OEL (HOLDINGS) LIMITED

2015

ANNUAL REPORT

CONTENTS

CORPORATE PROFILE

OEL (Holdings) Limited ("OEL" and together with its subsidiaries, the "Group") is an investment holding company with businesses in Shipyard Operations and Property Management.

Established in Singapore in 1984, OEL was renamed from Oakwell Engineering Limited in November 2013 after the Group divested its Distributorship business and related engineering and assembly services.

The Group currently operates a shipyard in Sattahip, Thailand that focuses on ship repair and other services. It also generates rental income from the leasing of an industrial property in Singapore. The Group is presently seeking new business avenues and exploring various strategies that could enhance shareholder value in the long term.

OEL is listed on the Catalist of the Singapore Exchange Securities Trading Limited.

CHAIRMAN'S STATEMENT

DEAR SHAREHOLDERS,

On behalf of the Board of Directors, I wish to present OEL (Holdings) Limited's ("OEL" and together with its subsidiaries, the "Group") annual report for the financial year ended 31 December 2015 ("FY2015"). It is also my pleasure to address our shareholders in my inaugural message as Executive Chairman and Managing Director of the Group.

Over the past year, we pressed on with our efforts to sustain the value of the Company for our shareholders. Specifically, the Group has been working on two fronts to achieve our objectives – to curtail the losses from our Shipyard Operations and continually seek strategic investment opportunities with the potential to generate value to shareholders over the long term.

With respect to our Shipyard Operations, the Group continued to execute cost-containment measures to lower the division's operating expense structure. At the same time, we are also providing ship repair and maintenance services at our yard which continues to generate revenue to help manage the fixed operating overheads related to this business.

The arbitration proceedings related to our Shipyard Operations have also drawn to a close, leading to lower legal and professional costs for the Group in FY2015. Although the Group had additional write-offs for shipbuilding project costs in FY2015, the write-offs were lower than in FY2014. As a result of our cost saving measures and reduced write-offs related to the Shipyard Operations, the Group narrowed its net loss substantially to S$9.5 million in FY2015 from a net loss of S$19.4 million in FY2014. This was in spite of lower revenue of S$2.6 million recorded in FY2015 compared to S$4.3 million in the previous financial year.

The decrease in Group revenue was attributed to our Shipyard Operations which generated revenue of S$1.9 million compared to S$3.6 million in FY2014. Revenue from the Property Management segment in FY2015 was stable at S$0.7 million as the Group continues to receive rental income from leasing its property in Singapore.

On a more positive note, we have undertaken several corporate initiatives to bring the Group forward. To expand the range of investment opportunities available to OEL, we have sought and received shareholders' approval at an Extraordinary General Meeting ("EGM") held on 23 June 2015 to diversify the Group's business scope to include mineral, oil and gas businesses.

With the approval from our shareholders, the Group entered into a conditional sale and purchase agreement on 30 June 2015 to acquire a 51% stake in Allied Resources Limited ("Allied Resources") (the "Proposed Acquisition") which is an investment holding company with interests in the oil and gas business.

Allied Resources owns 50% interests in Qian An Oilfield Development Co. Ltd. ("Qian An") which is jointly owned with PetroChina Company Limited ("PetroChina"). Qian An is principally engaged in the exploration, development and production of oil and natural gas from two oil fields in Jilin, China.

The consideration for the Proposed Acquisition (the "Consideration") is approximately S$18.2 million and will be satisfied by cash and the issue of new ordinary shares in the capital of the company. The payment of the Consideration will be carried out in tranches and upon fulfilment of certain conditions.

Further to a side letter that was signed on 25 February 2016, the long-stop date for the Proposed Acquisition has been extended to 31 May 2016.

In connection with our intention to acquire new businesses for OEL, the Group entered into a Bond Subscription agreement in July 2015 to issue up to S$40 million in aggregate principal amount of redeemable zero coupon convertible bonds. We believe a bond issue is one of the appropriate fund-raising avenues for the Group to finance strategic investments or acquisitions which we intend to embark upon. Shareholders have also given their approval for the proposed bond issues at the EGM held on 19 August 2015.

While the macro-economic outlook remains weak and uncertain, the Group will remain steadfast in its endeavor to explore and evaluate new and viable businesses that have potential to generate value for shareholders in the long run. These business opportunities will include strategic investments, partnerships, mergers and acquisitions.

On behalf of the Board, I would like to express my appreciation to our shareholders, customers and business associates for your continued support of OEL. I also wish to thank my fellow Board members for their guidance and contributions, and particularly the Group's founder, Mr Low Beng Tin who has on 1 March 2016 stepped down from his position as Chairman and Managing Director of OEL. Mr Low remains on the Board as our Executive Director as his vast business experience will be valuable to the Group. Last but not least, I wish to convey my appreciation to our staff for their effort and commitment to the Group. By God's grace, we will prevail and continue to press forward for a better future for OEL.

Yours Sincerely,

JEFFREY HING YIH PEIR
Executive Chairman and Managing Director

BOARD OF DIRECTORS

JEFFREY HING YIH PEIR

Executive Chairman and Managing Director

Mr Hing was re-designated as Executive Chairman and Managing Director of the Company on 1 March 2016. He was previously Non-Executive Director of the Company since 22 March 2011 and was re-designated as Executive Director and Deputy Chairman on 3 July 2015. Mr Hing is also a substantial shareholder of the Company. He was last re-elected as Director on 22 April 2014.

Mr Hing has over 30 years' experience in the marine and offshore industry in a variety of roles ranging from finance & administration, business development and management. He is the founder and managing director of Trinity Offshore Pte. Ltd., a Singapore-based owner-operator of offshore support/ utility vessels and is currently the Executive Chairman of Penguin International Ltd. An accountant by training, Mr Hing has served in various roles as auditor, accountant, senior executive and director of diversified corporations.

Details of his shareholdings can be found on page 24 of the Annual Report.

LOW BENG TIN

Executive Director

Mr Low is the founder and Director of OEL since the date of its incorporation on 15 September 1984 and was subsequently appointed as the Chairman of the Board of Directors and Managing Director on 20 July 1992. Mr Low remains as an Executive Director of the Company after relinquishing his role as Chairman and Managing Director on 1 March 2016. He was last re-elected as Director on 23 April 2015.

Mr Low graduated with a Diploma in Electrical Engineering from the Singapore Polytechnic and a Diploma in Management Studies from the Singapore Institute of Management. He also holds a Masters in Business Administration (Chinese Programme) from the National University of Singapore. Mr Low has more than 30 years of working experience in the field of engineering related to oil, gas,petrochemical, chemical and marine industries.

Prior to establishing OEL, Mr Low held senior management positions in a group of local companies which were involved in the sales and services of marine equipment and shipping. In recognition of his contribution to the community, he was conferred the Pingat Bakti Masyarakat (Public Service Medal) and Bintang Bakti Masyarakat (Public Service Star) by the President of the Republic of Singapore in 2004 and 2009 respectively.

Mr Low is also Non-Executive Chairman of Cosmosteel Holdings Limited and Independent Non-Executive Director of China Yongsheng Limited and Lian Beng Group Ltd. Mr Low is currently the Deputy President of the Automobile Association of Singapore and is also a Non-Executive Director of Autoswift Recovery Pte Ltd.

Details of his shareholdings can be found on page 24 of the Annual Report.

RENNY YEO AH KIANG

Independent Non-Executive Director

Mr Renny Yeo was appointed as Non-Executive Director of the Company on 12 August 2005, and has been re-designated to Independent Non-Executive Director with effect from 1 March 2010. He is also the Chairman of the Remuneration Committee and a member of both the Audit and Nominating Committees. Mr Yeo was appointed as Lead Independent Director with effect from 3 March 2014. He was last re-elected as Director on 26 April 2013.

He holds a Higher National Diploma (HND) in Electrical & Electronic Engineering from Southampton College of Technology UK and a Master in Management from Asia Institute of Management, Philippines. He has nearly 40 years of working experience in the field of shipbuilding/ship repairing, electrical engineering and cable industries. He is a full member of the Singapore Institute of Directors.

Mr Yeo formerly seats on various government Boards and Committees including Board member of Building and Construction Authority, Board member of the Productivity & Standards Board, Director of PSB Corporation Pte Ltd, founding Board member of the Singapore Green Building Council, the President of the Singapore National Committee [SNC] of The International Electrotechnical Commission [IEC], Member of the Standard Council-SPRING, Chairman of Electrical & Electronic Product Standards Committee-SPRING, Emeritus President and President of Singapore Manufacturers' Federation. Prior to Mr Yeo's retirement in 2009, he was also the Executive Chairman and Director of Draka Cableteq Asia Pacific and its subsidiaries in Asia.

Mr Yeo is currently a SPRING Board member, the Chairman of The Singapore Accreditation Council-SAC (SPRING) and Advisor of Electrical & Electronic Product Standards Committee (SPRING). He is also a Member of the National Productivity Council (the term ended 31 March 2016), the Director of Singapore Business Advisors & Consultants Council Ltd (SBACC), Member of the SBACC Governing Council and Member of the Board of Governors of Singapore Manufacturers' Federation.

Mr Yeo is also an Independent Non-Executive Director of Sin Heng Heavy Machinery Ltd and Director of KPH Properties Holdings Sdn Bhd and its subsidiaries in Malaysia.

He was conferred the Pingkat Bakti Masyarakat (Public Service Medal) by The President of the Republic of Singapore (2000) and awarded the SPRING Singapore distinguished Partner Award (2011), SISIR Standards Council Distinguished Award (1994).

Details of his shareholdings can be found on page 24 of the Annual Report.

BERNARD TAY AH KONG

Independent Non-Executive Director

Mr Bernard Tay was appointed an Independent Non-Executive Director of the Company on 15 December 2000. He is also Chairman of the Audit Committee, and a member of both the Remuneration and Nominating Committees. He was last re-elected as Director on 26 April 2013.

Mr Tay is currently the Non-Executive Chairman of Crowe Horwath First Trust LLP, which is a Singapore Chartered Accountants firm and Chairman of the Risk Committee of RHT Capital Pte Ltd (RHT). RHT is an approved SGX (Catalist) Continuing Sponsor's Company. Mr Tay is an Independent Director of several public companies listed on the SGX Mainboard (including a Secondary Listing) and Catalist.

He is the President of the Automobile Association of Singapore and Chairman of Singapore Road Safety Council. Mr Tay is the Region 2 (Asia Pacific) Vice-President of the Federation Internationale de l'Automobile (FIA) and member of the World Council for Automobile & Tourism; concurrently he is also a member of the FIA Audit Committee. Currently, he is the Vice-President of the Singapore Productivity Association and a Member of Ministry of Home Affairs – Community Involvement Steering Committee. He was appointed Senior Advisor to the Government of Huzhou City, Zhejiang Province of the People's Republic of China.

He is a recipient of the Service to Education Award and Community Service Medal and was conferred the Bintang Bakti Masyarakat (Public Service Star) and Pingat Bakti Masyarakat (Public Service Medal) by the President of Republic of Singapore.

In addition, he was a Member of the Resource Panel of the Government Parliamentary Committees for Home Affairs and Communications. He had also sat on several committees under the Accounting and Corporate Regulatory Authority which includes the Complaints and Disciplinary Panel – Public Accountants Oversight Committee, Standing Law Review Focus Group and Directors' Duties Study Team. He was also a Member of the Singapore Corporate Awards Judging Panel for the Best Annual Report Award.

Mr Tay is a Fellow of the Association of Chartered Certified Accountants (U.K.), the Institute of Singapore Chartered Accountants and the Singapore Institute of Directors. He is also a Chartered Accountant of Malaysia.

Mr Tay has a wide range of experience, from having worked in public accounting firms in the United Kingdom and Singapore, the Inland Revenue Authority of Singapore and companies in commerce, industry and management consulting for a period of over 30 years.

The present directorships of Mr Tay in listed companies are China Hongxing Sports Limited, China Yongsheng Limited, Ramba Energy Limited and SIIC Environment Holdings Ltd. (formerly known as Asia Water Technology Ltd). He was also an Independent Non-Executive Director of Hengxin Technology Limited (ceased in April 2015).

Pursuant to Regulation 87 of the Company's Constitution, Mr Tay will offer himself for re-election at the forthcoming Annual General Meeting.

BOARD OF DIRECTORS

LAI KWOK SENG

Advocate & Solicitor, Singapore
Barrister-at-Law, Lincoln's Inn
Independent Non-Executive Director

Mr Lai was appointed as an Independent Non-Executive Director of the Company on 12 August 2005. He is also Chairman of the Nominating Committee, and a member of both the Audit and Remuneration Committees. He was last re-elected as Director on 26 April 2013.

Mr Lai holds various degrees including Bachelor Degrees in Economics and Laws from the University of London, a Masters of Laws from the National University of Singapore and a Masters of Education from Australia. Mr Lai is a Barrister-at-Law, Lincoln's Inn, and an Advocate & Solicitor of the Supreme Court of Singapore. He also has vast experience and expertise in administration, management and business. Among other appointments, he has served as an Assistant Director of the Planning & Review Division with the Ministry of Education, a Vice-President of commercial banking with a large local bank, and a Dealing Director with a local stock-brokerage house. Mr Lai is also a Board Member of the Academic and Examination Board of the Singapore Human Resources Academy since January 2012.

Mr Lai is a partner in a local law firm.

Pursuant to Regulation 87 of the Company's Constitution, Mr Lai will offer himself for re-election at the forthcoming Annual General Meeting.

OPERATIONS AND FINANCIAL REVIEW

The Group's continuing businesses consist of Shipyard Operations and Property Management. The Shipyard Operations are based in Sattahip, Thailand while the Property Management generates rental income from leasing of the Group's property at No. 8 Aljunied Avenue 3 in Singapore. In February 2015, the Group's equity interest in a biofuel business in Singapore was reduced from 25% to 0.89% following a rights issue undertaken by the biofuel company.

CONTINUING OPERATIONS

For the financial year ended 31 December 2015 ("FY2015"), revenue from the Group's Continuing Operations decreased to S$2.6 million from S$4.3 million in FY2014. This was attributed to the Shipyard Operations which posted lower revenue of S$1.9 million in FY2015, compared to S$3.6 million in FY2014. The shipyard presently generates revenue from providing ship repair services. Revenue from the Property Management segment in FY2015 remained stable at S$0.7 million.

The Group reduced its gross loss to S$3.7 million in FY2015 compared to S$15.2 million in the previous year. The gross loss in FY2015 was attributed to write-off of project costs amounting to S$0.82 million following the final award in the arbitration proceedings ordered by the Arbitral Tribunal (as announced by the Company on 21 April 2015), and write-off of other project costs of S$3.2 million following a review of the recoverable amounts.

Other operating income in FY2015 decreased to S$1.1 million from S$8.6 million in FY2014. This was due mainly to the absence of foreign exchange gains of S$3.5 million, negotiated discounts of S$3.8 million that were received in FY2014 for amounts owing to certain suppliers of the Shipyard Operations, as well as one-off recovery amount of S$0.8 million from an arbitration which was recognised in the previous financial year.

The Group reduced its total operating expenses (distribution, administrative and other operating expenses) significantly to S$6.9 million in FY2015 from S$15.2 million in FY2014. The decline was attributed mainly to the reduction in legal and professional fees, lower write-offs relating to the shipyard operations and implementation of cost saving measures. This more than offset the unrealised foreign exchange loss in FY2015.

Finance costs in FY2015 decreased to S$24,000 from S$56,000 previously in line with lower borrowings.

As a result of the above factors, the Group reported a loss from Continuing Operations of S$9.5 million in FY2015, a decline from the loss of S$20.5 million in FY2014. Correspondingly, the loss attributable to owners of the Company also decreased to S$9.5 million in FY2015 compared to a loss of S$19.1 million in FY2014.

FINANCIAL POSITION AS AT 31 DECEMBER 2015

At the end of December 2015, shareholders' equity decreased to S$14.0 million from S$20.4 million as at 31 December 2014 due mainly to the losses incurred by the Shipyard Operations.

Current assets decreased to S$12.5 million as at 31 December 2015 from S$24.9 million as at 31 December 2014. This was due mainly to a reduction in trade receivables, other receivables, cash and bank balances, which was partially offset by an increase in other current assets. The other current assets relate to equipment used in shipbuilding contract which was previously under arbitration. On finalisation of the arbitration during the financial year, the amounts were reclassified from trade receivables to other current assets. Cash and bank balances declined in FY2015 due mainly to the losses incurred by the Shipyard Operations, settlement of trade and other payables and a net reduction in borrowings.

Current liabilities as at 31 December 2015 decreased to S$11.8 million from S$20.1 million as at 31 December 2014 due mainly to lower trade payables, other payables and bank loans.

CORPORATE INFORMATION

OEL (HOLDINGS) LIMITED

OPERATING SEGMENTS
Property Management • Shipyard Operations

SUBSIDIARIES

Singapore
OSEC Shipyard Pte. Ltd.
Yahweh China Pte. Ltd.

Thailand
OSC Co., Ltd.

BOARD OF DIRECTORS
Executive Directors
Jeffrey Hing Yih Peir
(Executive Chairman and Managing Director)
Low Beng Tin

Independent Non-Executive Directors
Renny Yeo Ah Kiang
(Lead Independent Director)
Bernard Tay Ah Kong
Lai Kwok Seng

CHIEF FINANCIAL OFFICER
Chong Kwang Shih

COMPANY SECRETARY
Chang Ai Ling

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

REGISTERED OFFICE
No. 8 Aljunied Avenue 3
Oakwell Building
Singapore 389933
Tel: 6742 8000
Fax: 6747 1832

INVESTOR RELATIONS
IR@ohldg.com

PRINCIPAL BANKERS
United Overseas Bank Limited
Standard Chartered Bank
DBS Bank Ltd

AUDIT COMMITTEE
Bernard Tay Ah Kong* (Chairman)
Lai Kwok Seng*
Renny Yeo Ah Kiang*

NOMINATING COMMITTEE
Lai Kwok Seng* (Chairman)
Bernard Tay Ah Kong*
Renny Yeo Ah Kiang*
Jeffrey Hing Yih Peir

REMUNERATION COMMITTEE
Renny Yeo Ah Kiang* (Chairman)
Bernard Tay Ah Kong*
Lai Kwok Seng*

AUDITORS
Deloitte & Touche LLP
6 Shenton Way
OUE Downtown 2, #33-00
Singapore 068809

Partner In-Charge:
Mr Rankin Brandt Yeo
(Appointed since April 25, 2012)

SPONSOR
RHT Capital Pte. Ltd.
Six Battery Road #10-01
Singapore 049909

Registered Professional:
Mr Tan Chong Huat

* Independent Non-Executive Directors

FINANCIAL CONTENTS

REPORT ON CORPORATE GOVERNANCE

The Company believes in maintaining high standards of corporate governance, and is committed to ensure that effective self-regulatory corporate practices are in place to protect the interests of its shareholders. The Company recognises the importance of practising good corporate governance and fully supports the recommendations of the Code of Corporate Governance 2012 (the "**Code**").

The Company is pleased to disclose below a description of its corporate governance processes and activities with specific reference to the Code. Other than which are explained in this report, the Company has generally complied with the principles and guidelines of the Code where applicable, relevant and practical to the Group.

PRINCIPLE 1: BOARD'S CONDUCT OF ITS AFFAIRS

In managing the Group's business, the Board performs the following key functions:

(1) Provide Entrepreneurial Leadership;

(2) Supervises the overall management of the business and affairs of the Group;

(3) Establish and approves the Company's key strategic and operational matters, financial and funding decisions;

(4) Regularly reviews business plans of the Group and the Company;

(5) Reviews and monitors financial performance of the Group and the Company;

(6) Establishes and maintains a sound system of internal controls, covering not only financial controls but also operational and compliance controls; and

(7) Reviews the adequacy and improvement of the Group's internal controls systems.

To assist the Board in discharging its responsibilities, the Board delegates specific authority to its Board committees namely, the Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"). The roles and responsibilities of the Board committees are set out separately in this report.

The Board meets at least 4 times a year, and from time to time as warranted by particular circumstances. The Company's Constitution allows Board meetings to be conducted by way of telephone conferencing or any other electronic means of communication. Details of Directors' attendance at Board and Board committees meetings, as well as the frequency of such meetings held in the financial year ended 31 December 2015 ("**FY2015**") are summarized in the table below:

Directors	Board Meetings	AC Meetings	RC Meetings	NC Meetings
Mr Jeffrey Hing Yih Peir**	8	–	–	1
Mr Low Beng Tin	8	–	–	–
Mr Renny Yeo Ah Kiang	8	5	3	2
Mr Bernard Tay Ah Kong	7	4	3	2
Mr Lai Kwok Seng	8	5	3	2
Mr Goh Yeow Tin*	2	1	1	1
Total Meetings Held in 2015	**8**	**5**	**3**	**2**

* *Retired as Director of the Company on 23 April 2015.*

** *Appointed as a member of the Nominating Committee on 3 July 2015.*

REPORT ON CORPORATE GOVERNANCE

The Board has adopted internal guidelines and matters that require Board approval, including appointment of Directors, major funding and investment proposals and material capital expenditures.

The approval of the Board is required for any matter which is likely to have a material impact on the Group's operating divisions and/or financial positions as well as matters other than in the ordinary course of business.

Each newly appointed Director will be provided a formal letter setting out his duties, obligations and terms of appointment. Newly appointed Directors will also be briefed on the Group's business activities and its strategic directions as well as statutory and other responsibilities as a Director. Newly appointed Directors will be recommended by the NC to attend training in the roles and responsibilities of a listed company director if they do not have any prior experience.

The Directors are provided with updates on changes in relevant laws and regulations, where appropriate, to enable them to make well-informed decisions and to discharge their duties responsibly.

To keep abreast with developments in corporate, financial, legal and other compliance requirements, Directors are encouraged to attend relevant courses, conferences and seminars funded by the Company.

During the year under review, the Directors have attended relevant trainings to keep themselves abreast of the latest changes and developments in the areas of corporate, financial, legal and other compliance topics.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board comprises 5 members, of whom, 2 are Executive Directors and 3 are Independent Non-Executive Directors.

As at the date of this report, the Board comprises the following Directors:

Jeffrey Hing Yih Peir	–	Executive Chairman and Managing Director
Low Beng Tin	–	Executive Director
Renny Yeo Ah Kiang	–	Lead Independent Director
Bernard Tay Ah Kong	–	Independent Non-Executive Director
Lai Kwok Seng	–	Independent Non-Executive Director

The NC had reviewed the independence of each Director for FY2015 in accordance with the Code's definition of independence, and is satisfied that more than 50% of the Board continues to be independent.

The Board is of the view that there exists a sufficiently strong element of independence on the Board to enable independent exercise of objective judgment of corporate affairs of the Group, taking into account factors such as the number of Independent Non-Executive Directors on the Board, as well as the size and scope of the affairs and operations of the Group. The Board derives its strength from the background, diversity, skills and experience of the Board members.

As a group, the Directors bring with them a broad range of expertise and experience in areas such as finance, law, corporate, business and management experience and knowledge. The Board considers the combination of experience, knowledge and expertise of its members to be balanced and effective in carrying out its functions.

The Code states that the independence of any Director who has served on the Board beyond 9 years from the date of his first appointment, should be subject to particularly rigorous review. The NC had assessed the independence of each Director, including Directors whose tenure had exceeded 9 years from the date of their first appointment.

REPORT ON CORPORATE GOVERNANCE

In respect of Independent Directors, Mr Bernard Tay Ah Kong and Mr Lai Kwok Seng, who have served on the Board for more than 9 years since their first date of appointment on 15 December 2000 and 12 August 2005 respectively, the NC had reviewed and confirmed that they continue to be independent after taking into consideration the following factors:

(i) There has been a change in the controlling shareholder of the Company in January 2011.

(ii) The considerable amount of experience and wealth of knowledge they bring to the Company.

(iii) Their attendance and active participation in the proceedings and decision making process of the Board and Board committee meetings.

(iv) The qualifications and expertise of both Directors provide reasonable check and balances for Management.

(v) Both Mr Bernard Tay and Mr Lai have provided continuity and stability as well as valuable experience to the Board of the Company and the Group.

(vi) Both Mr Bernard Tay and Mr Lai provide adequate attention and sufficient time devoted to the proceedings and business of the Company and are adequately prepared and responsive and heavily involved in discussions at Board and Board committee meetings.

(vii) Both Mr Bernard Tay and Mr Lai provide overall guidance to Management and act as safeguard for the protection of the Company's assets and shareholders' interests.

Accordingly, the NC had recommended to the Board that they continue to be considered independent notwithstanding they have served on the Board for more than 9 years from the date of their first appointment.

The NC also noted that Mr Renny Yeo was first appointed on 12 August 2005. However, as he was re-designated an Independent Non-Executive Director on 1 March 2010, he would not be considered as having served the Board beyond 9 years.

Messrs Bernard Tay, Renny Yeo and Lai Kwok Seng, being NC members, abstained from any discussion and voting on the matter.

None of the aforesaid Independent Directors are related to and do not have any relationship with the Company, its related corporations, its 10% shareholders, or its officers or are in any circumstances 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 had concurred with the NC's assessment.

Details of the Board members are set out in the "Board of Directors" section of the Annual Report.

The Independent Non-Executive Directors contribute to the Board by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide different perspectives to the Group's business. While challenging Management's proposals or decisions, they bring independent judgment to bear on business activities and transactions, involving conflicts of interest and other complexities.

Where appropriate and necessary, the Independent Non-Executive Directors would also meet without the presence of Management.

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Jeffrey Hing Yih Peir was re-designated as the Executive Chairman and Managing Director ("**MD**") on 1 March 2016 as announced by the Company on 29 February 2016. Following the re-designation of Mr Hing as the Executive Chairman and MD, Mr Low Beng Tin relinquished his role as Executive Chairman and MD of the Company on 1 March 2016 but remains as an Executive Director.

Mr Hing plays an instrumental role in developing the business of the Group. Mr Hing will also provide the Group with strong leadership and vision. The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure as the current scale of the Group's business does not warrant a division of duties.

As Chairman of the Board, and with the assistance of the Company Secretary, Mr Hing ensures that Board meetings are held when necessary, sets the Board meeting agenda and ensures that Directors receive adequate and timely information. Mr Hing also facilitates constructive relationship between the Board and Management, executes strategic plans and ensures that Directors are kept updated and informed of the Group's business. As MD, Mr Hing is responsible for the day-to-day management of the Group's affairs and ensures that views of shareholders are considered appropriately.

Mr Renny Yeo was appointed the Lead Independent Director on 3 March 2014. As Lead Independent Director, Mr Yeo is available to shareholders should they have concerns or issues for which communication with the Executive Chairman/ MD or Chief Financial Officer has failed to resolve or where such communication is inappropriate.

Where appropriate and necessary, the Independent Directors would meet without the presence of the other Directors and Management, for the Lead Independent Director to provide any feedback to the Chairman.

PRINCIPLE 4: BOARD MEMBERSHIP

Nominating Committee ("NC")

The NC, regulated by written terms of reference, comprises 4 members, the majority of whom are Independent Non-Executive Directors. The NC Chairman is an Independent Director and is not associated with any substantial shareholder. The current composition of the NC is as follows:

Chairman: Mr Lai Kwok Seng

Members: Mr Bernard Tay Ah Kong
Mr Renny Yeo Ah Kiang
Mr Jeffrey Hing Yih Peir

The key objectives of the NC are to ensure that there is a formal and transparent process in the nomination, appointment and re-appointment of Directors to the Board and to assess the effectiveness and contribution of the Board and its members to the welfare, strategic growth and development of the Company.

The terms of reference of the NC had been amended to be in line with the recommendations of the Code. The principal functions of the NC are summarised as follows:

(1) Reviews the Board structure, size and composition and makes recommendations to the Board with regard to any adjustments that are deemed necessary;

(2) Identifies candidates, reviews and makes recommendations to the Board on all nominations for Board appointments or re-appointments;

REPORT ON CORPORATE GOVERNANCE

(3) Determines the independence of each Director (in accordance with principles 2.3 and 2.4 of the Code) and assesses the adequacy of Board members with multiple board representations;

(4) Evaluates Board's performance and proposes objective performance criteria, where appropriate, for the Board's approval;

(5) Assesses the effectiveness of the Board as a whole, and the performance and contribution of each Director; and

(6) Reviews training and professional development programmes for the Board.

In accordance with the Company's Constitution, one-third of the Board retires by rotation and all newly appointed Directors retire at the next Annual General Meeting ("**AGM**") following their appointments. The retiring Directors are eligible to offer themselves for re-election.

The NC had recommended the re-appointment of the following Directors who will be retiring at the forthcoming AGM, following a review of their performance and contributions:

– Mr Bernard Tay Ah Kong
– Mr Lai Kwok Seng

Accordingly, the NC recommended to the Board the nomination of Mr Bernard Tay Ah Kong and Mr Lai Kwok Seng for re-election as Directors at the Company's forthcoming AGM. The Board had accepted the recommendation of the NC, and accordingly, Mr Bernard Tay Ah Kong and Mr Lai Kwok Seng will be offering themselves for re-election.

Having regard to the attendance of the Directors, their contributions at meetings of the Board and Board Committees, and their time commitment to the affairs of the Company, the Board, with the concurrence of the NC, has agreed that the Company shall not impose a maximum number of listed company board representations and other principal commitments on each Director.

In determining whether each Director is able to devote sufficient time to discharge their duties as Directors of the Company, the NC has taken cognizance of the Code's requirement, but is of the view that its assessment should not be restricted to the number of board representations of each Director and their respective principal commitments. The contributions by Directors to and during meetings of the Board and Board Committees as well as their attendance at such meetings should also be taken into account.

The NC would however continue to review from time to time, the Directors' board representations and other principal commitments to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

None of the Directors have appointed any alternate Director(s).

The NC had also adopted an NC Procedures and Director Qualification Criteria. This provides the procedures for the identification of potential candidates, a review of the candidates' skills, knowledge and experience, an assessment of candidates' suitability and finally recommending their appointments or otherwise for the consideration and approval by the Board.

The relevant information on each of the above-named Directors is set out in the "Board of Directors" section of the Annual Report.

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 5: BOARD PERFORMANCE

The Board carried out an assessment of its performance as a whole, for the financial year under review. This process involves the completion of a questionnaire by Board members. A summary of findings was prepared based on the completed questionnaires and was reviewed and deliberated by the NC. The Chairman of the NC confers with the Chairman of the Board on the findings and appropriate follow-up actions were taken as necessary. No external facilitator had been engaged by the Board for this purpose.

The evaluation on the Board performance deals with matters on Board's composition, size and expertise, timelines of Board information, accountability and processes, amongst other things.

As the Board committees, namely AC, NC and RC, comprise a majority of the members who are Independent Non-Executive Directors, the NC had reviewed and considered that separate assessment of the effectiveness of each Board committee as recommended by the Code was not deemed necessary and that assessment of the Board as a whole was sufficient for the time being. A formal evaluation for the Board Committees would be implemented for FY2016.

PRINCIPLE 6: ACCESS TO INFORMATION

The Directors in their individual capacity have separate and independent access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, the Directors are provided with the relevant documents and information to enable them to obtain a comprehensive understanding of the issues to deliberate upon and to enable them to arrive at an informed decision.

Management provides Board members with timely management accounts. Information on major developments and material transactions are also circulated to Directors, as and when deemed appropriate.

The Directors have direct and independent access to Management and the Company Secretary. The Company Secretary provides advice, secretarial support and assistance to the Board and ensure adherence to Board procedures and relevant rules and regulations applicable to the Company. The Company Secretary and/or her representative(s) attend all Board and Board committee meetings.

Pursuant to the Company's Constitution, the appointment and removal of the Company Secretary requires approval of the Board as a whole.

The Directors, whether as a group or individually, may seek independent professional advice to fulfil their duties and such cost will be borne by the Company.

REPORT ON CORPORATE GOVERNANCE

REMUNERATION MATTERS

PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION
PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The RC, regulated by its written terms of reference, comprises 3 members, all of whom are Independent Non-Executive Directors, as follows:

Chairman: Mr Renny Yeo Ah Kiang

Members: Mr Bernard Tay Ah Kong
Mr Lai Kwok Seng

The terms of reference of the RC had been amended to be in line with the recommendations of the Code. The principal functions of the RC are summarized as follows:

(1) Reviews and recommends to the Board a framework of remuneration for the Directors and key management personnel;

(2) Reviews and recommends the remuneration of the Executive Directors and fees for the Non-Executive and Independent Directors which are subject to shareholders' approval at the AGM;

(3) Reviews the remuneration of key management personnel;

(4) Reviews and recommends to the Board the terms of renewal of Directors' service contracts; and

(5) Performs such other duties as may be agreed by the RC and the Board.

The RC is assisted by the Group's human resource department. The RC may from time to time seek external professional advice on remuneration matters, if required.

The RC also reviews the recommendation from the MD on the remuneration of key management personnel of the Group. The RC considers amongst other things, the Directors' and key management personnel's responsibilities and contributions to the Company's performance and ensures that their rewards are linked to corporate and individual performance.

In setting remuneration packages for Executive Directors of the Company and key management personnel of the Group, the pay and the employment conditions within the industry and in comparable companies are taken into account to maintain an appropriate and competitive level of remuneration that will attract, retain and motivate key management personnel. Each RC member abstains from deciding and recommending his own fees. No Director was involved in determining his own remuneration.

Executive Directors are on Employment Contracts which can be terminated by either party by giving not less than 12 months notice and are subject to review each year.

Directors' fees payable to the Independent Non-Executive Directors are set in accordance within a remuneration framework and in consideration of their contributions, effort, time incurred and responsibilities.

The RC has recommended to the Board an amount of up to S$250,000 as Directors' fees for the year ending 31 December 2016, to be paid quarterly in arrears. The Board will table the recommendation of Directors' fees at the Company's forthcoming AGM for shareholders' approval.

REPORT ON CORPORATE GOVERNANCE

The Company has in place a remuneration policy for Executive Directors and key management personnel which comprises a fixed and variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the Company and individual performance. Executive Directors' and key management personnel's appraisals are conducted on an annual basis.

The Company does not have any long-term incentive or share option scheme in place.

The remuneration of Executive and Independent Directors are set appropriate to the level of their contribution, taking into account factors such as effort and time spent, and responsibilities of each Director.

Breakdowns (in percentage terms) of the Directors' remuneration and that of the Group's top executives (who are not Directors of the Company), for FY2015 are as follows:

Remuneration Band	Name of Director	Salary and CPF	Bonus and other variable performance components	Allowances and other benefits	Director's Fee	Total
Below $250,000	Mr Jeffrey Hing Yih Peir	48%	–	–	52%	100%
	Mr Renny Yeo Ah Kiang	–	–	–	100%	100%
	Mr Bernard Tay Ah Kong	–	–	–	100%	100%
	Mr Lai Kwok Seng	–	–	–	100%	100%
	Mr Goh Yeow Tin*	–	–	–	100%	100%
S$250,000 to below S$500,000	Mr Low Beng Tin	92%	8%	–	–	100%

* *Mr Goh Yeow Tin retired as an Independent Director of the Company on 23 April 2015.*

Remuneration of top 5 Key Management Personnel (who are not Directors of the Company)

The Company noted that under the Code, the remuneration details of the top 5 Key Management Personnel are to be disclosed. However, with the disposal of the Company's Distribution business, there are only 2 Key Management Personnel (who are not Directors) and their remuneration are below S$250,000/–.

Given the highly competitive industry conditions, confidentiality and commercial sensitivity attached to remuneration matters, the Board was of the view that detailed disclosure of the aggregate remuneration paid to the Company's Executive Directors and its key management personnel would not be in the interest of the Company.

There were no employees in the Group who are immediate family members of a Director or the Executive Chairman/MD.

The RC noted the Code's recommendation for the disclosure of information on the link between remuneration paid to the Executive Directors and key management personnel, and performance. For reasons of sensitivity and confidentiality of remuneration matters, the Board is of the view that detailed disclosure of performance conditions/targets should not be disclosed.

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 10: ACCOUNTABILITY & AUDIT

The Board is accountable to the shareholders while Management is accountable to the Board. The Directors and executive officers of the Group have each signed the respective undertakings in the form set out in Appendix 7H of the Listing Rules to undertake to use their best endeavours to comply with Singapore Exchange Securities Trading Limited ("**SGX-ST**") Listing Rules and to procure that the Company shall so comply. Management presents quarterly financial statements to the AC and Board for review and approval. The Board approves and authorises the release of the Company's quarterly, half-yearly and full-year results, as well as all discloseable material information in relation to the Group, via SGXNET, to SGX-ST and the investing public.

The Board takes adequate steps to ensure compliance with legislative and regulatory requirements, where appropriate.

Management provides the Board with management accounts and such explanation and information relating to the Group's performance on a regular basis and as the Board may require from time to time to enable the Board in understanding and making a balanced and informed assessment of the Group's performance, position and prospects.

PRINCIPLE 11: RISK MANAGEMENT & INTERNAL CONTROLS

The Board is responsible for the governance of the risk and internal control framework, but acknowledges that no cost-effective internal control system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives. The risk management system in place can provide only reasonable and not absolute assurance against business risks. The internal controls in place will address the financial, operational, compliance and information technology risks and the objectives of these controls are to provide reasonable assurance that there are no material financial misstatements, there are maintenance of proper accounting records, financial information is reliable and assets are safeguarded.

The Group has in place a Risk Working Group ("RWG") comprising the MD and key management personnel to assist the Board in its oversight of risk governance and risk management in the Group.

The Group's Risk Management Framework covers financial, operational, compliance and information technology risks, and helps Management to identify, compile, categorise, assess, manage and monitor key risks factors of the Group. The key risks identified are deliberated by key management. Upon the completion of the acquisition of a new business in 2016, the Group will reassess its risks and internal controls for FY2016.

The Risk Management Framework is complemented by the Group's system of internal controls, which includes the Code of Conduct, documented policies and procedures, proper segregation of duties, approval procedures and other checks-and-balances built into the business processes.

A Group associated company in Thailand is involved in a dispute relating to breaches of a lease agreement. The Group's legal counsel has advised that the claim is baseless and the counterparty is not entitled to any claim. The Management is therefore of the view that the claim will not have a material adverse impact on the financial position and financial performance of the Group. Details are available in Note 39 in the Notes to Financial Statements for the year ended December 31, 2015.

To ensure that internal controls and risk management processes are adequate and effective, the AC is assisted by various independent professional service providers. The assistance of the internal and external auditors enabled the AC to carry out assessments of the effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls or recommendations from the internal and external auditors to further improve and enhance the internal controls were reported to the AC. The AC will also follow up on the actions taken by the

REPORT ON CORPORATE GOVERNANCE

Management on the recommendations made by the internal and external auditors. Based on the reports submitted by the internal and external auditors received by the AC and the Board, nothing material has come to the attention of the AC and the Board to cause the AC and the Board to believe that the internal controls and risk management processes are not satisfactory for the type and size of business conducted.

The Directors have received and considered the representation letters from the MD, the Chief Financial Officer, and Management of the key subsidiaries in relation to the financial information for the year. The MD and the Chief Financial Officer have assured the Board that:

a. The financial records have been properly maintained and the financial statements for the FY2015 give a true and fair view in all material respects, of the Company's operations and finances; and

b. The Group's internal control systems are operating effectively in all material respects given its current business environment.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by Management, the Board with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems are adequate and effective in addressing the financial, operational, compliance and information technology risks of the Group.

PRINCIPLE 12: AUDIT COMMITTEE ("AC")

The AC comprises 3 members, all of whom are Independent Non-Executive Directors, as follows:

Chairman:	Mr Bernard Tay Ah Kong
Members:	Mr Lai Kwok Seng
	Mr Renny Yeo Ah Kiang

All AC members bring with them invaluable managerial and professional expertise in the financial, legal and business management spheres. The Board is of the view that the AC has the relevant and recent financial management expertise and experience to discharge its responsibilities properly.

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

The AC is regulated by a written set of terms of reference. The terms of reference of the AC had been amended to be in line with the recommendations of the Code.

The AC performs the following key functions:

1. Reviews the audit plans of both the external and internal auditors;
2. Reviews the result of the internal auditors' examination and evaluation of internal controls of the Company and its subsidiaries, to determine overall effectiveness of the Company's internal audit functions;
3. Reviews the Group's financial and operating results and accounting policies;
4. Reviews the financial statements of the Company, the consolidated financial statements and external auditors' report on those financial statements, before submission to the Board for approval;
5. Reviews the quarterly, half-yearly and full-year results announcements and financial position of the Group and the Company before submission to the Board for approval;

REPORT ON CORPORATE GOVERNANCE

6. Reviews transactions with interested persons and related parties;
7. Reviews the co-operation and assistance given by the Management to the Group's external and internal auditors and determines that no restrictions were imposed on the scope of the external and internal auditors' examination;
8. Reviews the actions taken by the Management in response to the internal auditors' recommendations;
9. Reviews the suitability of external auditors appointed for the Group's significant foreign-incorporated subsidiaries and associate companies;
10. Reviews and recommends the nomination of the appointment and re-appointment of external auditors; and
11. Review of whistle-blowing reports (if any).

Annually, the AC meets with the external and internal auditors, without the presence of Management.

The AC has reviewed the nature and extent of all audit and non-audit services performed by the external auditors to establish whether their independence had in any way been compromised. The AC is of the opinion that the provision of non-audit services did not affect the independence or objectivity of the external auditors. The audit and non-audit fees paid to the Company's auditors are S$108,000 and S$10,000 respectively for FY2015.

In line with the recommendation of the Code to put in place, arrangements to encourage and to provide a channel for staff of the Group and external parties to report and to raise in good faith and in confidence, any concerns about possible improprieties in matters of financial reporting or other matters, the AC has implemented a "Whistle-Blowing & Fraud Policy" to ensure that there are arrangements in place, for independent investigation of such matters and concerns raised on financial or other improprieties, and for appropriate follow-up action. The "Whistle-Blowing & Fraud Policy" allows for staff of the Group and external parties to make reports to designated email address and Post Box mailing independently administered and managed by an external service provider.

The AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with updates being provided by the external and internal auditors.

The AC meets at least 4 times a year, and as and when deemed appropriate, to carry out its functions and has direct access to, and full co-operation of the Management.

The external auditors of the Company, its Singapore-incorporated subsidiaries and significant foreign-incorporated subsidiaries are Deloitte & Touche LLP and overseas practices of Deloitte & Touche Tohmatsu Limited. Accordingly, the Company has complied with Rules 712 and 715 of Section B of the Listing Manual.

The AC has nominated Deloitte & Touche LLP for re-appointment as the Company's auditors at the forthcoming AGM.

PRINCIPLE 13: INTERNAL AUDIT ("IA")

The Company's internal audit function is outsourced to Messrs One e-Risk Services Pte Ltd, who is independent of the Company's business activities. The AC approves the appointment, removal, evaluation and compensation of the internal auditors.

The IA function is adequately resourced and has appropriate standing within the Company. The IA function is also adequately staffed with persons with the relevant qualifications and experience.

REPORT ON CORPORATE GOVERNANCE

The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. The internal auditors review the effectiveness of key internal controls in accordance with the internal audit plan. The internal auditors have a direct and primary reporting line to the AC and assist the AC in overseeing and monitoring the implementation and improvements required on internal control weaknesses identified.

The function of the IA is carried out according to the standards set by nationally or internationally recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by The Institute of Internal Auditors.

The AC assesses the adequacy and effectiveness of the internal audit function annually.

PRINCIPLE 14: SHAREHOLDERS' RIGHTS & RESPONSIBILITIES

The Group treats all shareholders fairly and equitably, and recognizes, protects and facilitates the exercise of shareholders' rights.

Shareholders are informed of changes in the Company's businesses that are likely to materially affect the price or value of the Company's shares.

At each AGM and/or General Meetings, shareholders are given the opportunity to participate effectively and raise their concerns with the Directors and Management on matters pertaining to the Group's and its operations. Any notice of a general meeting of shareholders is despatched at least 14 days before the scheduled date for such meeting.

PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS

The Board believes in timely communication of information to shareholders and the investing public. It is the Board's policy that all shareholders and the investing public should be equally, and timely informed of all major developments that impact the Group and Company.

Information is communicated to shareholders and the investing public through the following channels:

– Details of all general meetings via SGXNET, notices published in newspapers and circulars/reports;
– Annual reports that are issued to all shareholders. The Board makes every effort to ensure that the Annual Report include all relevant information on the Group, including current developments, strategic plans and disclosures required under the Singapore Companies Act, Singapore Financial Reporting Standards, etc; and
– Announcements of quarterly, half-yearly and full-year results released via SGXNET; announcements relating to major developments of the Group made via SGXNET; press and analysts' briefings as may be appropriate.

To better understand the views of shareholders and investors, the Company conducts meetings with the investment community from time to time to discuss the Company's financial performance and corporate developments. To encourage communication with investors, the Company's annual reports provide Investor Relations contact information as channels to address inquiries from shareholders and investors.

The Company does not have a fixed dividend policy. The form, frequency, and/or amount of dividends will depend on the Company's cash, earnings, gearings, financial performance and position, project capital expenditure, future investment plans, funding requirements and any other factor that the Directors considers relevant. The Company will communicate any dividend payouts to shareholders via announcements released to SGX-ST via SGXNET.

REPORT ON CORPORATE GOVERNANCE

PRINCIPLE 16: CONDUCT OF SHAREHOLDERS' MEETING

The Group fully supports the Code's principle to encourage shareholders' participation and to vote at general meetings of shareholders. The Company's Constitution allows the appointment of one or two proxies by shareholders, to attend AGM and/or any other General Meetings and vote in his/her place. The Company, however, has not implemented measures to allow shareholders who are unable to vote in person at the Company's AGM the option to vote in absentia, such as, via mail, electronic mail or facsimile transactions.

Resolutions are, as far as possible, structured separately and may be voted on independently.

AGM and/or other General Meetings are the principal forum for dialogue with shareholders. All Directors, the Board Chairman and the respective Chairman of the AC, NC and RC as well as the external auditors, are usually present and available at these meetings to address any queries raised by shareholders on the Group's business and affairs, conduct of the audit and the preparation and content of auditors report, where appropriate.

To enhance shareholder participation, the Group puts all resolutions at general meetings to vote by poll since 2015 and announces the results by showing the number of votes cast for and against each resolution and the respective percentage to the audience at the general meetings. The polling results are also announced to the SGX-ST after the meetings.

The Company Secretary prepares minutes of general meetings relating to the agenda of the meeting. These are available to shareholders upon their request.

INTERESTED PERSON TRANSACTIONS

The Company has established internal control policies to ensure that transactions with interested persons are properly reviewed and approved and are conducted at arms' length basis. All interested person transactions are subject to review by the AC.

The aggregate value of the interested person transactions entered into during FY2015 which exceeded S$100,000/– were as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000/–)
Nil	–

The Company does not have a shareholders' mandate for interested person transactions.

SECURITIES TRANSACTIONS

The Group has adopted a Code of Best Practice Guides for Dealings in Securities (the "**Securities Code**") which sets out the policy on dealings in securities of the Company and implications of Insider Trading.

In line with the Securities Code, Directors, key officers and employees of the Group who have access to unpublished price-sensitive and confidential information have been informed not to deal in the securities of the Company, at least two weeks before the release of the quarterly financial results and at least one month before the release of the half-year and full-year financial results to SGX-ST and ending on the date of announcement of the relevant results, or when they are in possession of any unpublished material price-sensitive information.

Directors, key officers and employees are also discouraged to deal in the Company's securities on short-term considerations.

REPORT ON CORPORATE GOVERNANCE

RISK MANAGEMENT AND PROCESSES

Information relating to the Group's risk management policies and processes are set out on page 54 of the Annual Report.

MATERIAL CONTRACTS

Since the end of the previous financial year, the Company and its subsidiaries did not enter into any material contracts involving the interests of Directors or controlling shareholders and no other material contract subsist at the end of the financial year.

CODE OF BUSINESS CONDUCT

The Directors, officers and employees are required to observe and maintain high standards of integrity, as are in compliance with the law and the regulations and the Company's policies.

SPONSORSHIP

Pursuant to Catalist Rule 1204(21), the Company did not pay any non-sponsor fee to the Company's sponsor, RHT Capital Pte. Ltd..

NON-CONFLICT OF INTERESTS

Mr Bernard Tay Ah Kong, AC Chairman of the Company, has declared to the Directors that he has chaired the risk committee of RHT Capital Pte. Ltd. ("**RHT Capital**"), since 26 August 2011. RHT Capital has been the Company's sponsor since 18 February 2012. Mr Tay is appointed as the Independent Chairman and member of the risk committee of RHT Capital which, inter-alia, oversees and advises on all risk, independence and conflict of interest aspects of RHT Capital's activities. Mr Tay is not a shareholder or Director of RHT Capital. The NC, with the concurrence of the Board, is of the view that there is no conflict of interest arising from his aforesaid roles. He abstains from voting on any resolution where it relates to the appointment of RHT Capital and RHTLaw Taylor Wessing LLP or their related companies.

DIRECTORS' STATEMENT

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2015.

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 29 to 85 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 December 31, 2015, and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

1 DIRECTORS

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

Jeffrey Hing Yih Peir
Low Beng Tin
Renny Yeo Ah Kiang
Bernard Tay Ah Kong
Lai Kwok Seng

2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Names of directors and company in which interests are held	**Shareholdings registered in the names of directors**		**Shareholdings in which directors are deemed to have interests**	
	At beginning of year	**At end of year**	**At beginning of year**	**At end of year**
OEL (Holdings) Limited				
(Ordinary shares)				
Jeffrey Hing Yih Peir	195,000	195,000	197,350,000[1]	197,350,000[1]
Low Beng Tin	4,769,754	4,769,754	28,000,000[2]	28,000,000[2]
Renny Yeo Ah Kiang	1,765,000	1,765,000	–	–

(1) 164,350,000 shares (2014: 197,350,000 shares) were registered in the name of Phillip Securities Pte Ltd and 33,000,000 shares (2014: Nil) were registered in the name of Pacific Alliance Asia Opportunity Fund L.P..

(2) 28,000,000 shares (2014: 28,000,000 shares) were registered in the name of a nominee, Bank of Singapore Nominees Pte Ltd.

The directors' interests in the shares of the Company at January 21, 2016 were the same at December 31, 2015.

DIRECTORS' STATEMENT

4 SHARE OPTIONS

(a) *Options to take up unissued shares*

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

(b) *Options exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

(c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

5 AUDIT COMMITTEE

The Audit Committee of the Company, consists of all independent non-executive directors, is chaired by Mr Bernard Tay Ah Kong and includes Mr Lai Kwok Seng and Mr Renny Yeo Ah Kiang. The Audit Committee meets at least 4 times a year, and as and when deemed appropriate to review the following, where relevant with the executive directors and external and internal auditors of the Company:

(a) the external and internal audit plans and audit reports, the scope and results of the internal audit procedures and results of the internal auditors' examination and evaluation of the Group's system of internal accounting controls;

(b) the Group's financial and operating results and accounting policies;

(c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;

(d) the quarterly, half-yearly and annual announcements as well as the related press releases (if any) on the results and financial position of the Group and the Company;

(e) the co-operation and assistance given by the management to the Company's internal and external auditors;

(f) the re-appointment of the external auditors of the Company; and

(g) interested person transactions.

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors at the forthcoming Annual General Meeting of the Company.

DIRECTORS' STATEMENT

6 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

....
Jeffrey Hing Yih Peir

....
Low Beng Tin

March 31, 2016

INDEPENDENT AUDITORS' REPORT
TO THE MEMBERS OF OEL (HOLDINGS) LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of OEL (Holdings) Limited (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at December 31, 2015, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 29 to 85.

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 (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.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal 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 statement of financial position 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 December 31, 2015 and 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.

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF OEL (HOLDINGS) LIMITED

Emphasis of Matters

We draw attention to the following matters in the notes to the financial statements concerning significant judgements, including the use of estimates:

(i) The Group incurred net losses from its continuing operations of $9.5 million and $20.5 million for the years ended December 31, 2015 and December 31, 2014, respectively, and the Company incurred net losses of $12.0 million and $32.4 million for the years ended December 31, 2015 and December 31, 2014, respectively. As at December 31, 2015, the Group has net current assets of $0.7 million, comprising total current assets of $12.5 million, of which $9.0 million relates to other assets held for sale and inventories previously under arbitrations (Note 38), and total current liabilities of $11.8 million. The Company has net current liabilities of $0.9 million as at December 31, 2015. The financial statements have been prepared on a going concern basis which contemplating the realisation of assets and the satisfaction of liabilities in the normal course of business. Details are set out in Notes 1 and 3 to the financial statements.

(ii) A claim has been filed by Bangkok Dock Company Limited ("BDC") in Thailand against OCT Co. Ltd. ("OCT"), an associated company of the Group in relation to a lease agreement entered into between BDC and OCT for the use of the Mahidol Adulyadej Royal Navy Dock, Thailand (the "Shipyard"). OCT sub-leases the Shipyard to OSC Co. Ltd, a wholly-owned subsidiary of the Group for its operations in the Shipyard. Management is of the view that the claim by BDC will not have a material adverse impact on the financial position and financial performance of the Group. If the outcome of the claims is not favorable to the associated company, the Group's Shipyard operations may be significantly impacted. Details are set out in Note 39 to the financial statements.

These conditions indicate the existence of material uncertainties that may cast significant doubt on the Group's and the Company's ability to continue as a going concern.

Our opinion is not modified in respect of these matters.

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 auditors have been properly kept in accordance with the provisions of the Act.

DELOITTE & TOUCHE LLP
Public Accountants and
Chartered Accountants
Singapore

March 31, 2016

STATEMENTS OF FINANCIAL POSITION

DECEMBER 31, 2015

	Note	Group 2015 $'000	Group 2014 $'000	Company 2015 $'000	Company 2014 $'000
ASSETS					
Current assets					
Cash and bank balances	7	1,534	6,221	1,295	5,982
Trade receivables	8	154	7,355	24	40
Other receivables	9	1,673	5,152	30	9,358
Other current assets	10	3,000	–	–	–
Inventories	12	6,136	6,162	–	–
Total current assets		12,497	24,890	1,349	15,380
Non-current assets					
Subsidiaries	13	–	–	–	–
Associates	14	–	–	–	26
Other non-current assets	15	12	12	38	12
Property, plant and equipment	16	9,854	12,327	4,773	4,961
Investment property	17	3,741	3,741	3,741	3,741
Total non-current assets		13,607	16,080	8,552	8,740
Total assets		26,104	40,970	9,901	24,120
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	18	8,841	12,104	268	168
Other payables	19	2,409	7,388	1,465	3,587
Current portion of finance leases	20	33	33	33	33
Bank loans	21	500	540	500	540
Total current liabilities		11,783	20,065	2,266	4,328
Non-current liabilities					
Finance leases	20	33	66	33	66
Deferred tax liabilities	22	288	411	288	411
Total non-current liabilities		321	477	321	477
Capital and reserves					
Share capital	23	38,530	38,530	38,530	38,530
Currency translation reserve	24	1,084	(1,956)	–	–
Revaluation reserve	25	6,539	6,539	6,539	6,539
Share issue reserve	26	(182)	(182)	(182)	(182)
Accumulated losses		(31,971)	(22,503)	(37,573)	(25,572)
Net equity		14,000	20,428	7,314	19,315
Total liabilities and equity		26,104	40,970	9,901	24,120

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

YEAR ENDED DECEMBER 31, 2015

	Note	Group 2015 $'000	Group 2014 $'000
Continuing operations			
Revenue	27	2,623	4,310
Cost of sales		(6,367)	(19,521)
Gross loss		(3,744)	(15,211)
Other operating income	28	1,074	8,614
Distribution costs		(44)	(138)
Administrative expenses		(2,290)	(8,544)
Other operating expenses	29	(4,563)	(6,558)
Share of loss of associate	14	–	(26)
Finance costs	30	(24)	(56)
Loss before tax		(9,591)	(21,919)
Income tax benefit	31	123	1,379
Loss for the year from continuing operations	33	(9,468)	(20,540)
Discontinued operation			
Profit for the year from discontinued operation	32	–	1,128
Loss for the year		(9,468)	(19,412)
Other comprehensive income (loss):			
Item that will not be reclassified subsequently to profit or loss – revaluation of property, net of tax		–	142
Item that may be reclassified subsequently to profit or loss – exchange differences on translation of foreign operations		3,040	(3,193)
Other comprehensive income (loss) for the year		3,040	(3,051)
Total comprehensive loss for the year		(6,428)	(22,463)
Loss attributable to:			
Owners of the Company			
Loss for the year from Continuing operations		(9,468)	(20,540)
Profit for the year from Discontinued operation		–	1,461
		(9,468)	(19,079)
Non-controlling interests			
Loss for the year from Discontinued operation		–	(333)
		(9,468)	(19,412)
Total comprehensive loss attributable to:			
Owners of the Company		(6,428)	(22,130)
Non-controlling interests		–	(333)
		(6,428)	(22,463)
Loss per share (cents)	34		
From continuing and discontinued operations:			
Basic and diluted		(1.42)	(2.85)
From continuing operations:			
Basic and diluted		(1.42)	(3.07)

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2015

	Share capital $'000	Currency translation reserve $'000	Revaluation reserve $'000	Share Issue reserve $'000	Accumulated losses $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total $'000
Group								
Balance at January 1, 2014	38,530	1,237	6,397	(182)	(83)	45,899	474	46,373
Total comprehensive (loss) income for the year:								
Loss for the year	–	–	–	–	(19,079)	(19,079)	(333)	(19,412)
Other comprehensive (loss) income for the year	–	(3,193)	142	–	–	(3,051)	–	(3,051)
Total	–	(3,193)	142	–	(19,079)	(22,130)	(333)	(22,463)
Transactions with owners, recognised directly in equity:								
Effect of disposal of a subsidiary (Note 32)	–	–	–	–	–	–	(141)	(141)
Dividends paid (Note 36)	–	–	–	–	(3,341)	(3,341)	–	(3,341)
Total	–	–	–	–	(3,341)	(3,341)	(141)	(3,482)
Balance at December 31, 2014	38,530	(1,956)	6,539	(182)	(22,503)	20,428	–	20,428

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2015

	Share capital $'000	Currency translation reserve $'000	Revaluation reserve $'000	Share Issue reserve $'000	Accumulated losses $'000	Attributable to owners of the Company $'000	Total $'000
Group							
Balance at January 1, 2015	38,530	(1,956)	6,539	(182)	(22,503)	20,428	20,428
Total comprehensive (loss) income for the year:							
Loss for the year	–	–	–	–	(9,468)	(9,468)	(9,468)
Other comprehensive income for the year	–	3,040	–	–	–	3,040	3,040
Total	–	3,040	–	–	(9,468)	(6,428)	(6,428)
Balance at December 31, 2015	38,530	1,084	6,539	(182)	(31,971)	14,000	14,000

See accompanying notes to financial statements.

STATEMENTS OF CHANGES IN EQUITY

YEAR ENDED DECEMBER 31, 2015

	Share capital $'000	Revaluation reserve $'000	Share issue reserve $'000	Retained earnings (Accumulated losses) $'000	Total $'000
Company					
Balance at January 1, 2014	38,530	6,397	(182)	10,122	54,867
Total comprehensive income (loss) for the year:					
Loss for the year	–	–	–	(32,353)	(32,353)
Other comprehensive income for the year	–	142	–	–	142
Total	–	142	–	(32,353)	(32,211)
Transactions with owners, recognised directly in equity:					
Dividends (Note 36)	–	–	–	(3,341)	(3,341)
Balance at December 31, 2014	38,530	6,539	(182)	(25,572)	19,315
Total comprehensive loss for the year:					
Loss for the year	–	–	–	(12,001)	(12,001)
Balance at December 31, 2015	38,530	6,539	(182)	(37,573)	7,314

See accompanying notes to financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED DECEMBER 31, 2015

	Group	
	2015 $'000	2014 $'000
Operating activities		
Loss before tax	(9,591)	(20,791)
Adjustments for:		
Allowance for doubtful trade receivables	–	178
Allowance for doubtful non-trade receivables	9	416
Bad debts written off	–	510
Allowance for inventories	–	4,000
Gain on disposal of a subsidiary	–	(1,780)
Depreciation of property, plant and equipment	1,582	1,641
Loss on disposal of property, plant and equipment	116	117
Impairment of investment in associate	–	370
Impairment of club memberships	12	–
Interest expense	24	138
Interest income	(15)	(44)
Project costs written off	3,200	12,913
Property, plant and equipment written off	61	506
Write back of accruals	652	–
Gain in fair value of investment property	–	(129)
Share of results of associated company	–	26
Operating cash flows before movements in working capital	(3,950)	(1,929)
Trade receivables	386	9,058
Other receivables	3,371	(132)
Inventories	26	(136)
Trade payables	(1,779)	(14,285)
Other payables	(2,936)	(10,730)
Cash used in operations	(4,882)	(18,154)
Income tax refund	–	396
Interest paid	(24)	(138)
Interest received	15	44
Net cash used in operating activities	(4,891)	(17,852)

CONSOLIDATED STATEMENT OF CASH FLOWS
YEAR ENDED DECEMBER 31, 2015

	Group	
	2015	2014
	$'000	$'000
Investing activities		
Purchase of property, plant and equipment	(17)	(2,131)
Purchase of club membership	(12)	–
Disposal of a subsidiary, net of cash disposed (Note 32)	–	1,342
Advances to associate	–	(1,057)
Proceeds on disposal of property, plant and equipment	267	174
Net cash from (used in) investing activities	238	(1,672)
Financing activities		
Proceeds from bank loans	500	–
Repayment of bank loans	(540)	(391)
Repayment of obligations under finance leases	(33)	(121)
Dividends paid	–	(3,341)
Restricted cash	3,806	7,956
Net cash from financing activities	3,733	4,103
Net decrease in cash and cash equivalents	(920)	(15,421)
Cash and cash equivalents at beginning of the year	1,593	16,918
Effect of exchange rate changes on the balance of cash and bank balances held in foreign currencies	39	96
Cash and cash equivalents at end of the year	712	1,593
Cash and cash equivalents consist of:		
Cash and bank balances (Note 7)	1,534	6,221
Less: Restricted cash (Note 7)	(822)	(4,628)
Cash and cash equivalents at end of the year	712	1,593

See accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

1 GENERAL

The Company (Registration No. 198403368H) is incorporated in Singapore with its principal place of business and registered office at No. 8, Aljunied Avenue 3, Singapore 389933. The Company is listed on Catalist, the sponsor-supervised board of the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activities of the Company are that of investment holding and property management.

The principal activities of the subsidiaries and associates are disclosed in Notes 13 and 14 to the financial statements respectively.

Going Concern Assumption

The Group incurred net losses from its continuing operations of $9.5 million and $20.5 million for the years ended December 31, 2015 and December 31, 2014, respectively, and the Company incurred net losses of $12.0 million and $32.4 million for the years ended December 31, 2015 and December 31, 2014, respectively. As at December 31, 2015, the Group has net current assets of $0.7 million, comprising total current assets of $12.5 million, of which $9.0 million relates to other assets held for sale and inventories previously under arbitrations (Note 38), and total current liabilities of $11.8 million. The Company has net current liabilities of $0.9 million as at December 31, 2015.

The matters set out in the paragraph above and in Note 39 indicate the existence of material uncertainties that may cast significant doubt on the Company's and the Group's ability to continue as a going concern, therefore, it may be unable to realise its assets and discharge its liabilities in the normal course of business. Nevertheless, the directors of the Company are of the view that it is appropriate for the financial statements of the Company and the Group to be prepared on a going concern basis. After reviewing the business plans and cash flow forecasts of the Company and the Group for the financial year ending December 31, 2016, the directors believe that the Company and the Group are able to continue as a going concern in the foreseeable future and will be able to realise their assets and discharge their liabilities in the normal course of business as:

- Management is evaluating various strategies to improve the operating and financial position of the Company and the Group. One of the strategies is to continuously streamline its Shipyard operations by focusing on ship repairs and increasing trading activities.

- Undrawn banking facilities are available to provide funding for the operations of the Company and the Group.

- Additional cash flow is expected to be generated from the disposal of the other assets held for sale (Note 10) and inventories (Note 12).

- Management is exploring new business ventures or opportunities such as the proposed acquisition of the oil and gas business venture in China in order to expand the Group's business activities. On June 30, 2015, the Company had entered into a conditional sale and purchase agreement with a third party to acquire certain issued share capital of Allied Resources Limited, together with Jilin Hengli Industries Liability Co., Ltd and Qian An Oilfield Development Co., Ltd with the completion not later than October 31, 2015 (the "long stop date"). The long stop date has been extended to May 31, 2016.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2015 were authorised for issue by the Board of Directors on March 31, 2016.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BASIS OF ACCOUNTING – The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 *Inventories* or value in use in FRS 36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

ADOPTION OF NEW AND REVISED STANDARDS – On January 1, 2015, the Group adopted all the new and revised FRSs and Interpretations of FRS ("INT FRS") that are effective from that date and are relevant to its operations. The adoption of these new/revised FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material impact on the amounts reported for the current or prior years.

At the date of authorisation of these financial statements, the following new/revised FRSs, INT FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 109 *Financial Instruments*[2]
- FRS 115 *Revenue from Contracts with Customers*[2]
- Amendments to FRS 1 *Presentation of Financial Statements: Disclosure Initiative*[1]
- Amendments to FRS 27 *Separate Financial Statements: Equity Method in Separate Financial Statements*[1]
- Amendments to FRS 110 *Consolidated Financial Statements,* ***FRS 112*** *Disclosure of Interests in Other Entities,* ***FRS 28*** *Investments in Associates and Joint Ventures – Investment Entities: Applying the Consolidation Exception*[1]
- Improvements to Financial Reporting Standards (November 2014)[1]

[1] Applies to annual periods beginning on or after 1 January 2016, with early application permitted.
[2] Applies to annual periods beginning on or after 1 January 2018, with early application permitted.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Consequential amendments were also made to various standards as a result of these new/revised standards.

Management anticipates that the adoption of the above FRSs, INT FRSs and amendments to FRS in future periods will not have a material impact on the financial statements of the Group and of the Company in the period of their initial adoption except for the following:

FRS 109 *Financial Instruments*

FRS 109 was issued in December 2014 to replace FRS 39 *Financial Instruments: Recognition and Measurement* and introduced new requirements for (i) the classification and measurement of financial assets and financial liabilities (ii) general hedge accounting (iii) impairment requirements for financial assets.

Key requirements of FRS 109:

- With the adoption of FRS109, entities may make an irrevocable election, at initial recognition, to measure an equity investment (that is not held for trading) at fair value to other comprehensive income (FVTOCI), with only dividend income generally recognised in profit or loss. When such irrevocable election is made, gains and losses on disposal of the equity investment are also recorded in other comprehensive income and are not included in the profit and loss statement.

  Debt investments that are held within a business model whose objective is to collect contractual cash flows that are solely payments of principal and interest on the principal outstanding are generally measured at amortised cost at the end of subsequent accounting periods. Debt instruments that are held within a business model whose objective is achieved both by selling assets and by collecting contractual cash flows on specified dates that are solely payments of principal and interest on the principal amount outstanding, are measured FVTOCI. All other debt investments and equity investments are measured at Fair value to profit or loss (FVTPL) at the end of subsequent accounting periods except when the irrevocable option is made to measure an equity investment (that is not held for trading) at FVTOCI.

- With some exceptions, financial liabilities are generally subsequently measured at amortised cost. With regard to the measurement of financial liabilities designated as at FVTPL, FRS 109 requires that the amount of change in fair value of such financial liability that is attributable to changes in the credit risk to be presented in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch to profit or loss. Changes in fair value attributable to a financial liability's credit risk are not subsequently reclassified to profit or loss.

- In relation to the impairment of financial assets, FRS 109 requires an expected credit loss model, as opposed to an incurred credit loss model under FRS 39. The expected credit loss model requires an entity to account for expected credit losses and changes in those expected credit losses at each reporting date to reflect changes in credit risk since initial recognition. It is no longer necessary for a credit event to have occurred before credit losses are recognised.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

- The new general hedge accounting requirements retain the three types of hedge accounting mechanisms currently available in the existing FRS 39. Under FRS 109, greater flexibility has been introduced to the types of transactions eligible for hedge accounting, specifically broadening the types of instruments that qualify for hedging instruments and the types of risk components of non-financial items that are eligible for hedge accounting. In addition, the effectiveness test has been overhauled and replaced with the principle of an 'economic relationship'. Retrospective assessment of hedge effectiveness is also no longer required. Enhanced disclosure requirements about an entity's risk management activities have also been introduced.

Management is currently evaluating the effects of FRS 109 on the financial statements of the Group and the Company.

FRS 115 *Revenue from Contracts with Customers*

In November 2014, FRS 115 was issued which establishes a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers. FRS 115 will supersede the current revenue recognition guidance including FRS 18 *Revenue*, FRS 11 *Construction Contracts* and the related Interpretations when it becomes effective.

FRS 115 introduces a 5-step approach to revenue recognition:

- Step 1: Identify the contracts with a customer.
- Step 2: Identify the performance obligations in the contract.
- Step 3: Determine the transaction price.
- Step 4: Allocate the transaction price to the performance obligations in the contract.
- Step 5: Recognise revenue when (or as) the entity satisfies a performance obligation.

Under FRS 115, an entity recognises revenue when a performance obligation is satisfied, i.e. when control of the goods is transferred to the customer. Performance obligation is discharged through the delivery of services to the customer. In addition, extensive disclosures are required by FRS 115.

FRS 115 will take effect from financial year beginning on or after January 1, 2018, with retrospective application required.

Management is currently evaluating the effects of FRS 115 on the financial statements of the Group and the Company.

BASIS OF CONSOLIDATION – The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- Has power over the investee;
- Is exposed, or has rights, to variable returns from its involvement with the investee; and
- Has the ability to use its power to affect its returns.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

When the Company has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including:

- The size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- Potential voting rights held by the Company, other vote holders or other parties;
- Rights arising from other contractual arrangements; and
- Any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Company gains control until the date when the Company ceases to control the subsidiary.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

Changes in the Group's ownership interests in existing subsidiaries

Changes in the Group's ownership interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

When the Group loses control of a subsidiary, a gain or loss is recognised in profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable FRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In the Company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss.

BUSINESS COMBINATIONS – Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and

- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date and is subject to a maximum of one year from acquisition date.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The accounting policy for initial measurement of non-controlling interests is described above.

FINANCIAL INSTRUMENTS – Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transactions costs and other premiums and discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

Financial assets

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise cash on hand, cash at bank and fixed deposits less restricted cash and bank overdrafts and are subject to an insignificant risk of changes in value.

Available-for-sale financial assets

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured as cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or

- default or delinquency in interest or principal payments; or

- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, 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 through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

Financial liabilities and equity instruments

Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis except for short-term payables, when the recognition of interest would be immaterial.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

CONSTRUCTION CONTRACTS – Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs or engineers' professional estimate, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

INVENTORIES – Inventories include raw material, work-in-progress and finished goods and are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

OTHER CURRENT ASSETS – Other assets held for sale are stated at the lower of cost and net realisable value. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

ASSOCIATES – An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

The requirements of FRS 39 *Financial Instruments: Recognition and Measurement* are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment in an associate. When necessary, the entire carrying amount of the investment is tested for impairment in accordance with FRS 36 *Impairment of Assets* as a single asset by comparing its recoverable amount with its carrying amount, any impairment loss recognised forms part of the carrying amount of the investment.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PROPERTY, PLANT AND EQUIPMENT – Leasehold buildings are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses where the recoverable amount of the asset is estimated to be lower than its carrying amount. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such leasehold buildings is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of the leasehold buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Leasehold buildings	–	$2^1/_3$%
Plant and equipment	–	10% to $33^1/_3$%

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

INVESTMENT PROPERTY – Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL – At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

PROVISIONS – Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

LEASES – Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

REVENUE RECOGNITION – Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Contract revenue

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

Service income

Revenue is recognised when the services are rendered.

Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the relevant lease.

Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

Administrative and management income

Administrative and management income is recognised when the services are rendered.

BORROWING COSTS – Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

RETIREMENT BENEFIT COSTS – Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's and Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

EMPLOYEE LEAVE ENTITLEMENT – Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

INCOME TAX – Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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 profits will be available to allow all or part of the asset to be recovered.

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group has not rebutted the presumption that the carrying amount of the investment properties will be recovered entirely through sale.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION – The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

(I) *Critical judgements in applying the entity's accounting policies*

There are no critical judgements, apart from those involving going concern (see Note 1) and estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

(II) *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, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below:

(a) <u>Allowances for other assets held for sale and inventories</u>

At the end of the reporting period, the Group reviews the carrying value of their other assets held for sale and inventories to ensure that they are stated at the lower of cost and net realisable value. Management has engaged independent valuers to determine fair market value of those assets using Cost of Replacement – New and Fair Market Value methods. In assessing net realisable value and making appropriate allowances, management also considered their physical conditions and market conditions for similar assets. Based on the assessment, allowance of $4.0 million (2014: $4.0 million) has been recorded at December 31, 2015 for inventories. No allowance is considered necessary for other assets held for sale. The carrying amounts of assets held for sale and inventories at the end of the reporting period are disclosed in Notes 10 and 12 respectively.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(b) Shipyard operations

In 2015, the Group's Shipyard operations incurred a loss of $8.9 million (2014: $21.1 million) and has total assets of $16.2 million (2014: $25.0 million) which comprise the following:

(i) Inventories of $6.1 million (2014: $6.2 million);
(ii) Other assets held for sale of $3.0 million (2014: $Nil);
(iii) Plant and equipment of $5.1 million (2014: $7.4 million);
(iv) Trade and other receivable of $1.8 million (2014: $11.2 million); and
(v) Cash of $0.2 million (2014: $0.2 million).

In complying with FRS 36, management has reviewed the carrying amounts of its Shipyard operations assets to determine whether they have suffered an impairment loss taking into account their recoverable amount based on fair value less costs of disposal.

In relation to items (i) to (iii), management has engaged independent valuers to determine fair market value of those assets using Fair Market Value method. In deriving at the fair market value, the valuers have given consideration to Cost of Replacement – New which is the estimated amount to replace the assets in accordance with current market prices for materials, labour, manufactured equipment, freight, installation and other related costs, accrued depreciation based on straight line method, extent, character, age and utility of the assets and cost of similar new equipment on the market. These estimated market values may differ from the prices at which the Group's assets can be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers.

Please see Note 3II(c) for allowance for bad and doubtful debts for trade and other receivables.

Based on the assessment, management is satisfied that no additional impairment is required. The carrying amount of the Shipyard operations assets at the end of the reporting period is disclosed in Note 41.

(c) Allowances for bad and doubtful debts

The policy for allowances for bad and doubtful debts of the Group and the Company is based on the evaluation of collectibility and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each customer and on-going dealings with these parties. If the financial conditions of the counterparties were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of trade and other receivables at the end of the reporting period are disclosed in Notes 8 and 9 respectively.

(d) Impairment of investments in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of the recoverable amounts of the investments. The recoverable amounts are determined based on net asset value of respective investment, which approximate the fair value less costs of disposal. The carrying amounts of investments in subsidiaries in the Company's financial statements at the end of the reporting period are disclosed in Note 13.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

(e) Fair value of leasehold building and investment property

As described in Note 2, the Company's leasehold building and investment property are stated at fair value, as determined by independent valuers. These estimated market values may differ from the prices at which the Company's asset could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also, certain estimates require an assessment of factors not within management's control, such as overall market conditions. As a result, actual results of operations and realisation of net assets in the future could differ from the estimates set forth in these financial statements. The carrying values of leasehold building and investment property are disclosed in Notes 16 and 17 to the financial statements.

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

(a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Financial assets				
Loans and receivables (including cash and bank balances)	3,340	18,691	1,342	15,369
Financial liabilities				
Amortised cost	11,816	20,131	2,299	4,394

(b) *Financial risk management policies and objectives*

The Group's financial instruments comprise borrowings, finance leases, bank loans and cash and bank balances. It is management's intent to maintain a balanced portfolio of financial instruments to finance the Group's operations. The Group also has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations.

The Group does not hold or issue derivative financial instruments for speculative purposes. Market risk exposures are measured using sensitivity analysis indicated below.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below.

(i) Foreign exchange risk management

The Group transacts business in various foreign currencies and therefore is exposed to foreign exchange risk.

At the end of the reporting period, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the respective Group's entities' functional currencies are as follows:

	Group				**Company**			
	Assets		**Liabilities**		**Assets**		**Liabilities**	
	2015	**2014**	**2015**	**2014**	**2015**	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Euro	298	252	2,263	3,366	2	10	170	416
Sterling pound	–	267	–	–	–	–	–	–
Thailand baht	48	57	33	221	–	–	–	30
United States dollar	114	612	2,653	4,171	25	169	741	1,228
Malaysian ringgit	–	–	–	38	–	–	–	3
Singapore dollar	29	127	3,227	1,083	–	–	–	–

The Company has an investment in foreign subsidiary, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss and/or equity.

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4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

If the relevant foreign currency strengthens by 10% against the functional currency of each Group entity, profit or loss from continuing operations will increase (decrease) by:

	Profit or loss			
	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Impact of:				
Euro	(197)	(311)	(17)	(41)
Sterling pound	–	27	–	–
Thailand baht	2	(16)	–	(3)
United States dollar	(254)	(356)	(72)	(106)
Malaysian ringgit	–	(4)	–	–
Singapore dollar	(320)	(96)	–	–

If the relevant foreign currency weakens by 10% against the functional currency of each Group entity, the effects on profit or loss will be vice versa.

(ii) Interest rate risk management

Summary quantitative data of the Group's and the Company's interest-bearing financial instruments can be found in Section (iv) of this Note. Management does not expect reasonably possible changes in interest rate to have a material effect in the Group's and the Company's financial results. Accordingly, no sensitivity analysis has been prepared.

(iii) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure to its counterparties are continuously monitored. Credit exposure is controlled by the counterparty limits that are reviewed and approved by management on an on-going basis.

As of December 31, 2015 and 2014, the Group and the Company do not have any significant concentration of credit risk to any counterparty. Cash balances are held with reputable financial institutions.

As December 31, 2015, the Company did not provide any guarantee to any counter party (2014: $1.4 million).

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk.

Further details of credit risks on trade and other receivables are disclosed in Notes 3, 8 and 9 to the financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(iv) Liquidity risk management

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities. If required, undrawn banking facilities of $3.5 million are available to provide funding for operations of the Company and the Group.

Liquidity and interest-risk analysis

Non-derivative financial liabilities

The following tables detail the contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Group						
2015						
Non-interest bearing	–	11,250	–	–	–	11,250
Fixed interest rate instruments	2.8	504	–	–	(4)	500
Finance lease liability (fixed rate)	3.2	37	37	–	(8)	66
		11,791	37	–	(12)	11,816
2014						
Non-interest bearing	–	19,492	–	–	–	19,492
Fixed interest rate instruments	2.9	552	–	–	(12)	540
Finance lease liability (fixed rate)	3.2	37	74	–	(12)	99
		20,081	74	–	(24)	20,131

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	After 5 years $'000	Adjustment $'000	Total $'000
Company						
2015						
Non-interest bearing	–	1,733	–	–	–	1,733
Fixed interest rate instruments	2.8	504	–	–	(4)	500
Finance lease liability (fixed rate)	3.2	37	37	–	(8)	66
		2,274	37	–	(12)	2,299
2014						
Non-interest bearing	–	3,755	–	–	–	3,755
Fixed interest rate instruments	2.9	552	–	–	(12)	540
Finance lease liability (fixed rate)	3.2	37	74	–	(12)	99
		4,344	74	–	(24)	4,394

Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the carrying value of the financial assets including interest that are expected to be earned on assets carried at amortised cost.

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	Total $'000
Group				
2015				
Variable interest rate instruments	0.3	1,262	–	1,262
Non-interest bearing	–	2,078	–	2,078
		3,340	–	3,340
2014				
Variable interest rate instruments	1.2	5,685	–	5,685
Non-interest bearing	–	13,006	–	13,006
		18,691	–	18,691

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DECEMBER 31, 2015

4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

	Weighted average effective interest rate %	On demand or within 1 year $'000	Within 2 to 5 years $'000	Total $'000
Company				
2015				
Variable interest rate instruments	0.3	1,262	–	1,262
Non-interest bearing		80	–	80
		1,342	–	1,342
2014				
Variable interest rate instruments	1.2	5,685	–	5,685
Non-interest bearing	–	9,684	–	9,684
		15,369	–	15,369

(v) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

(c) *Capital risk management policies and objectives*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group is not subject to any externally imposed capital requirements.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Note 21 to the financial statements and equity attributable to owners of the Company, comprising share capital and reserves as disclosed in Notes 23 to 26 to the financial statements.

The Group's overall strategy remains unchanged from 2015.

5 RELATED COMPANY TRANSACTIONS

Some of the transactions and arrangements are between members of the Group and the effect of these on the basis determined between the parties is reflected in these financial statements. The intercompany balances are unsecured, interest-free and repayable on demand unless otherwise stated.

Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

6 OTHER RELATED PARTY TRANSACTIONS

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

During the year, Group entities entered into the following transactions:

	Group	
	2015 $'000	2014 $'000
Associate		
Interest income	–	9
Company in which the Company's director has a financial interest		
Fees paid to companies in which the Company's director has a financial interest	55	124
Company with common director		
Rental income earned from a company with common director	–	(720)
Director		
Advisory fees paid to a director	–	24

Compensation of directors and key management personnel

The remuneration of directors and other members of key management during the year was as follows:

	Group	
	2015 $'000	2014 $'000
Short-term benefits	990	1,371
Post-employment benefits	30	29
	1,020	1,400

The remuneration of directors and key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

7 CASH AND BANK BALANCES

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash on hand	2	5	1	1
Cash at bank	1,532	4,098	1,294	3,863
Fixed deposits	–	2,118	–	2,118
	1,534	6,221	1,295	5,982

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

7 CASH AND BANK BALANCES (cont'd)

The Group's and the Company's cash at bank included restricted cash of $822,000 (2014: $2,510,000) which represented cash being withheld as retention fund as part of the disposal of the Distribution business in 2013. The restricted cash at bank bears interest at 0.5% (2014: 0.1%) per annum.

In 2014, the Group's and the Company's restricted fixed deposits of $2,118,000 bore interest ranging from 0.11% to 0.62% per annum and for a tenure of 35 days to 17 months.

The carrying amounts of these assets approximate their fair values.

8 TRADE RECEIVABLES

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Outside parties	342	1,397	24	40
Less: Allowance for doubtful debts	(226)	(242)	–	–
	116	1,155	24	40
Subsidiaries (Note 13)	–	–	6,894	6,897
Less: Allowance for doubtful debts	–	–	(6,894)	(6,897)
	–	–	–	–
Associates (Notes 6 and 14)	201	185	185	185
Less: Allowance for doubtful debts	(163)	(185)	(185)	(185)
	38	–	–	–
Amounts due from construction contract customers subject to arbitration (Notes 11 and 38)	–	6,200	–	–
	154	7,355	24	40

The amounts due from subsidiaries and associates are unsecured, interest-free and repayable on demand.

The average credit period on sales of goods is 60 days (2014: 60 days). No interest is charged on the trade receivables.

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer.

Included in the Group's and the Company's trade receivable balance are debtors with a carrying amount of $64,000 and $Nil (2014: $49,000 and $19,000) respectively which are past due at the reporting date for which the Group and the Company have not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

8 TRADE RECEIVABLES (cont'd)

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Management does not believe that there has been a significant change in credit quality and no further credit provision is required in excess of the allowance for doubtful debts. The Group does not hold any collateral for these balances.

The table below is an analysis of trade receivables as at December 31, 2015:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Not past due and not impaired	90	7,306	24	21
Past due but not impaired	64	49	–	19
	154	7,355	24	40
Receivables	389	427	7,079	7,082
Less: Allowance for doubtful debts	(389)	(427)	(7,079)	(7,082)
	–	–	–	–
Total trade receivables, net	154	7,355	24	40

The table below is an analysis of trade receivables which are past due for which no allowance has been made.

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
<3 months	33	–	–	–
1 to 2 years	–	18	–	1
2 to 5 years	31	31	–	18
	64	49	–	19

Movements in the allowance for doubtful debts

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Balance at beginning of the year	427	234	7,082	7,197
Exchange difference	(38)	15	–	–
Increase (Decrease) in allowance recognised in profit or loss	–	178	(3)	(115)
Balance at end of the year	389	427	7,079	7,082

The allowance made during the year is in respect of estimated irrecoverable amounts from the sale of goods.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

9 OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Prepayments	21	37	7	11
Deposits	57	573	1	100
	78	610	8	111
Other receivables	1,595	3,485	22	98
Subsidiaries (Note 13)	–	–	102,738	98,511
Less: Allowance for doubtful debts	–	–	(102,738)	(90,419)
	–	–	–	8,092
Associates (Notes 6 and 14)	2,436	3,600	–	1,062
Less: Allowance for doubtful debts	(2,436)	(2,543)	–	(5)
	–	1,057	–	1,057
Companies in which the Group and Company have a financial interest (Note 6)	3,034	3,034	3,034	3,034
Less: Allowance for doubtful debts	(3,034)	(3,034)	(3,034)	(3,034)
	–	–	–	–
	1,673	5,152	30	9,358

Included in other receivables are advance payments to certain suppliers amounting to $84,000 (2014: $87,000) and expenses reimbursable from outside parties amounting to $1,511,000 (2014: $3,398,000).

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

The amounts due from associates are unsecured, interest bearing at 5.25% per annum and repayable on demand.

Movement in the allowance for doubtful debts

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Balance at beginning of the year	5,577	5,036	93,458	60,247
Increase in allowance recognised in profit or loss	9	416	12,314	33,211
Exchange differences	(116)	125	–	–
Balance at end of the year	5,470	5,577	105,772	93,458

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

10 OTHER CURRENT ASSETS

	Group 2015 $'000
Other assets held for sale	3,000

Upon finalisation of the arbitration during the financial year, project costs written off of $3.2 million were recorded in the consolidated profit or loss and the carrying amount of $3.0 million, relating to equipment purchased for a shipbuilding contract which was previously under arbitration (Note 38(b)), has been reclassified from trade receivables – amounts due from contract customers (Notes 8 and 11) to other assets held for sale (current) as management is of the view that these equipment can be sold within 12 months from the end of reporting period.

11 CONSTRUCTION CONTRACTS

	Group 2014 $'000
Contract costs at end of the reporting period:	
Amounts due from contract customers included in trade receivables subject to arbitration (Notes 8 and 38)	6,200
Contract costs incurred plus recognised profits (less recognised losses to date)	21,010
Less: Progress billings	(14,810)
	6,200

In 2014, there were no retention monies held by customers and advances received from customers for contract work.

Cost of sales from continuing operations included $4.2 million (2014: $12.9 million) in respect of project costs written off.

12 INVENTORIES

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Raw materials, at net realisable value	2	23	–	–
Work-in-progress, at net realisable value	6,000	6,000	–	–
Finished goods, at net realisable value	134	139	–	–
	6,136	6,162	–	–

In 2014, the cost of inventories recognised as an expense included $4.0 million in respect of allowance/write-downs of inventories to net realisable value.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

13 SUBSIDIARIES

	Company	
	2015 $'000	2014 $'000
Unquoted equity shares, at cost	5,000	5,000
Less: Impairment loss	(5,000)	(5,000)
Carrying amount	–	–

Details of the subsidiaries at December 31, 2015 are as follows:

Name of subsidiaries	Country of incorporation (or registration) and operation	Proportion of ownership interest and voting power held		Principal activities
		2015 %	2014 %	
OSEC Shipyard Pte. Ltd.[1]	Singapore	100	100	Ship repairs
Yahweh China Pte. Ltd.[2]	Singapore	100	–	Investment holding
Subsidiary of OSEC Shipyard Pte. Ltd.				
OSC Co., Ltd[3]	Thailand	100	100	Ship repairs

(1) Audited by Deloitte & Touche LLP, Singapore.

(2) Newly incorporated during the year. The entity was dormant during the year.

(3) Audited by overseas practices of Deloitte Touche Tohmatsu Limited.

The Company tests the investments annually for impairment or more frequently if there are indications that the investments might be impaired.

As part of the Company's impairment assessment, management concluded that the investment in OSEC Shipyard Pte. Ltd. has been fully impaired as the investment has been making losses and is in net liabilities at end of reporting periods. Accordingly, an accumulated impairment loss of $5,000,000 (2014: $5,000,000) had been recorded.

14 ASSOCIATES

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Unquoted equity shares, at cost	432	432	432	432
Share of post-acquisition losses	(26)	(26)	–	–
Impairment loss	(406)	(406)	(406)	(406)
Reclassification to other non-current assets (Note 15)	–	–	(26)	–
Impairment loss	–	–	–	26

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

14 ASSOCIATES (cont'd)

Details of the associates at December 31, 2015 are as follows:

Name of associate	Country of incorporation (or registration) and operation	Proportion of ownership interest and voting power held		Principal activities
		2015 %	2014 %	
Biofuel Research Pte. Ltd.[1]	Singapore	–	25	Research and development of advance technology, engineering and manufacturing, and consultancy for biofuel industry
OCT Co., Ltd[2]	Thailand	49	49	Providing construction and repair services for marine vessel

(1) On October 24, 2014, the Group reduced its equity interests in Biofuel Research Pte. Ltd. to 25% from 51% (Note 32). During the financial year, this entity undertook a rights issue which diluted the Group's equity interests in the entity from 25% to 0.9%. Accordingly, investment in Biofuel Research Pte. Ltd. has been reclassified as available for sale investments, included in Other non-current assets (Note 15). As part of the Company's impairment assessment, management concluded that the investment in Biofuel Research Pte. Ltd. was impaired and an accumulated impairment loss of $370,000 (2014: $370,000) representing the excess of carrying amounts over recoverable amounts of the investment had been recorded. The recoverable amounts of the investment are determined based on net asset value of the investment, which approximate the fair value less costs of disposal at end of the reporting period.

(2) Audited by VAT Accounting, Bangkok, Thailand.

Summarised aggregate financial information of associates that are not individually material, based on the unaudited management accounts in respect of the Group's associates is set out below:

	2015 $'000	2014 $'000
Total assets	12,697	20,641
Total liabilities	(13,074)	(20,490)
Net (liabilities) assets	(377)	151
Group's share of associates' net assets	–	–
Revenue	210	659
Loss for the year	(103)	(120)
Group's share of associates' loss for the year	–	(26)

For the year ended December 31, 2015, the Group has not recognised losses amounting to $51,000 (2014: $7,000) for OCT Co., Ltd. The accumulated losses not recognised as at December 31, 2015 were $191,000 (2014: $140,000).

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15 OTHER NON-CURRENT ASSETS

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Club memberships, at cost	24	12	24	12
Impairment loss	(12)	–	(12)	–
	12	12	12	12
Available for sale investments (Note 14)	–	–	26	–
	12	12	38	12

16 PROPERTY, PLANT AND EQUIPMENT

	Construction in progress $'000	Leasehold buildings $'000	Plant and equipment $'000	Total $'000
Group				
Cost or Valuation:				
At January 1, 2014	5,898	4,920	18,499	29,317
Exchange differences	205	–	580	785
Revaluation	–	171	–	171
Additions	2,010	–	122	2,132
Transfer	(224)	–	224	–
Disposal of a subsidiary (Note 32)	(4,824)	–	(3,375)	(8,199)
Disposals and write-off	(358)	–	(868)	(1,226)
At December 31, 2014	2,707	5,091	15,182	22,980
Exchange differences	(180)	–	(513)	(693)
Additions	–	–	17	17
Reclassification	(1,922)	–	1,922	–
Disposals and write-off	(438)	–	(655)	(1,093)
At December 31, 2015	167	5,091	15,953	21,211
Comprising:				
December 31, 2015				
At cost	167	–	15,953	16,120
At valuation	–	5,091	–	5,091
	167	5,091	15,953	21,211
December 31, 2014				
At cost	2,707	–	15,182	17,889
At valuation	–	5,091	–	5,091
	2,707	5,091	15,182	22,980

NOTES TO FINANCIAL STATEMENTS

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16 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Construction in progress $'000	Leasehold buildings $'000	Plant and equipment $'000	Total $'000
Accumulated depreciation:				
At January 1, 2014	–	158	10,744	10,902
Exchange differences	–	–	242	242
Depreciation charge included in other operating expenses	–	170	475	645
Depreciation charge included in contracts-in-progress	–	–	996	996
Disposal of a subsidiary (Note 32)	–	–	(1,703)	(1,703)
Eliminated on disposals and write-off	–	–	(429)	(429)
At December 31, 2014	–	328	10,325	10,653
Exchange differences	–	–	(229)	(229)
Depreciation charge included in other operating expenses	–	170	183	353
Depreciation charge included in cost of sales	–	–	1,229	1,229
Eliminated on disposals and write-off	–	–	(649)	(649)
At December 31, 2015	–	498	10,859	11,357
Carrying amounts:				
At December 31, 2015	167	4,593	5,094	9,854
At December 31, 2014	2,707	4,763	4,857	12,327

	Leasehold building $'000	Plant and equipment $'000	Total $'000
Company			
Cost or Valuation:			
At January 1, 2014	4,920	833	5,753
Additions	–	9	9
Revaluation increase	171	–	171
At December 31, 2014	5,091	842	5,933
Additions	–	17	17
Disposals and write-off	–	(468)	(468)
At December 31, 2015	5,091	391	5,482

NOTES TO FINANCIAL STATEMENTS

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16 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Leasehold building $'000	Plant and equipment $'000	Total $'000
Comprising:			
December 31, 2015			
At cost	–	391	391
At valuation	5,091	–	5,091
	5,091	391	5,482
December 31, 2014			
At cost	–	842	842
At valuation	5,091	–	5,091
	5,091	842	5,933
Accumulated depreciation:			
At January 1, 2014	158	610	768
Depreciation	170	34	204
At December 31, 2014	328	644	972
Depreciation	170	35	205
Eliminated on disposals and write-off	–	(468)	(468)
At December 31, 2015	498	211	709
Carrying amounts:			
At December 31, 2015	4,593	180	4,773
At December 31, 2014	4,763	198	4,961

Details of the leasehold building are as follows:

Location	Description	Title
8 Aljunied Avenue 3 Singapore 389933	3 storey building (Lot 6023P of Mukim 24)	30 years lease commencing from September 1, 2013

Leasehold building of a gross area of 2,474.7 square metres classified as property, plant and equipment at respective reporting periods represents the portion of owner-occupied property. A gross area of 1,865.7 square metres in the leasehold building is leased out under operating lease and is classified as investment property as disclosed in Note 17.

The Group's leasehold building was revalued by Asian Appraisal Company Pte Ltd, independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued, and not connected with the Group. The fair values of the leasehold building at respective reporting periods have been determined on the basis of valuations carried out at the respective year end dates. The valuations were arrived at by reference to market evidence of transaction prices for similar properties on the basis of open market values and existing use. The valuation conforms to International Valuation Standards.

NOTES TO FINANCIAL STATEMENTS

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16 PROPERTY, PLANT AND EQUIPMENT (cont'd)

The Group classified fair value measurement using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the measurement. As at the end of December 31, 2015 and 2014, the fair value measurements of the Group's leasehold building are classified within Level 3 of the fair value hierarchy. There were no transfers between different levels during the year.

Management considers that certain unobservable inputs used in the fair value measurement of the Group's leasehold building are sensitive to the fair value measurement. A change in these inputs will have a corresponding increase/decrease in the fair valuation, such that, an increase/a decrease in the transacted price of comparable property, ranging from $1,902 to $3,750 (2014: $1,857 to $3,986) per square metre for the respective property, will lead to an increase/a decrease in the fair value of the investment property.

The carrying amount of the Group's and the Company's plant and equipment includes an amount of $192,000 and $192,000 (2014: $253,000 and $192,000), respectively, that are under finance leases (Note 20).

At December 31, 2015, had the leasehold building classified as property, plant and equipment been carried at historical cost less accumulated depreciation, the carrying amount would have been approximately $493,000 (2014: $536,000) for the Group and the Company.

17 INVESTMENT PROPERTY

	Group and Company	
	2015 $'000	2014 $'000
At fair value		
Balance at beginning of year	3,741	3,612
Change in fair value included in profit or loss	–	129
Balance at end of year	3,741	3,741

Details relating to the investment property and fair value measurement of the investment property are disclosed in Note 16.

The property rental income from the Group's investment property leased out under operating leases amounted to $770,000 (2014: $720,000). Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment property amounted to $376,000 (2014: $389,000).

18 TRADE PAYABLES

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Outside parties	8,841	11,996	268	168
Company with common director (Note 6)	–	108	–	–
	8,841	12,104	268	168

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

18 TRADE PAYABLES (cont'd)

The average credit period on purchases of goods is 60 days (2014:60 days). No interest is charged on the trade payables.

Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs.

19 OTHER PAYABLES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Accrued operating expenses	1,618	4,497	1,137	2,702
Other payables	671	2,160	208	154
Customer deposits	120	–	120	–
Company with common director (Note 6)	–	731	–	731
	2,409	7,388	1,465	3,587

20 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Group and Company				
Amounts payable under finance leases:				
Within one year	37	37	33	33
In the second to fifth years inclusive	37	74	33	66
	74	111	66	99
Less: Future finance charges	(8)	(12)	–	–
Present value of lease obligations	66	99	66	99
Less: Amount due for settlement within 12 months (shown under current liabilities)			(33)	(33)
Amount due for settlement after 12 months			33	66

It is the Group's and the Company's policy to lease certain of its plant and equipment under finance leases. The average lease term is 2 years (2014: 2 years). For the year ended December 31, 2015, the average effective borrowing rate was 3.2% (2014: 3.2%) per annum for the Group and the Company. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments. All lease obligations are denominated in the functional currencies of the respective entities.

The fair value of the Group's and the Company's lease obligations approximates their carrying amount.

The Group's and the Company's obligations under finance leases are secured by the lessors' title to the leased assets (Note 16).

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

21 BANK LOANS

	Group and Company 2015 $'000	Group and Company 2014 $'000
Current		
Bank loan – secured	500	–
Bank loan – unsecured	–	540
	500	540

Bank loan of $500,000 (2014: $540,000) is arranged at fixed interest rates and expose the Group to fair value interest rate risk. Management is of the view that the impact of fair value interest rate risk from bank loans at fixed interest rates is not material to the Group.

Details of the bank loans are as follows:

(a) In 2015, secured bank loan of $500,000 bears interest at 2.8% per annum, with monthly principal and interest payments through August 2016. The loan is secured by mortgage over the Group's leasehold building (Note 16) and investment property (Note 17).

(b) In 2014, unsecured bank loan of $540,000 bore interest at 2.9% per annum, with monthly principal and interest payments through September 2015.

The fair value of the Group's and Company's bank loans approximates their carrying amount.

22 DEFERRED TAX LIABILITIES

The following are the major deferred tax liabilities recognised by the Group and Company, and the movements thereon, during the current and prior reporting periods:

Group and Company	Accelerated (book) tax depreciation $'000	Asset revaluation reserve $'000	Total $'000
At January 1, 2014	(320)	1,324	1,004
Credit to profit or loss for the year (Note 31)	(622)	–	(622)
Revaluation	–	29	29
At December 31, 2014	(942)	1,353	411
Credit to profit or loss for the year (Note 31)	(123)	–	(123)
At December 31, 2015	(1,065)	1,353	288

There are no temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities has not been recognised as the subsidiaries are in accumulated losses positions at end of reporting periods. Temporary differences arising in connection with interests in associates are insignificant.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

23 SHARE CAPITAL

	Group and Company			
	2015 '000	2014 '000	2015 $'000	2014 $'000
Number of ordinary shares				
Issued and paid-up:				
At the beginning and end of the year	668,267	668,267	38,530	38,530

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

24 CURRENCY TRANSLATION RESERVE

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Singapore dollars are brought to account by entries made directly to the foreign currency translation reserve.

25 REVALUATION RESERVE

The revaluation reserve arises on the revaluation of property. Where revalued property is sold, the portion of the property revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings.

The revaluation reserves are not available for distribution to the Company's shareholders.

26 SHARE ISSUE RESERVE

Share issue reserve represents the costs incurred in relation to the shares issued by the Company.

27 REVENUE

	Continuing operations		Discontinued operation		Total	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Group						
Sale of goods	6	–	–	1,410	6	1,410
Service revenue	1,847	3,590	–	–	1,847	3,590
Rental income	770	720	–	–	770	720
	2,623	4,310	–	1,410	2,623	5,720

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

28 OTHER OPERATING INCOME

	Continuing operations		Discontinued operation		Total	
	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Discounts received from creditors	346	3,776	–	–	346	3,776
Recovery from arbitration (Note 38)	–	771	–	–	–	771
Net foreign exchange gain	–	3,457	–	10	–	3,467
Administrative and management income	23	32	–	–	23	32
Fair value adjustment on investment property	–	129	–	–	–	129
Interest income from third parties	15	44	–	–	15	44
Sales of scrap	31	76	–	–	31	76
Write back of accruals	652	–	–	–	652	–
Service charges	–	51	–	–	–	51
Others	7	278	–	231	7	509
	1,074	8,614	–	241	1,074	8,855

29 OTHER OPERATING EXPENSES

	Continuing operations		Discontinued operation		Total	
	2015	2014	2015	2014	2015	2014
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
Depreciation of property, plant and equipment	353	366	–	279	353	645
Rental expense	–	1	–	661	–	662
Foreign currency exchange loss, net	2,736	–	–	–	2,736	–
Allowance for doubtful receivables:						
– trade	–	178	–	–	–	178
– non-trade	9	416	–	–	9	416
Bad debts written off						
– trade	–	510	–	–	–	510
Impairment of investment in associate	–	370	–	–	–	370
Utilities	–	–	–	14	–	14
Property taxes	54	54	–	33	54	87
Land lease expenses	322	335	–	–	322	335
Repair and maintenance	54	10	–	–	54	10
Loss on disposal of property, plant and equipment	116	54	–	63	116	117
Property, plant and equipment written off	61	506	–	–	61	506
Professional fees	511	530	–	–	511	530
Legal fees	314	3,196	–	–	314	3,196
Others	33	32	–	65	33	97
	4,563	6,558	–	1,115	4,563	7,673

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

30 FINANCE COSTS

	Continuing operations		Discontinued operation		Total	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Group						
Interest expense on:						
Bank overdraft and borrowings	–	2	–	–	–	2
Bank loans	20	49	–	82	20	131
Finance leases	4	5	–	–	4	5
	24	56	–	82	24	138

31 INCOME TAX BENEFIT

	Continuing operations		Discontinued operation		Total	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Group						
Tax benefit comprises:						
Current tax	–	–	–	–	–	–
Adjustments recognised in the current year in relation to the current tax of prior years	–	(757)	–	–	–	(757)
Deferred tax income relating to the origination and reversal of temporary differences	(123)	(622)	–	–	(123)	(622)
Total income tax benefit	(123)	(1,379)	–	–	(123)	(1,379)

Domestic income tax is calculated at 17% (2014: 17%) of the estimated assessable loss for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting loss as follows:

	Group	
	2015 $'000	2014 $'000
Loss before tax	(9,591)	(20,791)
Income tax benefit calculated at 17% (2014: 17%)	(1,630)	(3,534)
Effect of expenses that are not deductible in determining taxable profit	1,308	1,110
Deferred tax benefits not recognised	267	1,849
Group relief	–	(23)
Effect of income that is exempt from taxation	–	(24)
Others	(68)	–
	(123)	(622)
Adjustments recognised in the current year in relation to the current tax of prior years	–	(757)
	(123)	(1,379)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

31 INCOME TAX BENEFIT (cont'd)

Subject to the agreement by the tax authority, at the end of the reporting period, the Group has tax loss carry forwards arising from 1 (2014:1) local subsidiary available for offsetting against future taxable income as follows:

	Group	
	2015 $'000	2014 $'000
Amount at beginning of year	18,447	11,313
Adjustment in respect of prior years	14,459	(3,607)
Amount in current year	1,573	10,879
Amount utilised in current year	–	(138)
Amount at end of year	34,479	18,447
Deferred tax benefit on above unrecorded	5,861	3,136

No deferred tax asset has been recognised due to unpredictability of future profit streams. Losses may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders.

32 DISCONTINUED OPERATION

On August 14, 2014, the Group entered into a conditional share sale agreement with a third party to reduce its equity interests in Biofuel Research Pte. Ltd. to 25% from 51% for a cash consideration of $1.53 million. The sale was completed on October 24, 2014 (date of disposal), on which date control passed to the acquirer.

The profit for the year from the discontinued operation is analysed as follows:

	2014 $'000
Loss of the subsidiary for the year	(652)
Gain on disposal of the subsidiary	1,780
	1,128

The results of the discontinued operation are as follows:

	2014 $'000
Revenue	1,410
Cost of sales	(437)
Other operating income	241
Distribution costs	(258)
Administrative expenses	(411)
Other operating expenses	(1,115)
Finance costs	(82)
Loss before tax	(652)
Income tax expense	–
Loss for the year (attributable to owners of the Company)	(652)

NOTES TO FINANCIAL STATEMENTS
DECEMBER 31, 2015

32 DISCONTINUED OPERATION (cont'd)

The carrying amounts of assets and liabilities of the discontinued operation at the date of disposal are as follows:

	2014 $'000
ASSETS	
Current assets	
Cash and bank balances	188
Trade receivables	132
Other receivables	24
Inventories	46
Total current assets	390
Non-current assets	
Property, plant and equipment	6,496
LIABILITIES AND EQUITY	
Current liabilities	
Trade payables	378
Other payables	3,527
Current portion of finance leases	34
Total current liabilities	3,939
Non-current liabilities	
Bank loan	2,649
Finance leases	11
Total non-current liabilities	2,660
Net assets derecognised	287
Non-controlling interest derecognised	(141)
Consideration received	
Cash consideration received	1,530
Fair value of retained interest	396
	1,926
Gain on disposal	1,780

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

32 DISCONTINUED OPERATION (cont'd)

The gain on disposal is recorded as part of profit of the year from discontinued operation in the consolidated income statement.

	2014 $'000
Net cash inflow arising on disposal	
Consideration received	1,926
Fair value of retained interest	(396)
Cash and cash equivalents disposed of	(188)
	1,342

33 LOSS FOR THE YEAR

Loss for the year has been arrived at after charging (crediting):

	Continuing operations		Discontinued operation		Total	
Group	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cost of inventories recognised as an expense	6,367	20,318	–	437	6,367	20,755
Allowance for inventories	–	4,000	–	–	–	4,000
Project costs written-off	3,200	12,913	–	–	4,225	12,913
Directors' remuneration:						
Directors of the Company	297	324	–	–	297	324
Directors of the subsidiaries	69	6	–	110	69	116
Fees paid to companies in which a company's directors have financial interests	55	124	–	–	55	124
Advisory fees paid to a director	–	24	–	–	–	24
Foreign currency exchange loss (gain), net	2,736	(3,457)	–	(10)	2,736	(3,467)
Employee benefits expense (including directors' remuneration)	1,232	1,513	–	346	1,232	1,859
Costs of defined contribution plans included in employee benefits expense*	86	95	–	11	86	106

* This amount is the employers' share of Central Provident Fund (for Singapore) and similar schemes that may be applicable to a subsidiary incorporated in other countries.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

34 LOSS PER SHARE

From continuing and discontinued operations

The calculation of basic loss per share is calculated on the Group's loss attributable to owners of the Company of $9,468,000 (2014: $19,079,000) divided by the weighted average number of ordinary shares of 668,266,667 (2014: 668,266,667) in issue during the year.

There were no dilutive earnings per ordinary share for both 2015 and 2014.

From continuing operations

The calculation of basic loss per share is calculated on the Group's loss attributable to owners of the Company of $9,468,000 (2014: $20,540,000) divided by the weighted average number of ordinary shares of 668,266,667 (2014: 668,266,667) in issue during the year.

There were no dilutive earnings per ordinary share for both 2015 and 2014.

35 RETIREMENT BENEFIT OBLIGATIONS

Defined contribution plans

The employees of OEL (Holdings) Limited and its subsidiary that are located in Singapore are members of a state-managed retirement benefit plan, the Central Provident Board Fund, operated by the Government of Singapore. The Company and the subsidiary are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The total expense recognised in the profit or loss of $94,000 (2014: $118,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at December 31, 2015, contributions of $18,000 (2014: $25,000) due in respect of current financial year had not been paid over to the plans. The amounts were paid over subsequent to the end of the reporting period.

36 DIVIDENDS

On May 21, 2014, a one-tier tax exempt final dividend of 0.5 cents per share (total dividend $3,341,000) was paid to shareholders.

No dividend was proposed for the financial year ended December 31, 2015.

37 GUARANTEES

At December 31, 2015, the Company did not provide any corporate guarantee.

At December 31, 2014, the Company provided corporate guarantees of $1.4 million to a bank in respect of bank facilities utilised by its associate. The amount represents the maximum amount the Company could be forced to settle under the financial guarantee contract.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

38 ARBITRATION

At December 31, 2014, the Group had on-going arbitration proceedings with the following third parties and update for the current year is set up below:

(a) BW Marine Cyprus Limited ("BW Marine") had brought an arbitration in relation to a construction contract for two split hopper barges which are included in inventories. The claim was mainly for the refund of amounts paid under the contract which were provided for by the Group, the return of equipment and damages for the Group's failure to complete the works under the contract. The Group was seeking an order that BW Marine execute a deed of transfer for the transfer of title in the split hopper barges to the Group as well as indemnity.

During the financial year, the Tribunal issued a final award, ordering amounts and costs payable by the Group to BW Marine and on payment of the amounts and costs by the Group, BW Marine must immediately transfer title in the 2 split hopper barges to a subsidiary of the Group. The amounts $1,256,000 and Euro 569,000 ($820,000) have been paid to BW Marine and recognised in these financial statements.

(b) Fugro Australis Pty Ltd ("FAPL") in relation to a shipbuilding contract ("SBC") entered into between FAPL and a subsidiary of the Group. The subsidiary had claimed *inter alia*, for (i) a declaration that FAPL's termination of the SBC on August 28, 2013 is wrongful and in breach of the SBC; and (ii) damages as a result of FAPL's breach to be assessed.

During the financial year, the Tribunal delivered the final award (save as to costs) awarding the subsidiary nominal damages for FAPL's wrongful termination of the SBC and dismissing FAPL's counterclaim. Subsequently, the Tribunal also delivered its final award on costs, stating that neither the Company nor FAPL would be entitled to claim their respective costs from each other, and that the Tribunal's costs were to be shared equally between the Company and FAPL. Upon the finalisation of the arbitration, the respective parent company guarantees provided by the Company and Fugro NV were no longer in force and project costs written off of $3,200,000 were recorded in the consolidated profit or loss.

(c) Fr. Fassmer GmbH & Co. KG ("Fassmer") in relation to a cooperation agreement entered into between a subsidiary of the Group and Fassmer ("Cooperation Agreement"). The subsidiary had claimed *inter alia*, for compensation arising from Fassmer's repeated breaches of the terms of the Cooperation Agreement. The subsidiary and Fassmer have reached a settlement in respect of this matter, and the Tribunal has since also issued its final award on costs payable to the subsidiary. Given this, the arbitration has come to an end. The net recovery from arbitration of $771,000 is included in other operating income for the year ended December 31, 2014 (Note 28).

39 CONTINGENT LIABILITIES

A claim has been filed by Bangkok Dock Company Limited ("BDC") in Thailand against OCT Co., Ltd. ("OCT"), an associated company of the Group in relation to a lease agreement entered into between BDC and OCT for the use of the Mahidol Adulyadej Royal Navy Dock, Thailand (the "Shipyard"). OCT sub-leases the Shipyard to OSC Co., Ltd, a wholly-owned subsidiary of the Group for its operations in the Shipyard. The Group's legal counsel has advised that the claim is baseless and that BDC is not entitled to any claim at all. Accordingly, management is of the view that the claim by BDC will not have a material adverse impact on the financial position and financial performance of the Group, hence no provision is recorded in these financial statements.

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

40 OPERATING LEASE ARRANGEMENTS

The Group as lessee

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Minimum lease payments under operating leases recognised as an expense during the year	499	1,298	322	336

At the end of the reporting period, the Group and the Company has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Future minimum lease payments payable:				
Within one year	406	544	310	328
In the second to fifth year inclusive	1,386	1,600	1,243	1,311
> 5 years	7,049	7,757	7,049	7,757
	8,841	9,901	8,602	9,396

Operating lease payments represent rentals payable by the Group and the Company for its equipment and office land. The lease for its office, which is from the Housing Development Board, is for a 30 years period with an option to renew for another 30 years. The lease payment is subject to escalation adjustments from time to time and the above future lease payment has been computed based on the last escalation adjustment. The remaining leases are negotiated for an average term of 3 to 5 years.

The Group as lessor

The Group rents out its investment property in Singapore under an operating lease. Property rental income earned during the year was $770,000 (2014: $720,000). The property held has a committed tenant for the next 34 months (2014: 10 months).

At the end of the reporting period, the Group and the Company has contracted with a tenant for the following future minimum lease payments:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Within one year	1,050	600	1,050	600
In the second to fifth year inclusive	1,870	–	1,870	–
	2,920	600	2,920	600

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

41 SEGMENT INFORMATION

Products and services from which reportable segments derive their revenues

At December 31, 2015, the Group's reportable segments are organised into two reportable segments -Property management and Shipyard operations.

Up to the date of disposal of Biofuel Research Pte. Ltd. in August 2014 (Note 32), the Group's reportable segments were into three reportable segments – Property management, Engineering, design and fabrication and Shipyard operations.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment revenue represents revenue generated from external and internal customers. Segment results represent the profit earned by each segment without allocation of interest income, finance costs, share of profits of associate and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to each segment.

All assets are allocated to reportable segments. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

All liabilities are allocated to reportable segments other than bank overdrafts and borrowings, finance leases, income tax payable, bank loans and deferred tax liabilities.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

Segment revenues and results:

	Property management $'000	Shipyard operations $'000	Others $'000	Elimination $'000	Total $'000
Continuing operations					
2015					
Revenue					
External sales	770	1,853	–	–	2,623
Inter-segment sales	–	–	–	–	–
Total revenue	770	1,853	–	–	2,623
Results					
Segment result	394	(8,866)	(1,110)	–	(9,582)
Interest income					15
Finance costs					(24)
Loss before tax					(9,591)
Income tax credit					123
Loss for the year					(9,468)

NOTES TO FINANCIAL STATEMENTS

DECEMBER 31, 2015

41 SEGMENT INFORMATION (cont'd)

	Property management $'000	Shipyard operations $'000	Others $'000	Elimination $'000	Total $'000
2014					
Revenue					
External sales	720	3,590	–	–	4,310
Inter-segment sales	–	–	–	–	–
Total revenue	720	3,590	–	–	4,310
Results					
Segment result	331	(21,058)	(1,180)	–	(21,907)
Interest income					44
Finance costs					(56)
Loss before tax					(21,919)
Income tax credit					1,379
Loss for the year					(20,540)

Discontinued operation

	Engineering, design and fabrication $'000	Elimination $'000	Total $'000
2014			
Revenue			
External sales	1,410	–	1,410
Inter-segment sales	–	–	–
Total revenue	1,410	–	1,410
Results			
Segment result	(570)	–	(570)
Gain on disposal of subsidiary			1,780
Finance costs			(82)
Profit before tax			1,128
Income tax expense			–
Profit for the year			1,128

41 SEGMENT INFORMATION (cont'd)

	Property management $'000	Shipyard operations $'000	Elimination $'000	Total $'000
2015				
Statement of financial position				
Assets				
Segment assets	9,901	16,203	–	26,104
Unallocated other assets				–
Consolidated assets				26,104
Liabilities				
Segment liabilities	1,733	9,517	–	11,250
Unallocated other liabilities				854
Consolidated liabilities				12,104
Other information				
Capital additions	17	–	–	17
Depreciation	205	148	–	353

	Property management $'000	Engineering, design and fabrication $'000	Shipyard operations $'000	Elimination $'000	Total $'000
2014					
Statement of financial position					
Assets					
Segment assets	16,008	–	24,962	–	40,970
Unallocated other assets					–
Consolidated assets					40,970
Liabilities					
Segment liabilities	3,756	–	15,736	–	19,492
Unallocated other liabilities					1,050
Consolidated liabilities					20,542
Other information					
Capital additions	9	2,119	3	–	2,131
Depreciation	204	279	162	–	645

NOTES TO FINANCIAL STATEMENTS
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41 SEGMENT INFORMATION (cont'd)

Geographical information

The Group's revenue from continuing operations in the year was derived from Shipyard operations and Property management, which operate in Thailand and Singapore respectively. Accordingly, revenue and assets breakdown by geographical markets have been presented above.

Information about major customer

In 2015, there is one (2014: one) customer each from Property management and Shipyard operations segment that contributes 100.0% and 67.2% (2014: 100.0% and 84.7%) of Property management and Shipyard operations revenue, respectively.

SHAREHOLDERS' INFORMATION

AS AT 21 MARCH 2016

Class of shares	:	Ordinary shares
Number of issued shares (excluding Treasury Shares)	:	668,266,667
Voting rights	:	One vote per ordinary share

The Company does not hold any Treasury Shares.

STATISTICS OF SHAREHOLDINGS AS AT 21 MARCH 2016

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	% OF SHAREHOLDERS	NO. OF SHARES	% OF SHAREHOLDINGS
1 – 99	2	0.07	12	0.00
100 – 1,000	298	9.83	291,933	0.04
1,001 – 10,000	909	29.99	5,232,200	0.78
10,001 – 1,000,000	1,770	58.40	206,278,711	30.87
1,000,001 and above	52	1.71	456,463,811	68.31
Grand Total	**3,031**	**100.00**	**668,266,667**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS AT 21 MARCH 2016

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	Direct Interest %	Deemed Interest	Deemed Interest %	Total	Total %
Jeffrey Hing Yih Peir	195,000	0.029	197,350,000	29.531	197,545,000	29.560

Note:

Jeffrey Hing Yih Peir has a beneficial interest in 164,350,000 shares registered in the name of Phillip Securities Pte Ltd and 33,000,000 shares registered in the name of Pacific Alliance Asia Opportunity Fund L.P..

SHAREHOLDERS' INFORMATION

AS AT 21 MARCH 2016

TWENTY LARGEST SHAREHOLDERS AS AT 21 MARCH 2016

	NAME OF SHAREHOLDER	NO. OF SHARES	% OF SHAREHOLDINGS
1	PHILLIP SECURITIES PTE LTD	190,358,000	28.49
2	RAFFLES NOMINEES (PTE) LTD	34,088,500	5.10
3	OCBC SECURITIES PRIVATE LIMITED	30,856,700	4.62
4	BANK OF SINGAPORE NOMINEES PTE LTD	29,100,000	4.35
5	CITIBANK NOMINEES SINGAPORE PTE LTD	17,445,600	2.61
6	MAYBANK NOMINEES (S) PTE LTD	13,256,000	1.98
7	DBS NOMINEES PTE LTD	13,038,600	1.95
8	UOB KAY HIAN PTE LTD	11,570,000	1.73
9	MAYBANK KIM ENG SECURITIES PTE LTD	11,083,077	1.66
10	SHIE YONG FAH	10,350,000	1.55
11	LIM TCHEN NAN	6,500,000	0.97
12	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	5,040,000	0.75
13	KHO CHUAN THYE PATRICK	4,900,000	0.73
14	LOW BENG TIN	4,769,754	0.71
15	PEY ENG CHUA	4,016,000	0.60
16	LIM MOOI NGO	4,000,000	0.60
17	TAN SOO CHONG	3,677,000	0.55
18	LEOW SIOH MOY	3,650,000	0.55
19	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,056,800	0.46
20	LUI KIT WEI	3,015,900	0.45
	TOTAL	**403,771,931**	**60.41**

Percentage of Shareholding in Public Hands

Based on information available to the Company as at 21 March 2016, approximately 65.1% of the Company's ordinary shares (excluding Treasury Shares) are held by the public and therefore Catalist Rule 723 is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of OEL (HOLDINGS) LIMITED (the "**Company**") will be held at The Conference Room, No. 8 Aljunied Avenue 3, Oakwell Building, Singapore 389933 on Tuesday, 26 April 2016 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December 2015 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors retiring by rotation pursuant to Regulation 87 of the Company's Constitution.

   Mr Bernard Tay Ah Kong *[See Explanatory Note (i)]* **(Resolution 2)**
   Mr Lai Kwok Seng *[See Explanatory Note (ii)]* **(Resolution 3)**

3. To approve the payment of Directors' fees of up to S$250,000 for the financial year ending 31 December 2016, to be paid quarterly in arrears (2015: S$300,000). **(Resolution 4)**

4. To re-appoint Deloitte & Touche LLP as the Company's Auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

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

AS SPECIAL BUSINESS

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

6. **SHARE ISSUE MANDATE**

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

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

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

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

NOTICE OF ANNUAL GENERAL MEETING

provided that:

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

(2) (subject to such 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 sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

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

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (iii)] **(Resolution 6)**

By Order of the Board

Chang Ai Ling
Company Secretary

Singapore, 8 April 2016

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Bernard Tay Ah Kong will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee. Mr Bernard Tay Ah Kong will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

(ii) Mr Lai Kwok Seng will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee. Mr Lai Kwok Seng will be considered independent for the purposes of Rule 704(7) of the Catalist Rules.

(iii) The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 50% may be issued other than on a pro rata basis to shareholders.

Notes:

1. A Member (other than a Relevant Intermediary) entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint not more than two proxies to attend and vote in his/her behalf. A proxy need not be a Member of the Company.

2. A Relevant Intermediary may appoint more than two proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by him (the number of shares to which each proxy has been appointed shall be specified in the proxy form).

3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 8 Aljunied Avenue 3, Oakwell Building, Singapore 389933 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

A Relevant Intermediary is:

(a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

(b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or

(c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

NOTICE OF ANNUAL GENERAL MEETING

Personal data privacy:

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

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

This notice has not been examined 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 details of the contact person for the Sponsor are:

Name : Mr Tan Chong Huat (Registered Professional, RHT Capital Pte. Ltd.)
Address : Six Battery Road, #10-01, Singapore 049909
Tel : (65) 6381 6757

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OEL (HOLDINGS) LIMITED

(Incorporated in Singapore)
(Co. Reg. No: 198403368H)

IMPORTANT:

1. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.
2. This Proxy Form is not valid for use by CPF and SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

Personal Data Privacy:

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

PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, ____

of ____

being a member/members of OEL (HOLDINGS) LIMITED (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing him/her, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at The Conference Room, No. 8 Aljunied Avenue 3, Oakwell Building, Singapore 389933 on Tuesday, 26 April 2016 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion.

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

No.	**Resolutions relating to:**	**For**	**Against**
1.	Directors' Statement and Audited Financial Statements for the year ended 31 December 2015 together with the Auditors' Report thereon		
2.	Re-election of Mr Bernard Tay Ah Kong as a Director		
3.	Re-election of Mr Lai Kwok Seng as a Director		
4.	Approval of Directors' fees of up to S$250,000 for the financial year ending 31 December 2016, to be paid quarterly in arrears		
5.	Re-appointment of Deloitte & Touche LLP as Auditors		
6.	Share Issue Mandate		

**Delete where inapplicable*

Dated this ____________ day of __________________ 2016

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

____

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

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register, you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote on his behalf at the Annual General Meeting (the "Meeting"). Where a member appoints more than one proxy, he shall specify the proportion of his shares to be represented by each such proxy, falling which the nomination shall be deemed to be invalid.

3. Pursuant to Section 181 of the Companies Act, Chapter 50, any member who is a relevant intermediary is entitled to appoint one or more proxies to attend and vote at the Annual General Meeting.

   A Relevant Intermediary is:

   (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity; or

   (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and hold shares in that capacity; or

   (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

4. The instrument appointing a proxy or proxies must be deposited at the Registered Office of the Company at No. 8 Aljunied Avenue 3, Oakwell Building, Singapore 389933 not less than forty-eight (48) hours before the time appointed for the Meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a notarially certified copy thereof must be lodged with the instrument.

6. 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.

7. An investor who holds shares under the Central Provident Fund Investment Scheme ("CPF Investor") and/or the Supplementary Retirement Scheme ("SRS Investors") (as may be applicable) may attend and cast his vote(s) at the Meeting in person. CPF and SRS Investors who are unable to attend the Meeting but would like to vote, may inform their CPF and/or SRS Approved Nominees to appoint the Chairman of the Meeting to act as their proxy, in which case, the CPF and SRS Investors shall be precluded from attending the Meeting.

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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OEL (HOLDINGS) LIMITED

Registration No. 198403368H

No. 8 Aljunied Ave 3,
Oakwell Building, Singapore 389933
Tel: 6742 8000 Fax: 6747 1832