreign currency loss, net	269,660	–
Others	4,914	15,912
	274,574	34,968

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26. (Loss)/profit from operations

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

	Group	
	2015	2014
	$	$
Amortisation of intangible assets	94,098	88,981
Amortisation of land use rights	46,632	45,551
Depreciation of fixed assets	1,485,767	1,248,309
Audit fees		
– auditors of the Company	112,000	114,000
– other auditors	94,633	99,333
Non-audit fees		
– auditors of the Company	11,700	9,300
– other auditors	19,259	16,829
Directors' fees		
– directors of the Company	220,750	220,750
– directors of subsidiaries	27,981	37,746
Directors' remuneration		
– directors of the Company	877,157	1,046,072
– directors of subsidiaries	238,284	394,391
Allowance for doubtful trade debts written back	–	(2,500)
Allowance for doubtful trade debts	360,581	50,485
Warranty written back, net	(13,540)	(108,999)
(Gain)/loss on disposal of fixed assets, net	(37,372)	3,587
Fixed assets written off	550	2,944
Allowance for/(write back of) obsolete and slow-moving inventories, net	1,021,114	(378,271)
Personnel expenses (Note 27)	7,388,422	7,178,240
Inventories recognised as an expense in cost of sales (Note 11)	23,010,272	23,519,145
Operating lease expenses	456,547	425,042

27. Personnel expenses

	Group	
	2015	2014
	$	$
Wages and salaries *	6,024,377	6,007,897
Central Provident Fund contributions *	496,190	536,441
Other social expenses, net	867,855	633,902
	7,388,422	7,178,240

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

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28. Finance expenses

	Group 2015	Group 2014
	$	$
Interest expense on:		
– Term loans	270,687	213,618
– Trust receipts	77,395	93,758
– Finance lease obligations	19,916	33,169
– Bank overdrafts	19	–
	368,017	340,545

29. Tax expense

Major components of income tax expense

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

	Group 2015	Group 2014
	$	$
Consolidated income statement		
Current income tax		
– Current income taxation	173,414	244,521
– Under/(over) provision in respect of prior years	211,325	(36,803)
Deferred income tax		
– Origination and reversal of temporary differences	(21,344)	72,781
– Under provision in respect of prior years	44,600	1,785
	407,995	282,284

As at 31 December 2015, the Group had unrecognised tax losses of approximately $2,513,210 (2014: $739,555) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

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29. Tax expense (Cont'd)

Relationship between tax expense and accounting (loss)/profit

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

	Group	
	2015	**2014**
	$	**$**
Accounting (loss)/profit before tax	(1,226,033)	1,496,513
Tax at the applicable rate of 17% (2014: 17%)	(208,426)	254,407
Tax effect of non-taxable income	(120,584)	(160,654)
Tax effect of non-deductible expenses	203,133	346,644
Tax effect arising from differences in tax rates	(146,080)	34,706
Under/(over) provision in respect of prior years	255,925	(35,018)
Deferred tax asset not recognised	486,804	59,445
Effect of utilisation of deferred tax asset previously not recognised	(48,553)	(186,215)
Effect of partial tax exemption and tax relief	(9,902)	(30,835)
Effect of utilisation of reinvestment allowance	(729)	(3,474)
Others	(3,593)	3,278
Tax expense	407,995	282,284

30. (Loss)/earnings per share

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

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

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

	Group	
	2015	**2014**
	$	**$**
(Loss)/profit for the year attributable to owners of the Company	(1,277,926)	1,268,362
Weighted average number of ordinary shares	108,480,000	108,480,000

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31. Dividends

	Group and Company 2015	2014
	$	$
Declared during the financial year:		
Final (2014: Final) exempt (one-tier) dividend for 2014: 0.32 cents (2013: 0.57 cents) per share	347,136	618,336

In the prior year, a final exempt (one-tier) dividend for 2014 of 0.32 cents per share was proposed but not recognised as liability at 31 December 2014. The proposed dividend was approved at the AGM held on 28 April 2015. There were no dividends proposed for 2015.

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

32. Cash and bank balances
Fixed deposits

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Cash and bank balances	4,487,552	5,693,965	1,157,911	2,664,225
Fixed deposits	490,490	443,542	6,259	6,244
Cash and cash equivalents in the consolidated cash flow statement	4,978,042	6,137,507	1,164,170	2,670,469

As at 31 December 2015, fixed deposits earn interest at 0.25% to 0.45% (2014: 0.25% to 0.45%) per annum. Fixed deposits included in cash and cash equivalents are for periods of mainly less than one month.

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

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
United States Dollar	245,644	227,699	233,893	221,471
Euro	223,938	365,590	132,909	306,097
Japanese Yen	–	2,179	–	2,179
Renminbi	595,912	437,293	–	–
Indonesian Rupiah	1,521	–	1,521	–

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33. Related party information

(a) Sale and purchase of goods and services

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

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Income				
Sale of goods to subsidiaries	–	–	7,050,889	6,445,414
Management fee income from subsidiaries	–	–	1,546,352	207,862
Rental income from a subsidiary	–	–	7,800	7,800
Royalty fee income from a subsidiary	–	–	92,100	109,412
Expenses				
Purchases from subsidiaries	–	–	3,141,650	3,909,795
Rental paid to an affiliated company	24,398	22,453	–	–

(b) Compensation of key management personnel

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Executive Directors:				
– Short-term employee benefits	1,072,650	1,399,512	853,176	1,023,276
– Central Provident Fund contributions	42,791	40,951	23,981	22,796
Executive Officers:				
– Short-term employee benefits	889,434	622,641	786,823	510,737
– Central Provident Fund contributions	47,539	52,054	35,439	38,756
Total compensation paid to key management personnel	2,052,414	2,115,158	1,699,419	1,595,565

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

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34. Commitments

(a) Operating lease commitments – as lessee

In addition to the land use rights disclosed in Note 7, as at 31 December 2015, the Group and Company have entered into leases in respect of stores and offices. These leases have tenure ranging between 2 and 19 years with renewal options.

Minimum lease payments, including amortisation of land use rights recognised as an expense in profit or loss of the Group and the Company for the financial year ended 31 December 2015 amounted to $457,309 (2014: $430,548) and $77,955 (2014: $77,955) respectively.

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

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Not later than one year	446,181	365,375	77,955	77,955
Two to five years	752,488	570,319	311,818	311,818
Later than five years	1,045,395	1,013,409	935,454	1,013,409
	2,244,064	1,949,103	1,325,227	1,403,182

(b) Operating lease commitments – as lessor

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

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

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Not later than one year	437,375	112,766	196,680	83,760
Two to five years	1,268,084	60,638	151,760	39,300
Later than five years	74,998	–	–	–
	1,780,457	173,404	348,440	123,060

(c) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Capital commitments in respect of property, plant and equipment	1,354,459	979,408	–	–

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35. Contingent liabilities

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Financial guarantees given to financial institutions in connection with facilities given to its subsidiaries	–	–	5,142,880	4,999,220

The fair value of the financial guarantees provided for its subsidiaries is not expected to be material as a portion of the loans and borrowings are collateralized against the subsidiaries' investment property and leasehold land and building. Further, the probability of the subsidiaries defaulting on the credit lines is remote. Accordingly, the financial guarantees have not been recognised.

36. Financial risk management objectives and policies

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

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign exchange risk and credit risk. The Board reviews and agrees policies for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

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

The following sections provide details regarding the Group's and Company's exposure to the above-mentioned financial risks and the objectives, policies and processes for the management of these risks.

Interest rate risk

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

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

<u>Sensitivity analysis for interest rate risk</u>

At the end of the reporting period, if SGD interest rate had been 50 (2014: 50) basis points lower/higher with all other variables held constant, the Group's loss net of tax (2014: profit net of tax) would have been $63,000 lower/higher (2014: $57,000 higher/lower), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The analysis is performed on the same basis for 2014.

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36. Financial risk management objectives and policies (Cont'd)

Liquidity risk

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

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

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

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

Group	2015 1 year or less	2 to 5 years	More than 5 years	Total
	$	$	$	$
Financial assets				
Unquoted investment	–	–	91,351	91,351
Trade debtors	6,617,837	–	–	6,617,837
Other receivables	933,741	–	–	933,741
Deposits	180,510	10,925	–	191,435
Amounts due from affiliated companies	9,240	–	–	9,240
Fixed deposits	490,490	–	–	490,490
Cash and bank balances	4,487,552	–	–	4,487,552
Total undiscounted financial assets	12,719,370	10,925	91,351	12,821,646
Financial liabilities				
Trade payables	1,867,163	–	–	1,867,163
Trust receipts and bills payable (secured)	5,182,222	–	–	5,182,222
Other creditors	712,623	–	–	712,623
Accruals and other liabilities	1,971,401	–	–	1,971,401
Dividend payable	114,839	–	–	114,839
Amounts due to affiliated companies	207,553		–	207,553
Finance lease obligations	398,104	65,755		463,859
Term loans	5,378,887	2,311,522	–	7,690,409
Total undiscounted financial liabilities	15,832,792	2,377,277	–	18,210,069
Total net undiscounted financial (liabilities)/assets	(3,113,422)	(2,366,352)	91,351	(5,388,423)

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36. Financial risk management objectives and policies (Cont'd)

Liquidity risk (cont'd)

	2015			
Company	**1 year or less**	**2 to 5 years**	**More than 5 years**	**Total**
	$	**$**	**$**	**$**
Financial assets				
Trade debtors	2,823,346	–	–	2,823,346
Other receivables	30,919	–	–	30,919
Deposits	10,111	–	–	10,111
Amounts due from subsidiaries	4,733,850	–	–	4,733,850
Fixed deposits	6,259	–	–	6,259
Cash and bank balances	1,157,911	–	–	1,157,911
Total undiscounted financial assets	8,762,396	–	–	8,762,396
Financial liabilities				
Trade payables	747,690	–	–	747,690
Trust receipts and bills payable (secured)	4,952,235	–	–	4,952,235
Other creditors	329,840	–	–	329,840
Accruals and other liabilities	1,222,896	–	–	1,222,896
Dividend payable	114,419	–	–	114,419
Amounts due to subsidiaries	1,020,520	–	–	1,020,520
Finance lease obligations	390,825	65,137	–	455,962
Term loans	3,960,339	2,311,522	–	6,271,861
Total undiscounted financial liabilities	12,738,764	2,376,659	–	15,115,423
Total net undiscounted financial liabilities	(3,976,368)	(2,376,659)	–	(6,353,027)

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36. Financial risk management objectives and policies (Cont'd)

Liquidity risk (cont'd)

	2014			
	1 year or less	2 to 5 years	More than 5 years	Total
Group	**$**	**$**	**$**	**$**
Financial assets				
Unquoted investment	–	–	89,669	89,669
Trade debtors	7,418,922	–	–	7,418,922
Other receivables	838,532	14,484	–	853,016
Deposits	152,962	–	–	152,962
Fixed deposits	443,542	–	–	443,542
Cash and bank balances	5,693,965	–	–	5,693,965
Total undiscounted financial assets	14,547,923	14,484	89,669	14,652,076
Financial liabilities				
Trade payables	1,952,639	–	–	1,952,639
Trust receipts and bills payable (secured)	3,726,597	–	–	3,726,597
Other creditors	641,796	–	–	641,796
Accruals and other liabilities	2,155,591	–	–	2,155,591
Dividend payable	142,784	–	–	142,784
Amounts due to affiliated companies	194,401	–	–	194,401
Finance lease obligations	447,513	463,693	–	911,206
Term loans	4,416,563	3,890,395	–	8,306,958
Total undiscounted financial liabilities	13,677,884	4,354,088	–	18,031,972
Total net undiscounted financial assets/ (liabilities)	870,039	(4,339,604)	89,669	(3,379,896)

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36. Financial risk management objectives and policies (Cont'd)

Liquidity risk (cont'd)

Company	2014 1 year or less	2 to 5 years	More than 5 years	Total
	$	$	$	$
Financial assets				
Trade debtors	3,830,387	–	–	3,830,387
Other receivables	63,505	–	–	63,505
Deposits	22,732	–	–	22,732
Amounts due from subsidiaries	1,766,012	–	–	1,766,012
Fixed deposits	6,244	–	–	6,244
Cash and bank balances	2,664,225	–	–	2,664,225
Total undiscounted financial assets	8,353,105	–	–	8,353,105
Financial liabilities				
Trade payables	1,107,155	–	–	1,107,155
Trust receipts and bills payable (secured)	3,041,307	–	–	3,041,307
Other creditors	274,575	–	–	274,575
Accruals and other liabilities	1,218,791	–	–	1,218,791
Dividend payable	112,141	–	–	112,141
Amounts due to subsidiaries	1,182,071	–	–	1,182,071
Finance lease obligations	435,493	455,962	–	891,455
Term loans	3,234,530	3,890,395	–	7,124,925
Total undiscounted financial liabilities	10,606,063	4,346,357	–	14,952,420
Total net undiscounted financial liabilities	(2,252,958)	(4,346,357)	–	(6,599,315)

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

	1 year or less	2 to 5 years	Total
	$	$	$
Company			
2015			
Financial guarantees provided to subsidiaries	5,142,880	–	5,142,880
2014			
Financial guarantees provided to subsidiaries	4,999,220	–	4,999,220

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36. Financial risk management objectives and policies (Cont'd)

Foreign exchange risk

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

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

Sensitivity analysis for foreign currency risk

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

		(Increase)/ decrease in loss before tax 2015	Increase/ (decrease) in profit before tax 2014
		$	$
USD/SGD	– strengthened 5% (2014: 5%)	-43,000	-4,000
	– weakened 5% (2014: 5%)	+43,000	+4,000
EUR/SGD	– strengthened 5% (2014: 5%)	-141,000	-34,000
	– weakened 5% (2014: 5%)	+141,000	+34,000
RMB/SGD	– strengthened 5% (2014: 5%)	+72,000	+57,000
	– weakened 5% (2014: 5%)	-72,000	-57,000
JPY/SGD	– strengthened 5% (2014: 5%)	-2,000	-4,000
	– weakened 5% (2014: 5%)	+2,000	+4,000

Credit risk

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

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

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36. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

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

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

Credit risk concentration profile

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

	Group			
	2015		2014	
	$	% of total	$	% of total
Singapore	1,500,185	23%	1,611,302	22%
Malaysia	1,671,674	25%	1,435,054	19%
Indonesia	1,230,244	19%	1,710,773	23%
Hong Kong/Macau/People's Republic of China	1,407,571	21%	1,913,100	26%
Indo-China*	546,296	8%	417,436	6%
Other countries	261,867	4%	331,257	4%
	6,617,837	100%	7,418,922	100%

* Relates to Vietnam, Myanmar and Cambodia.

At the end of the reporting period, approximately 25% (2014: 26%) of the Group's trade debtors were due from 5 (2014: 5) major customers.

As at 31 December 2015, the Company has significant concentration of credit in the amounts due from subsidiaries and affiliated companies amounting to $4,733,850 (2014: $1,766,012).

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

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

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37. Fair value of financial instruments

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Financial assets				
Available for sale financial asset				
Unquoted investment	91,351	89,669	–	–
Loans and receivables				
Trade debtors	6,617,837	7,418,922	2,823,346	3,830,387
Other receivables	932,666	850,944	30,919	63,505
Deposits	191,435	152,962	10,111	22,732
Amounts due from subsidiaries	–	–	4,733,850	1,766,012
Amounts due from affiliated companies	9,240	–	–	–
Fixed deposits	490,490	443,542	6,259	6,244
Cash and bank balances	4,487,552	5,693,965	1,157,911	2,664,225
	12,729,220	14,560,335	8,762,396	8,353,105
Financial liabilities				
Financial liabilities carried at amortised cost				
Trade payables	1,867,163	1,952,639	747,690	1,107,155
Trust receipts and bills payable	5,112,891	3,293,359	4,894,499	2,997,767
Other creditors	712,623	641,796	329,840	274,575
Accruals and other liabilities	1,971,401	2,155,591	1,222,896	1,218,791
Dividend payable	114,839	142,784	114,419	112,141
Amounts due to subsidiaries	–	–	1,020,520	1,182,071
Amounts due to affiliated companies	207,553	194,401	–	–
Finance lease obligations	455,234	882,666	447,337	862,915
Term loans	7,509,402	8,064,172	6,113,979	6,896,095
	17,951,106	17,327,408	14,891,180	14,651,510

(a) Fair value hierarchy

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

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

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

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

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

notes to the
FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

37. Fair value of financial instruments (Cont'd)

(b) Financial instruments whose carrying amount approximates fair value

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

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

Finance lease obligations

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

(c) Financial instruments carried at other than fair value

Unquoted investment

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

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

The following table shows an analysis of the Company's assets and liabilities not measured at fair value at 31 December 2015 but for which fair value is disclosed:

	2015		2014	
	Significant observable inputs other than quoted prices (Level 2)	Carrying amount	Significant observable inputs other than quoted prices (Level 2)	Carrying amount
	$	$	$	$
Assets				
Investment property	820,800	–	766,800	–

Determination of fair value

Fair value of the investment property is estimated by the director at HK$4,500,000 (S$820,800) as at 31 December 2015 (2014: HK$4,500,000 (S$766,800)) with reference to the trade prices of similar properties in the market as at the end of reporting period.

The fair value of the investment property was measured using the direct comparison method based on market observable transactions of similar properties without any significant adjustments and hence the investment property is classified as Level 2 of the fair value hierarchy.

notes to the
FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

38. Capital management

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

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

The management regularly reviews the Group's capital structure and makes adequate adjustments to reflect economic conditions, business strategies and future commitments. No changes were made to the objectives, policies and processes during the years ended 31 December 2015 and 2014.

The Group and the Company are required to comply with certain financial covenants as imposed by certain financial institutions with respect to banking facilities that were granted. The most restrictive covenant requires the Company to maintain a net worth of not less than $8.5 million at all times. The Group and the Company continuously monitor its compliance with these covenants. As at 31 December 2015 and 2014, the Group and the Company have complied with these covenants.

The Group monitors capital using a gearing ratio, which is loans and borrowings divided by total capital plus loans and borrowings. The Group includes within total loans and borrowings, trust receipts and bills payable (secured), finance lease obligations (secured) and term loans (secured). Capital includes equity attributable to the owners of the Company.

	Group		Company	
	2015	2014	2015	2014
	$	$	$	$
Trust receipts and bills payable (secured)	5,112,891	3,293,359	4,894,499	2,997,767
Finance lease obligations (secured) (Note 19)	455,234	882,666	447,337	862,915
Term loans (secured) (Note 20)	7,509,402	8,064,172	6,113,979	6,896,095
Loans and borrowings	13,077,527	12,240,197	11,455,815	10,756,777
Equity attributable to owners of the Company	24,681,169	27,066,077	21,790,495	21,783,844
Capital and loans and borrowings	37,758,696	39,306,274	33,246,310	32,540,621
Gearing ratio	35%	31%	34%	33%

39. Segment information

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

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

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

notes to the FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

39. Segment information (Cont'd)

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

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

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

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

Group	Residential and commercial (air-conditioning)	Commercial and light industrial (refrigeration)	Oil, marine and gas (refrigeration and air-conditioning)	Total
	$	$	$	$
2015				
Revenue	4,370,212	27,635,886	2,805,310	34,811,408
Cost of sales	(3,133,949)	(19,892,265)	(1,785,107)	(24,811,321)
Gross profit	1,236,263	7,743,621	1,020,203	10,000,087
2014				
Revenue	5,068,668	28,353,030	3,248,310	36,670,008
Cost of sales	(3,612,408)	(19,312,150)	(2,046,443)	(24,971,001)
Gross profit	1,456,260	9,040,880	1,201,867	11,699,007

notes to the
FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

39. Segment information (Cont'd)

Geographical information

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

	Group	
	2015	2014
	$	$
Revenue		
Singapore	9,537,303	9,987,378
Malaysia	8,335,923	7,806,587
Indonesia	4,487,622	5,204,527
Hong Kong/Macau/People's Republic of China	7,743,970	9,044,623
Indo-China*	2,084,934	1,454,095
Others	2,621,656	3,172,798
	34,811,408	36,670,008

* Relates to Vietnam, Myanmar and Cambodia.

	Group	
	2015	2014
	$	$
Non-current assets		
Singapore	5,969,669	6,176,869
Malaysia	2,116,495	2,590,631
Hong Kong	20,172	25,458
People's Republic of China	10,884,804	11,383,579
Indo-China*	56,438	65,525
	19,047,578	20,242,062

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

Information about a major customer

Revenue from one major customer amounted to $2,213,060 (2014: $2,028,955), arising from trading sales (2014: trading sales) in the commercial and light industrial segment (2014: commercial and light industrial segment).

40. Events occurring after the reporting period

On 22 February 2016, the Group, through its subsidiary, ERM, entered into a consortium arrangement with other third parties to obtain a 14% interest in a consortium company established in the People's Republic of China. The Group's expected investment is RMB3,000,000 (approximately S$648,300). The investment shall be paid in three different tranches, with the first tranche of RMB1,000,000 (S$216,100) to be paid upon the registration of the consortium company and subsequent 2 tranches to be paid upon the consortium company achieving certain specified revenue targets.

41. Authorisation of financial statement

The financial statements for the year ended 31 December 2015 were authorised for issue in accordance with a directors' resolution dated on 31 March 2016.

STATISTICS OF SHAREHOLDINGS

AS AT 21 MARCH 2016

SHARE CAPITAL

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

DISTRIBUTION OF SHAREHOLDINGS

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

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	76	26.12	723	0.00
100 – 1,000	33	11.34	25,516	0.02
1,001 – 10,000	51	17.52	281,810	0.26
10,001 – 1,000,000	120	41.24	14,529,546	13.40
1,000,001 AND ABOVE	11	3.78	93,642,405	86.32
TOTAL	**291**	**100.00**	**108,480,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

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

NO.	NAME	NO. OF SHARES	%
1	UNIVERSAL PTE. LTD.	63,855,000	58.86
2	LENG CHEE KEONG	6,589,800	6.07
3	CHEUNG WAI SUM	6,300,000	5.81
4	OCBC SECURITIES PRIVATE LIMITED	3,814,200	3.52
5	LIM BOON HOCK BERNARD	3,000,000	2.77
6	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	2,765,000	2.55
7	PHILLIP SECURITIES PTE LTD	1,804,131	1.66
8	KUAH KOK KIM	1,500,000	1.38
9	RAFFLES NOMINEES (PTE) LIMITED	1,473,274	1.36
10	UOB KAY HIAN PRIVATE LIMITED	1,280,500	1.18
11	LOH AH PENG @ LOH EE MING	1,260,500	1.16
12	LOH MUN YEW	981,900	0.91
13	YAP KOK KIONG	800,000	0.74
14	ESTATE OF NG TAT KEONG, DECEASED	711,600	0.66
15	WARD ALLAN	705,000	0.65
16	CITIBANK NOMINEES SINGAPORE PTE LTD	700,000	0.65
17	MAYBANK KIM ENG SECURITIES PTE. LTD.	700,000	0.65
18	FUCO RUDYANTO CHANDRA	600,000	0.55
19	LEE WEN-CHANG	600,000	0.55
20	LIM HWAI GHEE	560,000	0.52
	TOTAL	**100,000,905**	**92.20**

STATISTICS OF SHAREHOLDINGS
AS AT 21 MARCH 2016

SUBSTANTIAL SHAREHOLDERS

	No. of shares in which the substantial shareholder has direct interests	%	No. of shares in which the substantial shareholder has deemed interests	%
Substantial Shareholders				
Loh Ah Peng @ Loh Ee Ming[(1)(2)]	1,260,500	1.16	63,855,000	58.86
Loh Mun Yew[(1)(3)]	981,900	0.91	63,855,000	58.86
Universal Pte. Ltd.[(4)]	63,855,000	58.86	–	–
Cheung Wai Sum[(1)(5)]	6,300,000	5.81	–	–
Loh Pui Lai[(1)(5)]	–	–	6,300,000	5.81
Leng Chee Keong	6,589,800	6.07	–	–

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

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

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

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

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

SHAREHOLDINGS HELD IN THE HANDS OF THE PUBLIC

Based on the information available to the Company as of 21 March 2016, approximately 27.2% of the issued ordinary shares of the Company are held by the public and therefore Rule 723 of the Listing Manual Section B: Rules of Catalist of the SGX-ST is complied with.

notice of
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 112 Lavender Street #04-00 Far East Refrigeration Building Singapore 338728 on Tuesday, 26 April 2016 at 11:00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2015, together with the report of the Auditors and the Directors' Statement. **(Resolution 1)**

2. To re-elect the following directors retiring pursuant to Regulation 104 of the Company's Constitution:

(a)	Mr Loh Mun Yew	(Regulation 104)	**(Resolution 2)**
(b)	Mr Hew Koon Chan	(Regulation 104)	**(Resolution 3)**
(c)	Mr Tan Hwee Kiong	(Regulation 104)	**(Resolution 4)**

[see explanatory note (i) below]

3. To approve the payment of Directors' fees of S$220,750 for the financial year ending 31 December 2016, to be paid half-yearly in arrears. **(Resolution 5)**

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

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

SPECIAL BUSINESS

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

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

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

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

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

provided that:

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

notice of
ANNUAL GENERAL MEETING

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

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

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

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

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

[See explanatory note (ii) below] **(Resolution 7)**

7. "That approval be and is hereby given for the purpose of Chapter 9 of the Catalist Rules for the Company and its subsidiaries to enter into any of the transactions falling within the types of interested person transactions as set out in the Appendix to the Annual Report 2015 (the "**Appendix**") with the interested persons described in the Appendix, provided that such transactions are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and the minority shareholders of the Company and in accordance with the guidelines and procedures as set out in the Appendix and that such approval (the "**Shareholders' Mandate**") shall, unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company; and the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."

[See explanatory note (iii) below] **(Resolution 8)**

BY ORDER OF THE BOARD

Chia Foon Yeow
Company Secretary

Singapore
11 April 2016

notice of
ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Loh Mun Yew will, upon re-election as a Director, remain as the Chief Executive Officer and Executive Director of the Company.

Mr Hew Koon Chan will, upon re-election as a Director, remain as the Chairman of the Audit Committee and a member of the Nominating Committee and the Remuneration Committee. The Board considers Mr Hew Koon Chan to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Mr Tan Hwee Kiong will, upon re-election as a Director, remain as the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee. The Board considers Mr Tan Hwee Kiong to be independent for the purpose of Rule 704(7) of the Catalist Rules.

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

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

The Ordinary Resolution 7 proposed in item 6 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue shares in the capital of the Company and/or the Instruments (as defined above). The aggregate number of shares (including shares to be make in pursuance of Instruments made or granted pursuant to this Resolution) which the Directors may allot and issue, shall not exceed 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which the total number of shares and convertible securities other than on a pro-rata basis to existing shareholders, shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company.

(iii) Ordinary Resolution 8 above is to renew the shareholders' mandate for transactions with interested persons and if passed, will empower the Directors of the Company to do all acts necessary to give effect to the Resolution. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting.

Notes:

(1) A member who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where such member appoints more than one (1) proxy, he shall specify the proportion of his shareholding to be represented by each proxy in the proxy form.

(2) A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

(3) "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50) of Singapore.

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

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

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

(7) 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 as at seventy-two (72) hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

notice of
ANNUAL GENERAL MEETING

Personal Data Privacy

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

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

This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made, or reports contained in this notice. The contact person for the Sponsor is Ms Lam Siew Hwa, Director, Corporate Finance, Canaccord Genuity Singapore Pte. Ltd., at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 6854-6160.

APPENDIX

11 April 2016

This Appendix is circulated to Shareholders of Far East Group Limited (the "**Company**") together with the Company's Annual Report. Its purpose is to explain to Shareholders the rationale and provide information to Shareholders for the proposed renewal of the Shareholders' Mandate (as defined in this Appendix) to be tabled at the Annual General Meeting of the Company to be held on Tuesday, 26 April 2016 at 11:00 a.m. at 112 Lavender Street #04-00 Far East Refrigeration Building Singapore 338728.

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

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

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

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

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

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

Far East Group Limited

(Company Registration No.:196400096C)

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

APPENDIX

IN RELATION TO

RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

APPENDIX

DEFINITIONS

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

The Group Companies

"Company" : Far East Group Limited

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

Other Companies and Organisations

"SER" : Shanghai Eden Refrigeration Co., Ltd. (上海逸 制冷设备有限公司)

"SERM" : Shanghai Eden Refrigeration Manufacturing Co., Ltd. (上海 冷 机械有限公司)

"UPL" : Universal Pte. Ltd.

General

"Act" or "Companies Act" : Companies Act (Cap. 50) of Singapore

"AGM" or "Annual General Meeting" : The annual general meeting of the Company

"Associate" :

(a) in relation to any Director, CEO, Substantial Shareholder or Controlling Shareholder (being an individual) means:–

  (i) his immediate family;

  (ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

  (iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more; and

(b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a fellow subsidiary of any such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more

"Audit Committee" : The audit committee of the Company

"Catalist Rules" : Any or all of the rules in the SGX-ST Listing Manual Section B: Rules of the Catalist, as the case may be

"CEO" : Chief Executive Officer

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"Controlling Shareholder"	:	A person who: (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the company. The SGX-ST may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over the Company
"Directors"	:	The directors of the Company
"Interested Person"	:	(a) A Director, CEO or Controlling Shareholder of the Company; or (b) an Associate of any such Director, CEO or Controlling Shareholder
"Interested Person Transactions"	:	Transactions proposed to be entered into between Far East Group and any Interested Person(s), as elaborated in paragraph 2.2 of this Appendix
"Latest Practicable Date"	:	2 April 2016, being the latest practicable date prior to the printing of this Appendix
"Maju Facility"	:	The Group's manufacturing facility located at Lot 1998/D Jalan Perusahaan 3, Taman Industri Selesa Jaya, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan, Malaysia
"Mandated Interested Persons"	:	SER and SERM
"PRC"	:	The People's Republic of China, excluding Taiwan, the Macau Special Administrative Region of the People's Republic of China and the Hong Kong Special Administrative Region of the People's Republic of China, for the purpose of this Appendix and for geographical reference only
"Securities Account"	:	The securities account maintained by a Depositor with The Central Depository (Pte) Limited but does not include a securities sub-account
"Securities and Futures Act"	:	Securities and Futures Act (Cap. 289) of Singapore
"Shares"	:	Ordinary shares in the capital of the Company
"Shareholders"	:	Registered holders of Shares, except where the registered holder is The Central Depository (Pte) Limited, the term "Shareholders" shall, in relation to such Shares mean the Depositors whose Securities Accounts are credited with Shares
"Shareholders' Mandate"	:	The general mandate approved by the Shareholders for the Group to enter into transactions with the Mandated Interested Person in compliance with Chapter 9 of the Catalist Rules, as further described in this Appendix

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"Substantial Shareholder"	:	A person who has an interest in the voting shares of the Company, the total votes attached to which is not less than 5% of the total votes attached to all the voting shares in the Company

Currencies, Units and Others

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

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively in Section 81SF of the Securities and Futures Act.

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

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

APPENDIX

1. INTRODUCTION

The Company has, on 11 April 2016, issued a Notice of AGM to be held on 26 April 2016. The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval at the AGM for resolution 8 of the Notice of AGM to renew the Shareholders' Mandate that will enable the Group to enter into transactions including but not limited to the transactions set out in this Appendix with persons which are considered "interested persons" as defined in Chapter 9 of the Catalist Rules. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

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

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

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

2.1 Existing Shareholders' Mandate

The Company had, at the AGM held on 28 April 2015, sought and obtained the approval of Shareholders for the renewal of the Shareholders' Mandate. The Shareholders' Mandate is subject to annual renewal. The Shareholders' Mandate approved at the AGM held on 28 April 2015 will expire at the AGM to be held on 26 April 2016. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the AGM to be held on 26 April 2016, to take effect until the next AGM of the Company.

(a) Categories of Interested Persons

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

SER

SER, a company established in the PRC on 28 November 2002, is primarily engaged in the marketing and distribution of the "Eden" brand of heat exchangers and condensing units, as well as "Eliwell" brand of temperature controllers in the PRC. SER also exports the "Eden" brand of heat exchangers and condensing units exclusively to Far East Group. SER is wholly owned by UPL (the Controlling Shareholder of the Company) which is in turn owned by Loh Ah Peng @ Loh Ee Ming (the Non-executive Chairman of the Company), Loh Mun Yew (the CEO and Executive Director of the Company), Loh Pui Lai (the Non-executive Director of the Company), Lum Soo Mooi (spouse of Loh Ah Peng @ Loh Ee Ming) and Loh Pui Pui (daughter of Loh Ah Peng @ Loh Ee Ming and Lum Soo Mooi, and sibling of Loh Mun Yew and Loh Pui Lai) with shareholding interests of 40.68%, 27.42%, 10.68%, 10.33% and 10.89% respectively. The directors of SER are Loh Ah Peng @ Loh Ee Ming, Loh Mun Yew and Wong Thiam Hock (an unrelated third party). The legal representative of SER is Wong Thiam Hock.

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SERM

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

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

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

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

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

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

2.3 Rationale for and benefits of the Shareholders' Mandate

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

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

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

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

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

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

2.4 Guidelines and review procedures under Shareholders' Mandate

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

<u>Purchases from the Mandated Interested Persons</u>

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

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

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

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

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

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

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Sales to the Mandated Interested Persons

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

(b) The sale price to the Mandated Interested Persons shall not be lower than the lowest sale price of the two other comparable successful transactions with independent third party customers.

In reviewing the prices and terms offered to the Mandated Interested Persons, all pertinent factors, but not limited to, delivery schedules and requirements, specifications requirements, payment terms, will be taken into consideration.

(c) All sales transactions with the Mandated Interested Persons shall be recorded in the IPT Register, setting out details of the transactions, relevant evaluations in paragraph (b) above and approvals.

In addition, to supplement internal control procedures to ensure that all interested person transactions covered by the Shareholders' Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the following limits for transactions with the Mandated Interested Persons shall be applied:–

(i) where an individual transaction is below US$200,000, such transaction shall be subject to the review and prior approval by an Executive Director who does not have an interest in such transaction; and

(ii) where an individual transaction is equal to or in excess of US$200,000, such transaction shall be subject to the review and prior approval by the Audit Committee.

The Audit Committee shall review the IPT Register on a half-yearly basis, to ensure that all transactions with the Mandated Interested Persons are carried out in accordance with the guidelines and procedures set out above.

The Audit Committee shall review from time to time such guidelines and procedures to determine if they continue to be adequate and/or commercially practicable in ensuring that transactions between the Mandated Interested Persons and the Group are conducted on normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders.

The Audit Committee may also engage external parties to carry out such periodic reviews if deemed necessary or appropriate. Further, if during these periodic reviews, the Audit Committee is of the view that the above guidelines and procedures are not sufficient to ensure that transactions with Mandated Interested Persons will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will revert to the Shareholders for a fresh mandate based on new guidelines and procedures. During the period prior to obtaining a fresh mandate from Shareholders, all transactions with the Mandated Interested Persons shall be subject to the review and prior approval by the Audit Committee.

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3. OPINION OF THE INDEPENDENT FINANCIAL ADVISER

Under Chapter 9 of the Catalist Rules, a circular seeking a general mandate for interested person transactions must include, *inter alia*, the methods or procedures for determining transaction prices and an independent financial adviser's opinion on whether such methods or procedures are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders.

However, Rule 920(1)(c) of the Catalist Rules provides that an independent financial adviser's opinion is not required for the renewal of a general mandate for interested person transactions provided that the audit committee confirms that: (i) the methods or procedures for determining the transaction process have not changed since last shareholder approval; and (ii) such methods or procedures are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the issuer and its minority shareholders.

Pursuant to the above, the Audit Committee's statement is given in paragraph 4 below.

4. AUDIT COMMITTEE'S STATEMENT

(i) The Audit Committee (currently comprising Mr Hew Koon Chan, Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong) has reviewed the terms of the Shareholders' Mandate and confirms that the method and procedures for determining the transaction prices under the Shareholders' Mandate have not changed since the last Shareholders' approval which took place on 28 April 2015 and that such methods and procedures are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. Hence, an independent financial advisor's opinion is not required for the renewal of this Shareholders' Mandate.

(ii) If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the established guidelines and procedures are inappropriate and not sufficient to ensure that the interested person transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh mandate from Shareholders based on new guidelines and procedures for transactions with interested persons.

5. VALIDITY PERIOD OF THE SHAREHOLDERS' MANDATE

If approved by the Shareholders at the AGM to be held on 26 April 2016, the Shareholders' Mandate will take effect from the date of the AGM, and will, unless revoked or varied by the Company in general meeting, continue to be in force until the next AGM of the Company. Approval from the Shareholders will be sought for the renewal of the Shareholders' Mandate at each subsequent AGM of the Company, subject to satisfactory review by the Audit Committee of its continued application to the transactions with the Mandated Interested Persons.

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6. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders in Shares as at the Latest Practicable Date are set out below:–

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Directors				
Loh Ah Peng @ Loh Ee Ming[(1),(2)]	1,260,500	1.16	63,855,000	58.86
Loh Mun Yew[(1),(3)]	981,900	0.91	63,855,000	58.86
Leng Chee Keong	6,589,800	6.07	–	–
Loh Pui Lai[(1),(5)]	–	–	6,300,000	5.81
Hew Koon Chan	–	–	–	–
Mak Yen-Chen Andrew	–	–	–	–
Tan Hwee Kiong	–	–	–	–
Substantial Shareholders (other than Directors)				
Universal Pte. Ltd.[(4)]	63,855,000	58.86	–	–
Cheung Wai Sum[(1),(5)]	6,300,000	5.81	–	–

Notes:–

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

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

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

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

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

Save as disclosed above, none of the Directors and Substantial Shareholders has any interest, whether direct or indirect (other than as disclosed in this Appendix), in proposed renewal of the Shareholders' Mandate, as at the Latest Practicable Date.

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7. ABSTENTION FROM VOTING

In accordance with the requirements of Chapter 9 of the Catalist Rules, UPL, Loh Mun Yew and Cheung Wai Sum will abstain, and have undertaken that their Associates will abstain, from voting on the resolutions for the renewal of the Shareholders' Mandate in respect of any Shares respectively held by them and their Associates.

In addition, Loh Ah Peng @ Loh Ee Ming, Loh Mun Yew, Loh Pui Lai and Cheung Wai Sum will also decline to accept nomination as proxy or otherwise from any Shareholder to vote on the resolutions for the renewal of the Shareholders' Mandate, unless give specific instructions by the Shareholder in the relevant proxy form as to how his votes are to be casted.

8. INDEPENDENT DIRECTORS' RECOMMENDATION

Having fully considered the rationale set out in this Appendix, the Directors who are considered independent for the purposes of the proposed renewal of the Shareholders' Mandate, namely Mr Hew Koon Chan, Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong, believe that the Shareholders' Mandate is in the interest of the Company and recommend that Shareholders vote in favour of the resolution to approve the same as set out in the Notice of AGM.

9. ANNUAL GENERAL MEETING

The AGM, notice of which is set out in the Annual Report of the Company, will be held on Tuesday, 26 April 2016 at 11:00 a.m. at 112 Lavender Street #04-00 Far East Refrigeration Building Singapore 338728 for the purpose of considering and, if thought fit, passing the Ordinary Resolution relating to the renewal of the Shareholders' Mandate at the AGM as set out in the Notice of AGM.

10. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the Proxy Form attached to the Annual Report in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company not less than forty-eight (48) hours before the time fixed for the AGM. The completion and lodgement of the Proxy Form by a Shareholder will not prevent him from attending and voting at the AGM in person if he so wishes.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register as at seventy-two (72) hours before the AGM.

11. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm, having made all reasonable enquiries, that to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Shareholders' Mandate. The Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available source or obtained from the named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

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12. DOCUMENTS AVAILABLE FOR INSPECTION

The following documents may be inspected at our registered office at 112 Lavender Street #04-00 Far East Refrigeration Building Singapore 388728, during normal business hours for a period of six (6) months from date of this Appendix:

(a) Offer Document dated 25 July 2011; and

(b) The Annual Report of the Company for FY2015.

Yours faithfully
For and on behalf of the Board of Directors of
FAR EAST GROUP LIMITED

Loh Mun Yew
CEO and Executive Director

FAR EAST GROUP LIMITED
(Company Registration No. 196400096C)
(Incorporated in the Republic of Singapore)

PROXY FORM
ANNUAL GENERAL MEETING

IMPORTANT
1. For investors who have used their CPF monies to buy shares in the capital of Far East Group Limited, this 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 such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name) ____________________ (NRIC/Passport No.)

of ____ (Address)
being a member/members of Far East Group Limited (the "Company") hereby appoint:

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

and/or (delete as appropriate)

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

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting ("AGM") of the Company, to be held at 112 Lavender Street #04-00 Far East Refrigeration Building Singapore 338728 on Tuesday, 26 April 2016 at 11:00 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the AGM.

No.	Resolutions relating to:	For*	Against*
	Ordinary Business		
1	Audited financial statements for the financial year ended 31 December 2015 and the report of the Auditors and Directors' Statement		
2	Re-election of Mr Loh Mun Yew as a Director		
3	Re-election of Mr Hew Koon Chan as a Director		
4	Re-election of Mr Tan Hwee Kiong as a Director		
5	Approval of payment of Directors' fees amounting to S$220,750 for the financial year ending 31 December 2016, to be paid half-yearly in arrears		
6	Re-appointment of Messrs Ernst & Young LLP as Auditors		
	Special Business		
7	Authority to allot and issue shares or convertible securities		
8	Renewal of Shareholders' Mandate for Interested Person Transactions		

* Please indicate your vote "For" or "Against" with a tick (√) within the box provided. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant Resolution, please indicate the number of Shares in the boxes provided.

Dated this ______ day of ________________ , 2016.

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

____
Signature(s) of Member(s) or Common Seal

Notes

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Cap. 289 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.
2. A member who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where such member appoints more than one (1) proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.
3. A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.
4. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50) of Singapore.
5. A proxy need not be a member of the Company.
6. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the meeting.
7. This proxy form must be deposited at the Company's registered office at 112 Lavender Street #04-00 Far East Refrigeration Building, Singapore 338728, not less than forty-eight (48) hours before the time set for the meeting.
8. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be duly stamped and deposited with this proxy form, failing which this proxy form shall be treated as invalid.
9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act (Chapter 50) of Singapore.

General

The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 11 April 2016.