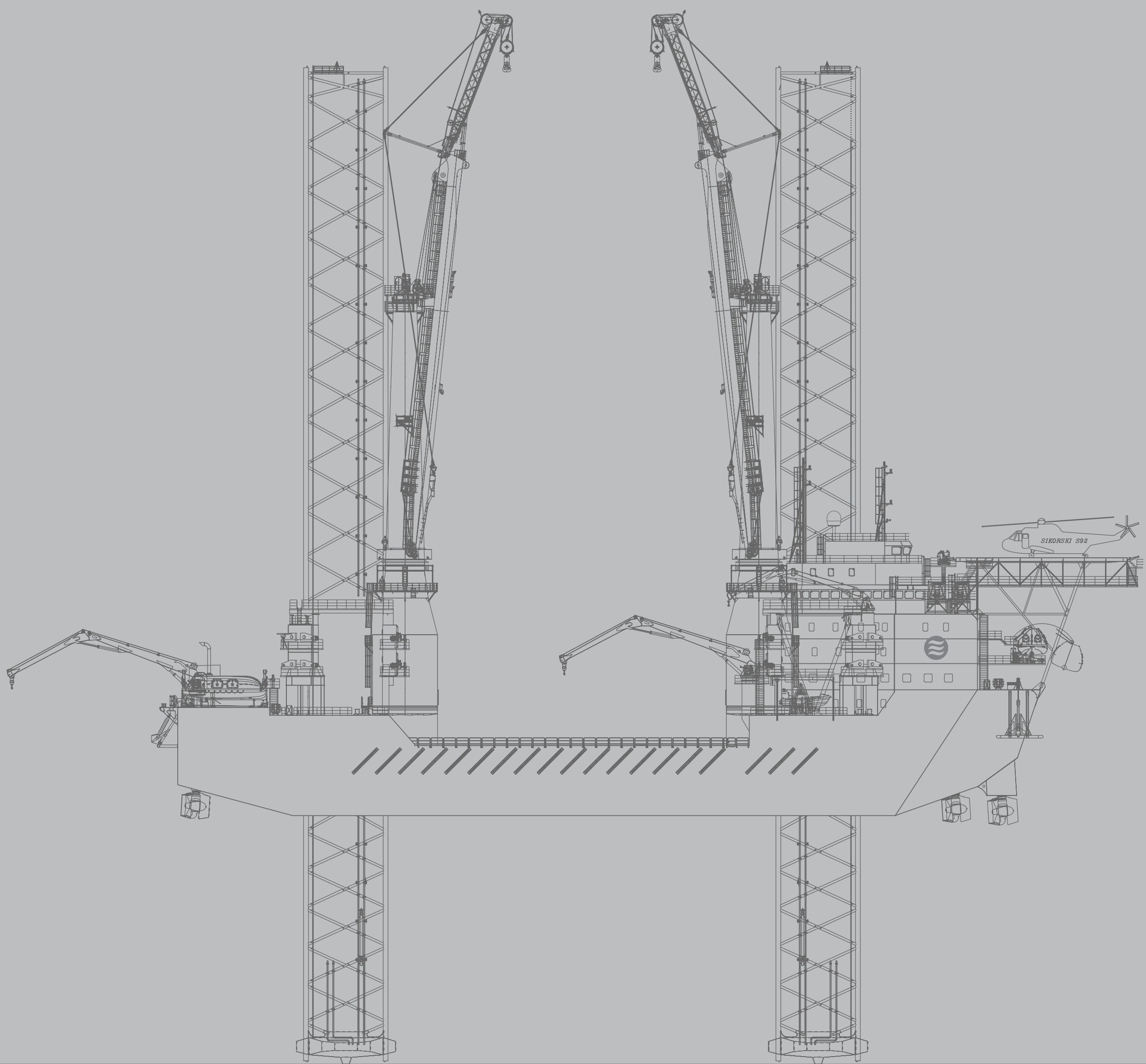
ANNUAL REPORT 2014

FOCUSED ON EXCELLENCE



Ezion Holdings Limited

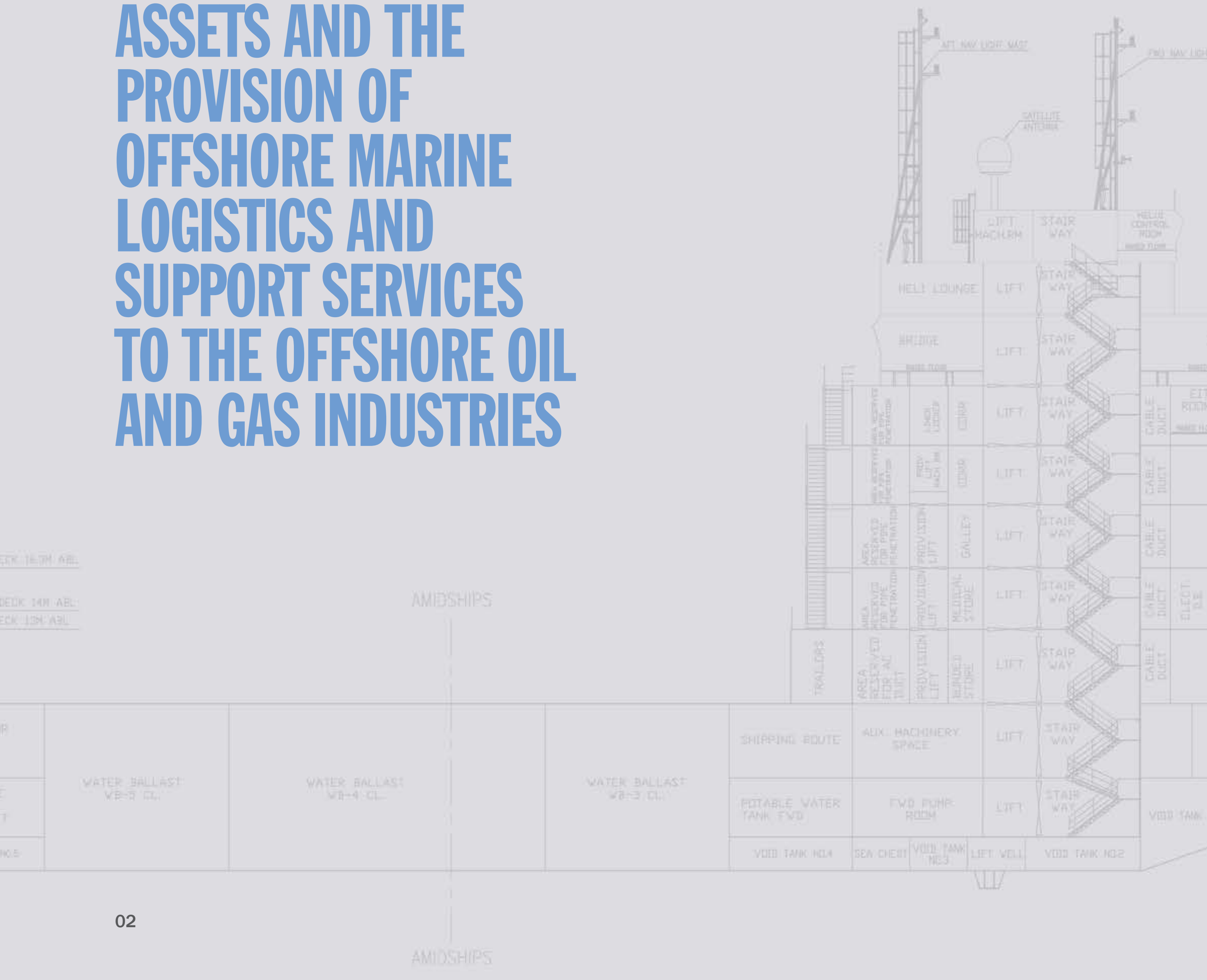
Ezion Holdings Limited

CONTENTS

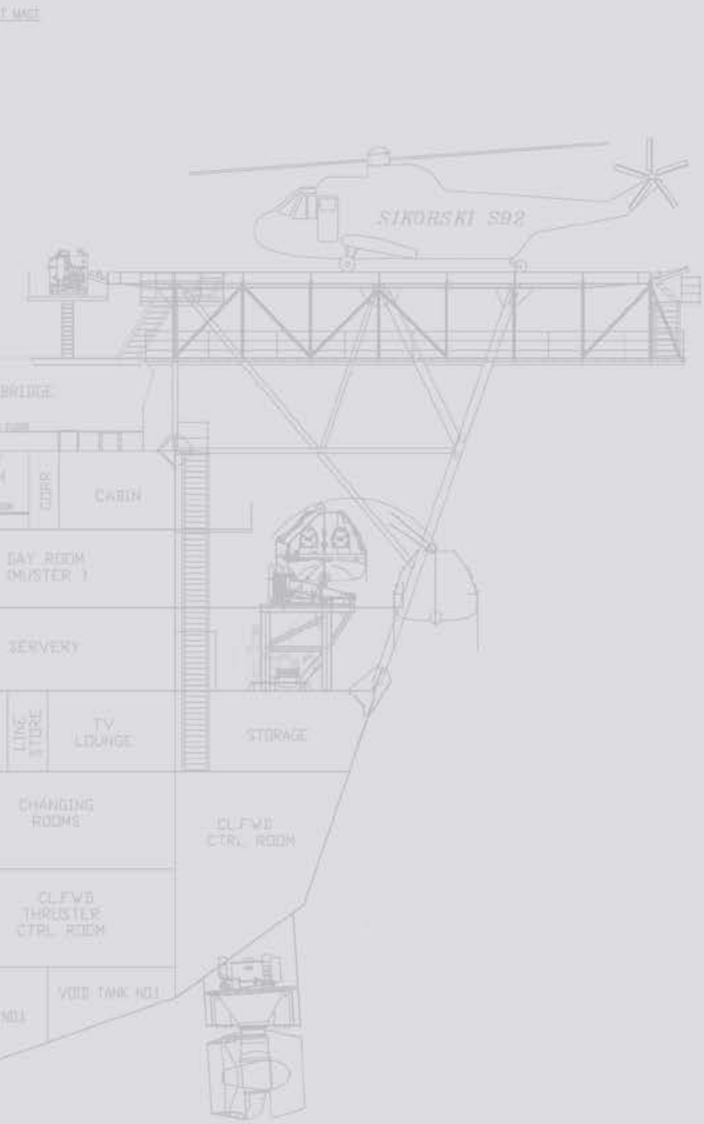
FOCUSED ON EXCELLENCE

Annual Report 2014

SPECIALISES IN THE DEVELOPMENT, OWNERSHIP AND CHARTERING OF STRATEGIC OFFSHORE ASSETS AND THE PROVISION OF OFFSHORE MARINE LOGISTICS AND SUPPORT SERVICES TO THE OFFSHORE OIL AND GAS INDUSTRIES



A LEADER IN THE DEVELOPMENT, OWNERSHIP AND CHARTERING OF STRATEGIC OFFSHORE ASSETS



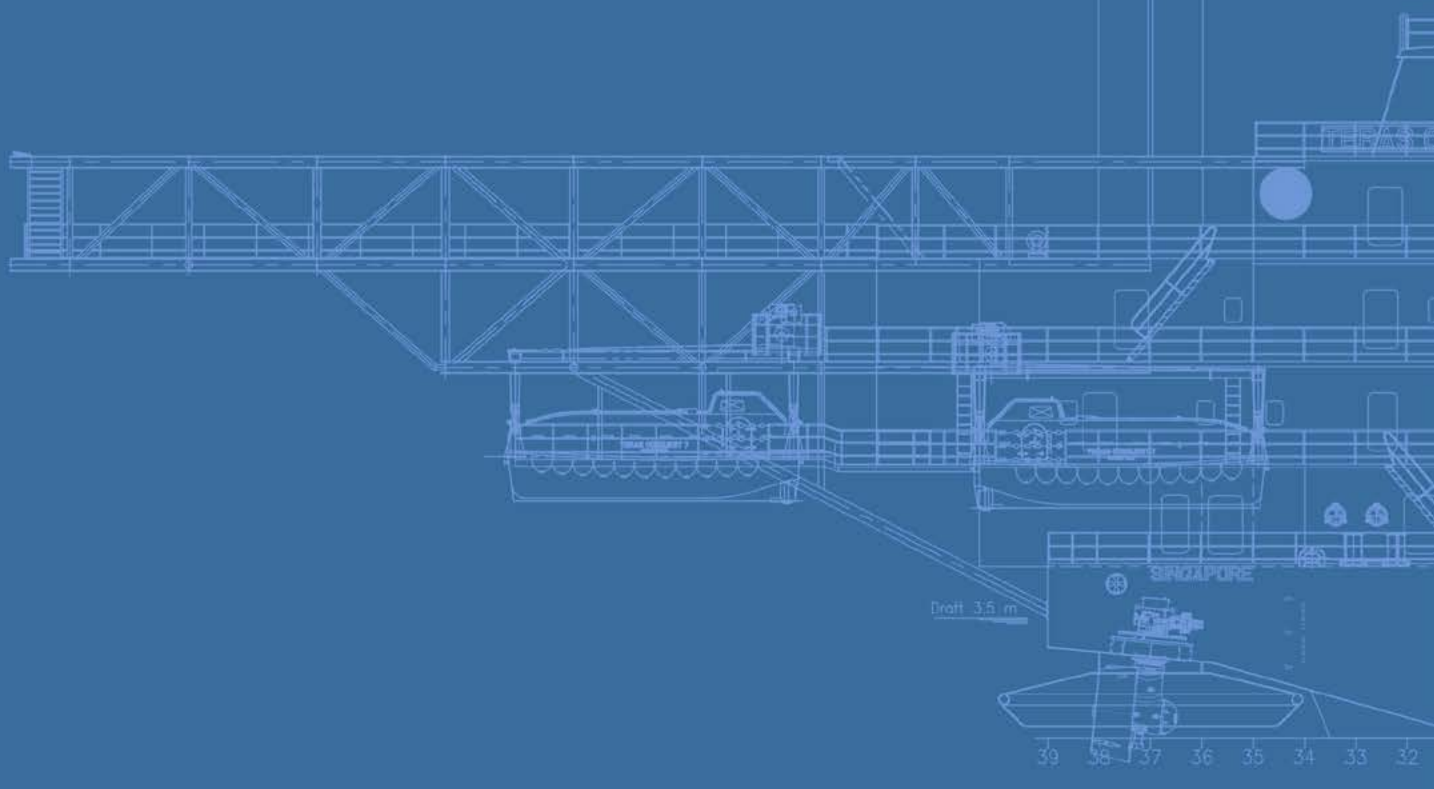
Ezion Holdings Limited ("Ezion") and together with its subsidiaries ("the Group") has 2 main business divisions that specialises in the development, ownership and chartering of strategic offshore assets and the provision of offshore marine logistics and support services to the offshore oil and gas industries.

The Group is the owner of one of the largest and most sophisticated class of Multi-Purpose Self Propelled Jack-up Rigs ("Liftboats") in the world and one of the first to promote the usage of Liftboats in Asia & Middle East. Ezion's Liftboats are used mainly for well-servicing, commissioning, maintenance and decommissioning of offshore platforms.

The Group is also the owner of a fleet of vessels, consisting of tugs, ballastable barges, offshore support vessel and self-propelled barge that are used in the provision of offshore marine logistics and support services to the offshore oil and gas industries. The Group's fleet of ballastable barges, one of the largest in the region, has been specially reinforced and modified to carry the prefabricated modules in the construction of LNG extraction facilities and jackets for the offshore oil and gas industries.

The Group's operating companies also offers a range of services to include marine consulting related to the development & construction and marine logistic solutions for marine offshore facilities.

LEADING WITH A FLEET OF THE MOST SOPHISTICATED MULTI-PURPOSE SELF PROPELLED JACK-UP RIGS

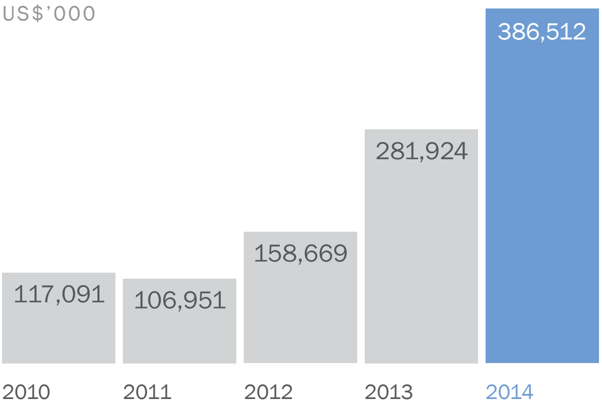



WHEELHOUSE TOP
20.00m ABL
04 DECK – WHEELHOUSE DECK
17.00m ABL
03 DECK
14.00m ABL
02 DECK
11.00m ABL
01 DECK
8.00m ABL
CARGO BLOCK 32m x 6m
31 30 29 28 27 26 25 24 23 22 21 20 19 18 17 16 15 14 13 12 11 10 9 8 7 6 5 4 3 2

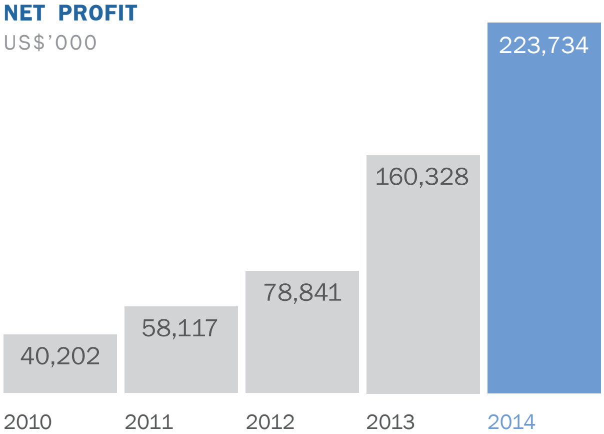

TRIYARDS

FINANCIAL HIGHLIGHTS

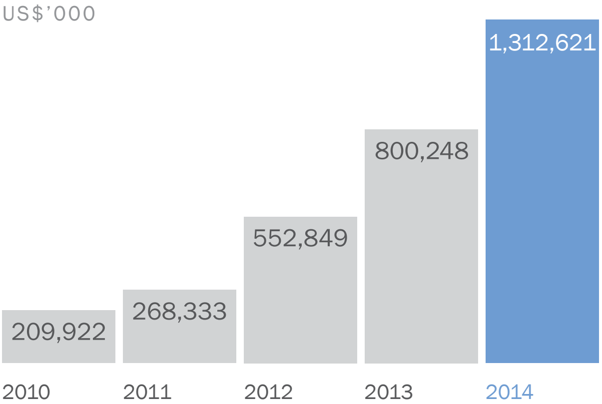
REVENUE
US$'000



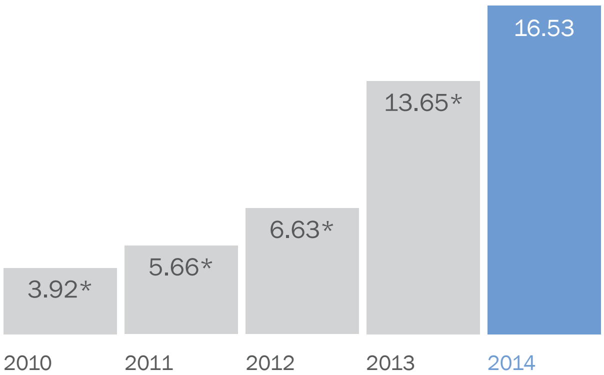
NET PROFIT
US$'000



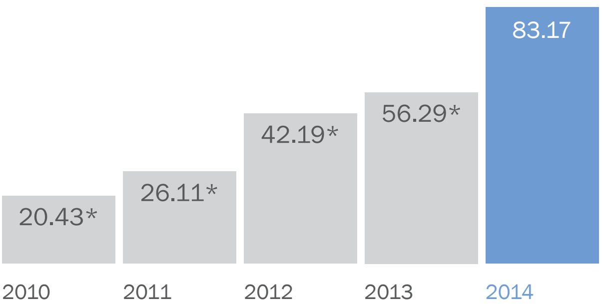
SHAREHOLDERS' FUND
US$'000



EARNINGS PER SHARE
US CENTS/SHARE



NET ASSET VALUE
US CENTS / SHARE

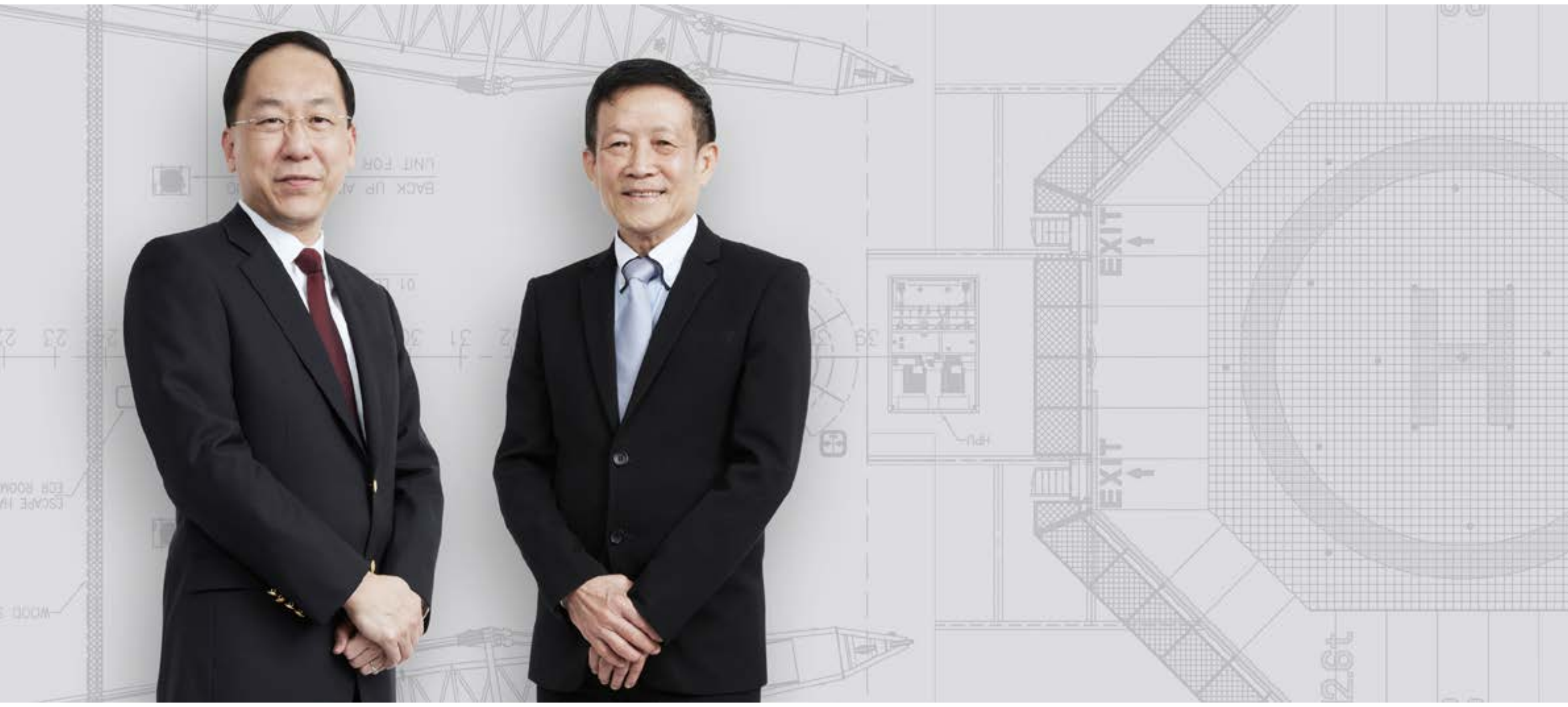


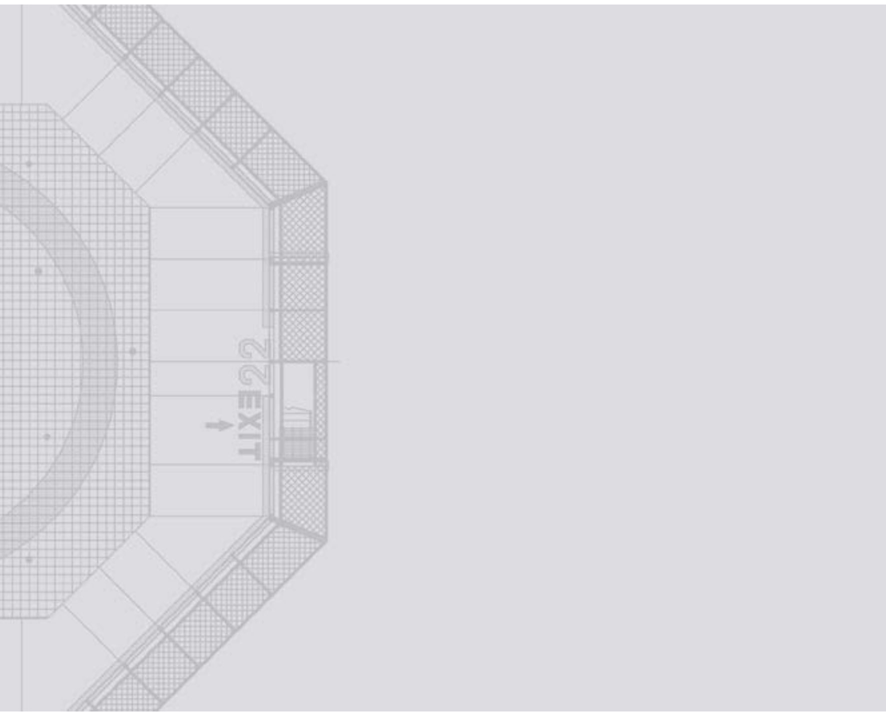
FINANCIAL HIGHLIGHTS

	2014 US$'000	2013 US$'000	2012 US$'000	2011 US$'000	2010 US$'000
REVENUE	386,512	281,924	158,669	106,951	117,091
Profit Before Tax	225,763	162,968	82,768	61,010	43,178
Net Profit	223,734	160,328	78,841	58,117	40,202
KEY FINANCIAL POSITION INDICATORS					
Shareholders' Fund	1,312,621	800,248	552,849	268,333	209,922
Total Assets	2,980,971	2,043,078	1,198,005	470,374	397,261
Total Liabilities	1,668,350	1,242,830	645,156	202,041	187,339
PERFORMANCE INDICATORS					
Earnings Per Share (cents/share)	16.53	13.65*	6.63*	5.66*	3.92*
Net Asset Value (cents/share)	83.17	56.29*	42.19*	26.11*	20.43*
FINANCIAL RATIOS					
ROE (%)	21.18	23.70	19.20	24.30	23.14
ROA (%)	8.91	9.89	9.45	13.40	11.83
Current Ratio (times)	1.54	1.01	1.72	1.56	1.58
Net Gearing (times)	0.86	1.15	0.76	0.35	0.26

* Restated due to retrospective adjustments for issuance of bonus shares dated 15 September 2014 ("Bonus Shares")

WE HAVE BEEN BLESSED WITH STRONG DEMAND FROM NEW AND EXISTING CLIENTS IN FY2014 FOR OUR ASSETS UNDER THE LIFTBOATS AND JACK-UP RIGS SERVICES ("SERVICE RIGS") WHEREBY A TOTAL OF 8 NEW PROJECTS WITH A COMBINED CONTRACT VALUE OF UP TO APPROXIMATELY USD 670 MILLION WERE SECURED.





TO ALL OUR VALUED SHAREHOLDERS:

Grace and peace to you.

On behalf of the Board of Directors, we are pleased to present to you the annual report for Ezion Holdings Limited for the financial year ended 31 December 2014 ("FY2014").

We have been blessed with strong demand from new and existing clients in FY2014 for our assets under the Liftboats and jack-up rigs services ("Service Rigs") whereby a total of 8 new projects with a combined contract value of up to approximately USD 670 million were secured. During the year, 3 additional Service Rigs were successfully deployed in the Asia Pacific region. As a result, our revenue increased by 37% to USD 386.5 million and net profit increased by 40% to USD 223.7 million. USD 213.5 million of operating cash flows was also generated in FY2014.

In addition to the strong cash flow and profit generated from the operations, the capital base of the Company was also strengthened by two capital market exercises. In April, through an issuance of 100 million new shares to Asia Fountain Investment Company Limited and GuoLine Capital Limited, two companies controlled by Tan Sri Quek Leng Chan, the Company raised about USD 155 million. Subsequently in November, the Company raised another USD 115 million through an issuance of perpetual securities under its SGD 1.5 billion multicurrency debt issuance programme. Combining with the net profit generated, shareholders' fund grew by 64% to USD 1.3 billion in FY2014.

In June, the Company also did an early redemption of its SGD 100 million bond which was originally due in May 2015, with cash flows generated from operations. We do not have any bonds that are due for redemption in 2015 as a result. The Company also completed the

OUR REVENUE INCREASED BY 37% TO USD 386.5 MILLION AND NET PROFIT INCREASED BY 39% TO USD 223.7 MILLION. USD 213.5 MILLION OF OPERATING CASH FLOWS WAS ALSO GENERATED IN FY2014.

restructuring of its port and marine supply base business in Australia into AusGroup in the 4th quarter of FY2014, further strengthening its balance sheet and allowing the management to focus on the rapid expanding Service Rig business.

The oil and gas industry as a whole faces a challenging year ahead in view of the drastic decrease in the price of fossil fuel over the last six months. Going forward, the management expects oil majors to reduce exploration and development activities, cut corresponding capital expenditure, and to re-focus on extracting from existing infrastructure. Hence, the Company will continue to focus its effort in its Service Rig division to support its customers to better cope with the current environment through the deployment of more Service Rigs in 2015. The Company will also endeavour to explore strategic tie-up to strengthen its position in the industry.

In view of the challenging year ahead, we believe a strong balance sheet will best serve the interest of the Company and its shareholders. Nevertheless, we have recommended a final tax-exempt dividend of SGD 0.1 cents per ordinary share, pending approval at the forthcoming Annual General Meeting.

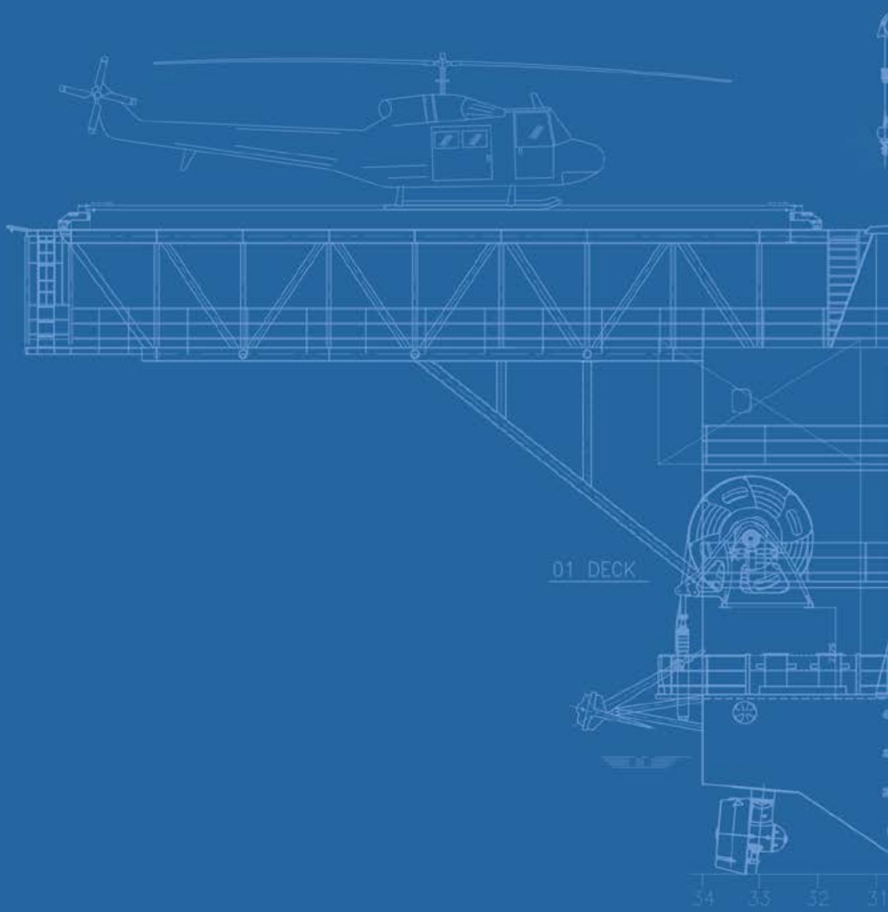
We have received much grace and blessings from God the almighty. With great humility, we give Him all the praise and come before Him with thanksgiving. We are grateful also to our fellow directors for their advice and support. We sincerely thank all our colleagues who have constantly put the interest of the Company before themselves and give their best. To our bankers, business associates and partners, we are much obliged. To our dear stakeholders, we thank you all for your support and we will do our best to justify your faith in us.

The blessings of the Lord be with all of you.

MR LEE KIAN SOO
Chairman

MR CHEW THIAM KENG
Chief Executive Officer

BOARD OF DIRECTORS



From Left To Right:
Mr Lim Thean Ee
Mr Lee Kian Soo
Dr Wang Kai Yuen
Mr Tan Woon Hum
Mr Chew Thiam Keng

MR LEE KIAN SOO

Non-Executive Chairman And Non-Executive Director

Mr Lee Kian Soo was appointed the Non-Executive Chairman and Non-Executive Director on 1 June 2007 and last re-elected on 21 April 2014. He is one of the founders of the Ezra Group of Companies ("Ezra") with more than 30 years of experience in the shipping and offshore support service industry. Prior to founding Ezra, Mr Lee has worked in various established companies which include Jurong Shipyard, Sembawang Shipyard and Offshore Supply Association. Mr Lee has been responsible for the strategic planning, business development and marketing of Ezra since its inception in 1992. Mr Lee is currently a non-executive and non-independent director of Ezra Holdings Limited, and Executive Chairman and Advisor of EMAS Offshore Limited, companies listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

MR CHEW THIAM KENG

Chief Executive Officer And Executive Director

Mr Chew Thiam Keng was appointed an Executive Director on 1st March 2007, and was appointed as the Chief Executive Officer on 1st June in the same year. He was last re-elected as a Director on 26 April 2012. Mr Chew is responsible for the Group's operations, strategic planning, corporate management and business development. Before joining the Group, Mr Chew was the Managing Director/CEO of KS Energy Services Limited for about 5 years and was an Executive Director of Kian Ann Engineering Ltd. between 1996 and November 2001. Before that, Mr Chew was with the Development Bank of Singapore Limited for nine years working in the areas of banking such as corporate finance and retail banking. Mr Chew holds a Master Degree in Business Administration from the University of Hull and a Bachelor Degree (Honours) in Mechanical Engineering from the National University of Singapore. Mr Chew is currently a non-executive and/or independent director of Charisma Energy Services Limited and Pharmesis International Limited, companies listed on the SGX-ST.

DR WANG KAI YUEN

Independent Non-Executive Director

Dr Wang Kai Yuen is an Independent Non-Executive Director appointed on 28 July 2000 and last re-elected on 25 April 2013. He currently also serves as the Chairman of the Audit Committee and is a member of both the Remuneration and Nominating Committees. Dr Wang sits on the Board of COSCO Corporation (Singapore) Limited, ComfortDelGro Corporation Limited, CAO (Singapore) Corporation Ltd, Matex International Ltd, HLH Corp, Emas Offshore Ltd and A-Sonic Aerospace Ltd, companies listed on SGX-ST. He previously served as independent director of Superbowl Holdings Ltd, Xpress Holdings Limited, Hiap Hoe Limited and Asian Micro Holdings Limited. Dr Wang retired from Fuji Xerox Singapore Software Centre in December 2009 as the Centre Manager. Dr Wang served as a Member of Parliament for the Bukit Timah Constituency from December 1984 till April 2006. He was the Chairman of Feedback unit from 2002 till his retirement from politics. Dr Wang graduated from the National University of Singapore with a Bachelor in Engineering (First Class Honours in Electrical and Electronics). He also holds a Master of Science in Electrical Engineering and a PhD in Engineering from Stanford University. He received a Friend of Labour Award in 1988 for his contributions to the Singapore labour movement.

MR LIM THEAN EE
Independent Non-Executive Director

Mr Lim Thean Ee is an Independent Non-Executive Director of Ezion Holdings Ltd who was appointed on 28 July 2000 and last re-elected on 25 April 2013. He was appointed the Chairman of the Remuneration Committee with effect from 18 July 2008 and is also a member of both the Audit and Nominating Committees.

Mr Lim participates actively in community work. He is Chairman of Telok Blangah Citizens' Consultative Committee and Chairman of CCC's Community Development & Welfare Fund Committee. In addition, he serves as the Vice Chairman of Telok Blangah Neighbourhood Standing Committee and is also the Chairman of Depot Estate Businesses Association.

In recognition of his contribution to the community, Mr Lim was conferred both the Public Service Medal and the Public Service Star Medal in 1998 and 2012 respectively.

He currently serves as the Managing Director of Coastal Navigation Pte Ltd and Chairman of Masindo Marine Pte Ltd and has more than 30 years of experience in shipbuilding and ship repairing industry. He is an Associate Member of Society of Naval Architects and Marine Engineers, USA since year 1974. Mr Lim is currently an independent director of Miyoshi Limited, a company listed on SGX-ST.

MR TAN WOON HUM
Independent Non-Executive Director

Mr Tan Woon Hum is an Independent Non-Executive Director appointed on 21 March 2007 and last re-elected on 26 April 2012. He is currently a partner of Shook Lin & Bok LLP, a Singapore law firm and has been with the firm since December 2003. Mr Tan graduated from the National University of Singapore with a LLB (Honours) Degree in 1995 and was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1996. He obtained his MBA (Finance) from the University of Leicester in 2000. He has been in private legal practice since 1996 and specializes in trust, asset and wealth management. He advises on the establishment of traditional and alternative funds including related licences and exemptions for fund management companies, as well as the establishment and initial public offering (IPO) of REITS. He also advises on trusts, family trusts, family offices, wealth protection and succession matters. He is a frequent speaker at public conferences held in Singapore, Hong Kong and Malaysia on funds, regulatory, REITs and other legal issues. Mr Tan is also an independent non-executive director of AP Oil International Limited and Yong Xin International Holdings Ltd, companies listed on SGX-ST.

MR LEE KON MENG (PETER)

Chief Operating Officer

Mr Lee Kon Meng, Peter joined the Group in May 2010 and is responsible for developing and nurturing new businesses and overseeing the group fleet operations. He holds a Master Mariner Class 1 certification with 13 years in the merchant navy and 24 years in the offshore industry in related management oversight and responsibilities. Before joining the Group, Mr Lee served as a Director of POSH Semco Pte Ltd, specialising in turnkey major transportation and FPSO towage, installation projects in the offshore oil and gas industry and salvage.

MR CHEAH BOON PIN

Chief Financial Officer

Mr Cheah Boon Pin is responsible for all accounting, financial and taxation matters. He joined the Group in June 2007 bringing with him over 15 years of experience in auditing and commercial accounting. Before joining the Company, Mr Cheah had served in financial management positions in 2 Singapore Exchange Main Board listed companies. He holds an ACCA accounting qualification and is a member of the Institute of Singapore Chartered Accountants.

MR TAN KIM KWANG

Human Resources Director

Mr Tan Kim Kwang joined the Group in January 2014 and is responsible for the human resources management for the Group. He was a Managing Director with the Government of Singapore Investment Corporate Pte Ltd (GIC) managing the global human resources and facilities function. He was with the GIC for 16 years. Prior to joining the GIC, Mr Tan was with the DBS Bank for seven years, working in the retail banking sector. Mr Tan holds a Bachelor Degree (1st Class Honours) in Mechanical Engineering from the National University of Singapore.

MR POH LEONG CHING (DAVID)

Chief Commercial Officer

Mr Poh Leong Ching, David is responsible for the marketing of the Group’s entire fleet of vessels which includes tugs, ballastable vessels, offshore support vessels and multi-purpose self-propelled jack-ups (“Liftboats”). Under his credentials are over 20 years of experience in the sales and operations of vessels and cranes. Mr Poh was the Marketing Manager of Tiong Woon Marine Pte Ltd and Tat Hong Holdings Group before joining the Group.

MR JULIEN CIGLAR

Director, Fleet Services

Mr Julien Ciglar joined the Group in August 2014 to oversee Teras Fleet including Operations, HSE, Procurement, Crewing and Technical functions. Mr Ciglar has gained his experience through various positions (Rig Manager, Country Manager) held in North Sea and South East Asia with mainly Liftboats and Jack-ups operations. Mr Ciglar holds a Master in Economics.

MR YE MIN

Deputy Chief Information Officer

Mr Ye Min is responsible for providing vision and leadership in developing and implementing information technology initiatives that align with the business and operation needs of the Group. He joined the Group in April 2014, with over 20 years' experience in Information Technology. Prior to this, Mr Ye served as General Manager, IT Services in a Singapore Exchange Main Board listed company managing the IT aspects of the operation.

MR ALAN CHONG

Head, Corporate Finance

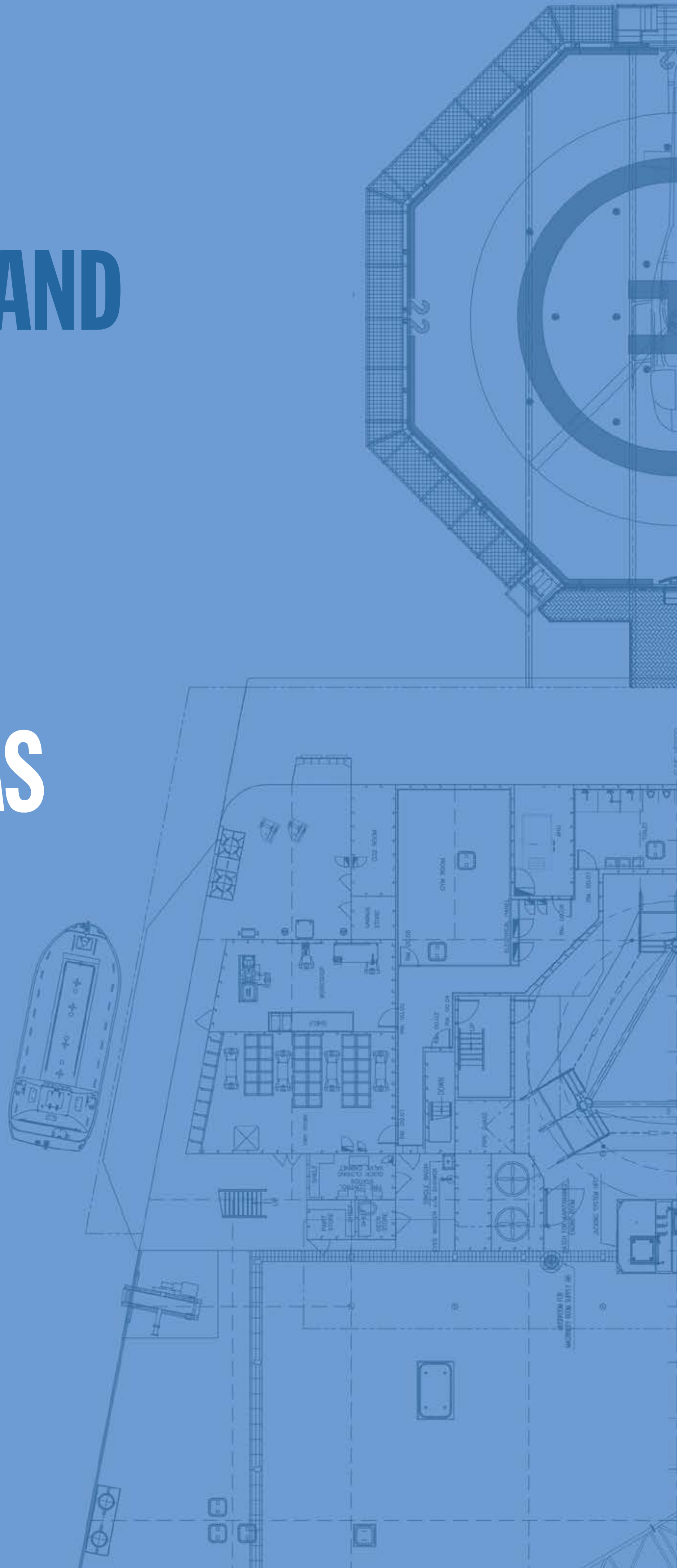
Mr Alan Chong joined the Group in February 2007 and is responsible for the debt and equity raising activities as well as the investor relations of the Group. Mr Chong is also in charge of the insurance requirements of the vessels and Service Rigs owned by the Group. He holds a Bachelor of Business (Honours) degree in Banking and Finance from the Nanyang Technological University, Singapore and has more than 9 years of experience in the offshore oil and gas industry whereby he started his career as a management trainee in a Singapore Exchange Main Board listed company.

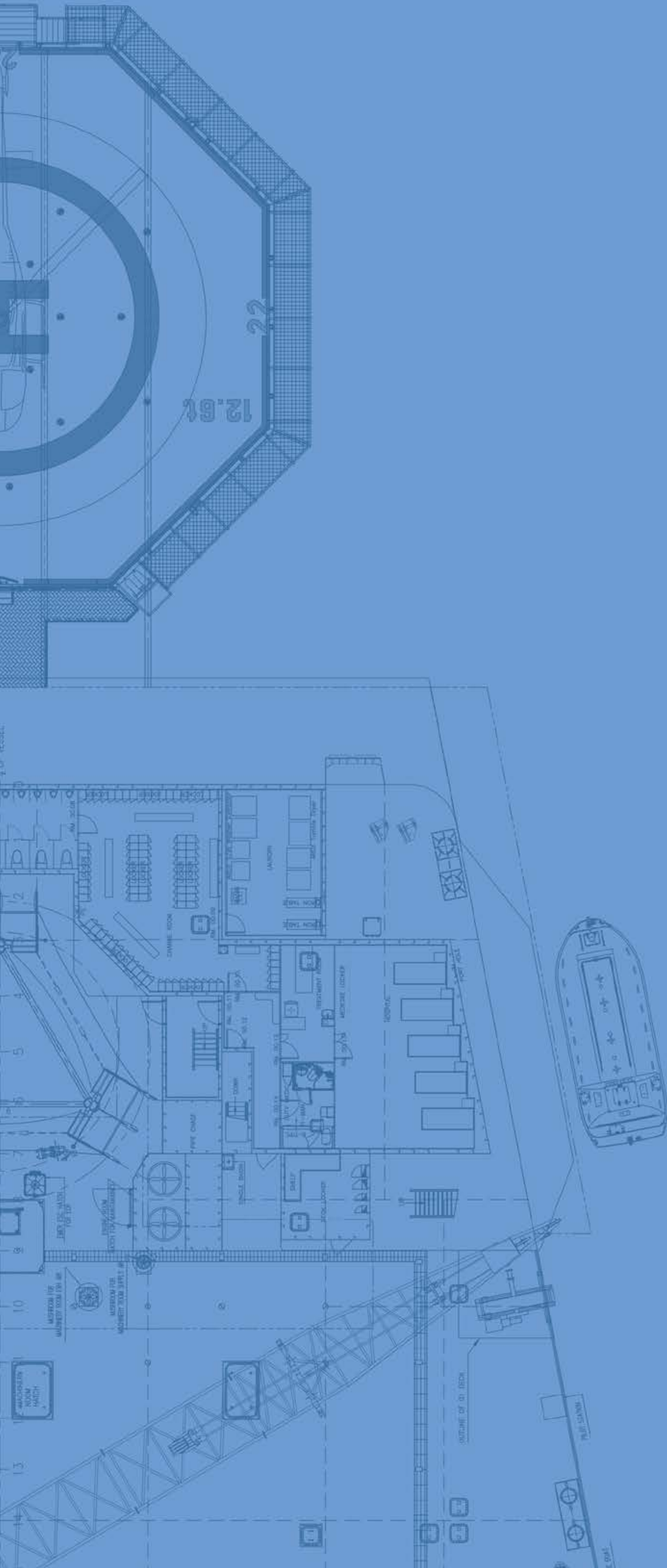
MR DERRICK CHING

Senior Manager - Commercial

Mr Derrick Ching joined the Group in March 2008 and is responsible for marketing of the Group's fleet of Jack-ups and vessels. Mr Ching has more than 10 years of experience in the oil and gas industry and has successfully completed several upgrading and refurbishment of offshore drilling rigs. On top of that, he is also experienced in heavy lift accommodation barges, seismic vessels and pipe layers.

FORWARD THINKING LOGISTICS AND SUPPORT SOLUTIONS FOR THE OFFSHORE OIL AND GAS INDUSTRY





THE GROUP REVENUE FOR FY2014 INCREASED BY 37.1% TO US$386.5 MILLION AND PROFIT FOR THE YEAR INCREASED BY 39.5% TO US$223.7 MILLION AS COMPARED TO FY2013

FINANCIAL HIGHLIGHTS

The Group revenue for FY2014 increased by 37.1% to US$386.5 million and profit for the year increased by 39.5% to US$223.7 million as compared to FY2013. This was mainly due to the chartering contribution from the deployment of additional units of the Group's multi-purpose self- propelled Jack-up Rig ("Liftboat") and Jack-up Rig (collectively called "Service Rigs").

Cost of sales and servicing for FY2014 increased by 28.1% to US$190.5 million as compared to FY2013. The higher cost of sales and servicing was due to the increase in business activities.

As a result of the above, the Group's gross profit for FY2014 improved by US$62.8 million (or 47.1%) to US$196.0 million as compared to FY2013.

The higher other income in FY2014 as compared to FY2013 was mainly contributed by a gain derived from the divestment of subsidiaries.

The higher administrative expenses for FY2014 as compared to FY2013 corresponded to the enlarged management team and enhanced operating structure in tandem with the increased business activities.

The higher finance cost in FY2014 as compared to FY2013 was due mainly to the accrued interest in relation to higher bank loans for the funding of new service rigs.

The shares of joint ventures' and associate's results, net of tax for FY2014 decreased by US$2.9 million (or 9.3%) as compared to FY2013 to US$28.0 million. This was due to acquisition of the remaining issued share capital of jointly controlled entities, which became fully owned subsidiaries of the Group and hence consolidated.

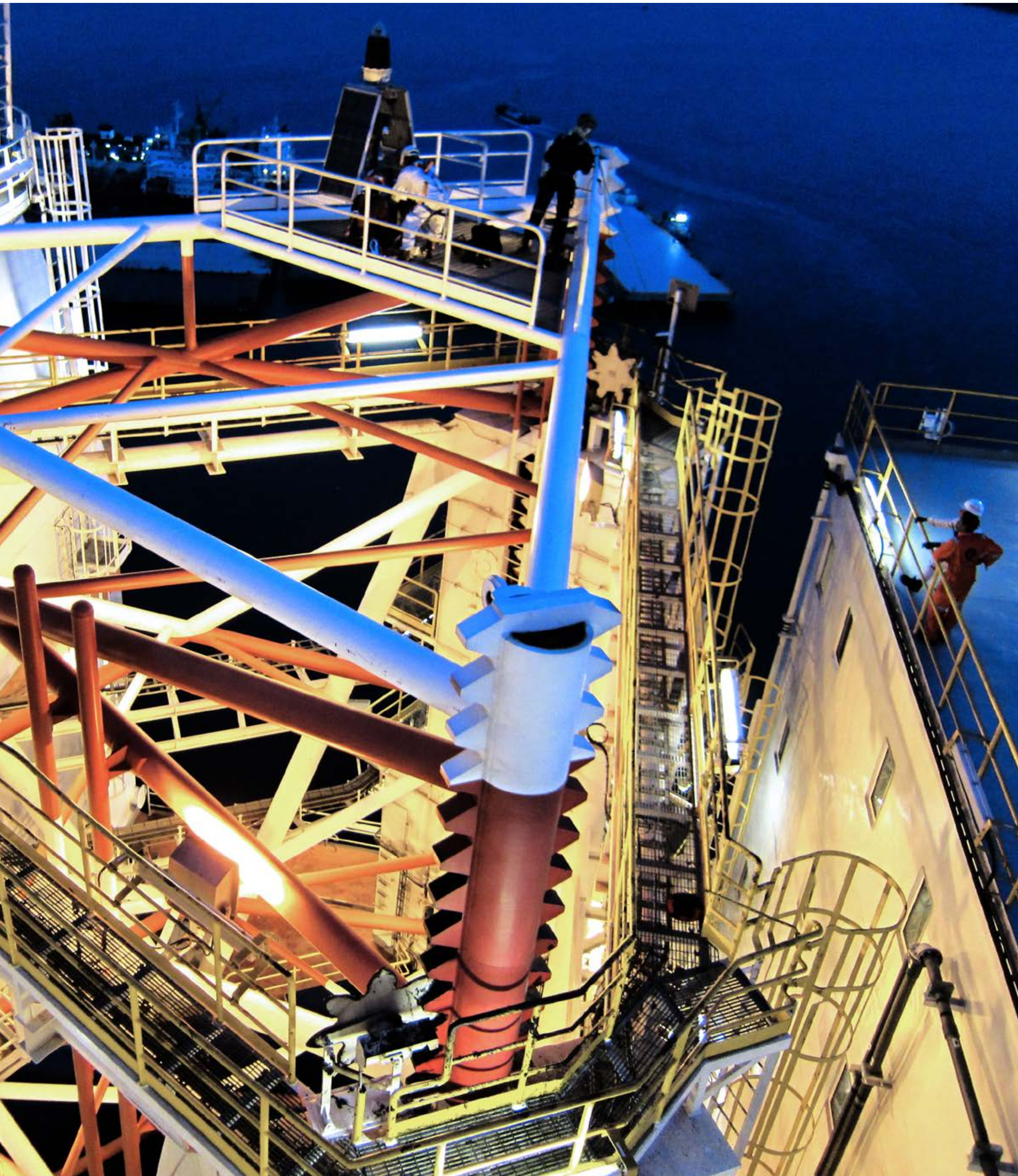
Charter income derived from Singapore flagged vessels are exempted from tax under Section 13A of the Income Tax Act of Singapore. FY2014 income tax expense of US$2.0 million relates to the corporate tax expense and withholding tax expense incurred by vessels operating in certain overseas waters.

BUSINESS SEGMENTS

THE INCREASE IN REVENUE FROM SERVICE RIGS FOR FY2014 AS COMPARED TO FY2013 AMOUNTED TO US$128.4 MILLION OR 75.3%

Revenue according to business segments for FY2014 consist of revenue from Service Rigs and revenue from offshore logistic support services which amounted to approximately US$298.9 million or 77.0% and US$87.6 million or 23.0% respectively. The increase in revenue from Service Rigs for FY2014 as compared to FY2013 amounted to US$128.4 million or 75.3%. As a result, the revenue mix for service rigs segment and offshore logistic support services segment for FY2014 was 77.0% and 23.0% (FY2013: 60.5% and 39.5%) respectively.

OPERATIONS REVIEW



SINGAPORE, AUSTRALIA, REST OF ASIA AND EUROPE

GEOGRAPHICAL SEGMENTS

Our revenue contributions based on geographical segments for FY2014 were adequately diversified, reducing geographical market risk. In FY2014, revenue contributed by Singapore, Australia, rest of Asia and Europe amounted to approximately US$24.8 million or 6.4%, US$56.2 million or 14.5%, US$150.2 million or 38.9% and US$129.0 million or 33.4%, respectively.

EZION HOLDINGS LIMITED

- Teras Genesis Pte Ltd 100%
- Teras Offshore Pte Ltd 100%
- Teras Transporter Pte Ltd 100%
- Teras Transporter 2 Pte Ltd 100%
- Teras 281 Pte Ltd 100%
- Teras Oranda Pte Ltd 100%
- Teras 335 Pte Ltd 100%
- Teras 336 Pte Ltd 100%
- Teras 338 Pte Ltd 100%
- Teras 339 Pte Ltd 100%
- Teras 333 Pte Ltd 100%
- Teras 375 Pte Ltd 100%
- Teras Conquest 2 Pte Ltd 100%
- Teras Conquest 5 Pte Ltd 100%
- Teras Conquest 6 Pte Ltd 100%
- Teras Pacific Pte Ltd 100%
- Teras Atlantic Pte Ltd 100%
- Ezion Maritime Pte Ltd 100%
- Meridian Maritime Pte Ltd 100%
- Teras Harta Maritime Limited 100%
- TeraSea Pte Ltd 50%
  - Posh TeraSea Pte Ltd 50%
- Teras Investments Pte Ltd 100%

- Teras Wallaby Pte Ltd 100%
- Teras Progress Pte Ltd 100%
- Teras Conquest 1 Pte Ltd 100%
- Eminent Offshore Logistics Pte. Ltd. 50%
- Teras Sunrise Pte Ltd 100%
- Teras Conquest 4 Pte Ltd 100%
- EG Marine Pte Ltd 50%
- Teras Conquest 3 Pte Ltd 100%
- Atlantic Esbjerg Pte Ltd 100%
- Atlantic Amsterdam Pte Ltd 100%
- Teras Pneuma Pte Ltd 100%
- Atlantic Tiburon 1 Pte Ltd 100%
- Atlantic Tiburon 2 Pte Ltd 100%
- Ezion Investments Pte Ltd 100%
- Atlantic Tiburon 3 Pte Ltd 100%
- Atlantic London Pte Ltd 100%
- Teras Conquest 7 Pte Ltd 92%
- Teras Fortress 2 Pte Ltd 100%
- Teras Pegasus Pte Ltd 100%

Eminent 237 Pte Ltd
100%

Eminent 1 Pte Ltd
100%

Eminent 2 Pte Ltd
100%

Eminent 3 Pte Ltd
100%

Eminent 4 Pte Ltd
100%

Eminent 5 Pte Ltd
100%

Eminent 6 Pte Ltd
100%

Atlantic Labrador Pte Ltd
100%

OMSA Ningaui Pte Ltd
100%

Teras Oranda Ltd
100%

Ezion Exerter Limited
100%

Victory Drilling
100%

Strategic Offshore Limited
50%

Teras Titanium Limited
100%

Strategic Excellence Limited
50%

Teras Maritime Pty Ltd
100%

Jackup Drilling Limited
100%

Teras Endeavour Limited
100%

Teras Lisa Limited
100%

Kenai Offshore Ventures, LLC
100%

Teras BBC Houston (BVI) Limited
100%

Teras Cargo Logistics Limited
100%

Teras Oilfield Support Limited
100%

Resilient Energy Limited
100%

Teras Offshore (Malaysia) Sdn Bhd
100%

Nora Limited
100%

BOARD OF DIRECTORS

Lee Kian Soo
Chew Thiam Keng
Dr Wang Kai Yuen
Lim Thean Ee
Tan Woon Hum

AUDIT COMMITTEE

Dr Wang Kai Yuen – Chairman
Lim Thean Ee
Tan Woon Hum

REMUNERATION COMMITTEE

Lim Thean Ee – Chairman
Dr Wang Kai Yuen
Tan Woon Hum

NOMINATING COMMITTEE

Tan Woon Hum – Chairman
Dr Wang Kai Yuen
Lim Thean Ee

REGISTERED ADDRESS

15 Hoe Chiang Road #12-05
Tower Fifteen Singapore 089316
Telephone 65 6309 0555
Facsimile 65 6222 7848
Website: www.ezionholdings.com
Email: ir@ezionholdings.com

PRINCIPAL BANKERS

Oversea-Chinese Banking Corporation Limited
65 Chulia Street
OCBC Centre
Singapore 049513

DBS Bank Ltd
12 Marina Boulevard
DBS Asia Central @ MBFC Tower 3
Singapore 018982

Malayan Banking Bhd
2 Battery Road
Maybank Tower
Singapore 049907

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

AUDITORS

KPMG LLP
Partner-in-charge: Koh Wei Peng
(Appointed since financial year ended 31 December 2012)
16 Raffles Quay #22-00
Hong Leong Building
Singapore 048581

SHARE REGISTRAR

M&C Services Private Limited
112 Robinson Road #05-01
Singapore 008902

COMPANY SECRETARIES

Lim Ka Bee
Cheah Boon Pin

Ezion Holdings Limited

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The Board of Directors and Management of Ezion Holdings Limited ("Ezion" or the "Company") are committed to continually enhancing shareholder value by maintaining high standards of corporate governance, business integrity and professionalism in all its activities

This report describes the Company's corporate governance framework and practices that were in place throughout the financial year, which are substantially in line with the principles of the Code of Corporate Governance 2012 (the "Code"). Where there are deviations from the Code, appropriate explanations are provided.

BOARD MATTERS

PRINCIPLE 1 BOARD'S CONDUCT OF ITS AFFAIRS
PRINCIPLE 2 BOARD COMPOSITION AND GUIDANCE

The Company is led by an effective Board comprising a majority of non-executive and independent Directors. Each Director brings to the Board his skills, experience, insights and sound judgement, which together with strategic networking relationships, serves to further the interests of the Company. At all times, the Directors are collectively and individually obliged to act in good faith and consider the best interests of the Company.

The Board currently comprises the following members:

(i)	Mr Lee Kian Soo	Non-Executive Chairman
(ii)	Mr Chew Thiam Keng	Executive Director and Chief Executive Officer
(iii)	Dr Wang Kai Yuen	Independent Director
(iv)	Mr Lim Thean Ee	Independent Director
(v)	Mr Tan Woon Hum	Independent Director

The Board oversees the business of Company and assumes responsibility for the overall strategic plans, key operational initiatives, major investment and funding proposals, financial performance reviews and corporate governance practices. The Board provides the direction and goals for the management and monitors the performance of these goals to enhance the shareholders' value. The Company has in place financial authorization and approval limits for operating and capital expenditure, procurement of goods and services, acquisitions and disposal of investments and treasury transactions. Within these guidelines, the Board approves transactions above certain thresholds. The Board also approves the financial results for release to the Singapore Exchange Securities Trading Limited ("SGX-ST").

The Company has adopted internal guidelines setting forth matters that required Board approval. A summary of matters reserved for the Board is set out below:

(i) Matters in relation to the overall strategy and management of the Group;
(ii) Material changes to the Group's management and control structure;
(iii) Matters involving financial reporting and dividends;
(iv) Major/strategic acquisitions and disposal of investments not in the ordinary course of business; and
(v) Matters which require Board approval as specified in the SGX-ST Listing Manual, Companies Act, Cap. 50 or other relevant laws and regulations.

The Board is supported by three Board Committees, namely the Audit Committee ("AC"), the Remuneration Committee ("RC") and the Nominating Committee ("NC"). These committees function within clearly defined terms of reference and operating procedures, which were approved by the Board.

The Board conducts regular scheduled meetings. Adhoc meetings are convened as and when circumstances require. The Articles of Association of the Company provides for the meetings to be held via telephone conference and other electronic or telegraphic means; and also for matters requiring decisions of the Board to be approved by way of written resolutions of the Board. The attendance of the directors at Board and Board Committee meetings held during the financial year ended 31 December 2014 ("FY2014") is as follows:

Type of Meetings	Board	Audit Committee	Nominating Committee	Remuneration Committee
Total No. Held	4	4	1	1
Name of Director and Attendance				
Lee Kian Soo	4	N.A.	N.A.	N.A.
Chew Thiam Keng	4	N.A.	N.A.	N.A.
Dr Wang Kai Yuen	4	4	1	1
Lim Thean Ee	4	4	1	1
Tan Woon Hum	4	4	1	1
Larry Glenn Johnson*	4	N.A.	N.A.	N.A.

* Stepped down from the position of Chief Operating Officer and Executive Director on 7 November 2014
N.A. - Not Applicable

New directors will be briefed on the business activities, strategic directions, policies and corporate governance practices of the Group.

Directors are provided with briefings and updates from time to time by professional advisers, auditor and management on relevant practices, new laws, rules and regulations, directors' duties and responsibilities, corporate governance, changes in accounting standards and risk management issues applicable or relevant to the performance of their duties and responsibilities as Directors. The Chief Executive Officer ("CEO") updates the Board at each meeting on business and strategic developments of the Group and industry. Informal meetings are held for management to brief directors on prospective deals and potential developments in the early stages before formal Board approval is sought.

The Board and management engage in open and constructive debate for the furtherance and achieving of strategic objectives. All Board members are provided with relevant and sufficient information on a timely basis and non-executive directors may challenge Management's assumptions and also extend guidance to management, in the best interest of the Group.

The Independent directors hold informal meeting session on a need basis without the presence of Management and other directors.

Directors are also informed and encouraged to attend relevant training programmes organised by the Singapore Institute of Directors and may suggest training topics, the funding of which will be provided by the Company.

As a group, the Directors bring with them a broad range of industry knowledge, expertise and experience in areas such as finance, legal, business and management. Key information regarding the Directors, including directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments are set out in pages 16 to 17 of this Annual Report.

The NC reviews the size and composition of the Board and the Board Committees annually. The NC considers the present board size and composition appropriate taking into account the business and scale of operations. It is of the view that the Board and Board Committees, comprises directors who have the relevant skills and knowledge, expertise and experiences to discharge the Board's duties as a group.

The NC has reviewed the declaration of independence provided by each of the non-executive Director for FY2014 in accordance with the Code's guidelines. The NC and Board consider a director as independent if he has no relationship with the Company, its related corporations, substantial shareholders or officers that could interfere or reasonably perceived to interfere with the exercise of the director's independent business judgement with a view to the best interest of the Company.

Dr Wang Kai Yuen and Mr Lim Thean Ee have served as Independent Directors since year 2000 when the Company was known as 'Nylect Technology Limited' and principally engaged in the business of provision of mechanical, electrical and fabrication services to the industrial and commercial sectors. The Company had in year 2007 changed its name, key management team and business activities to those of development, ownership and chartering of strategic offshore assets and provision of offshore marine logistics and support services to the offshore oil and gas industries.

The NC, taking into consideration the above, determined that Dr Wang and Mr Lim despite their tenure of more than nine years on the Board, as well as Mr Tan Woon Hum who served as an Independent Director since year 2007, continues to demonstrate the essential characteristics of independence expected by the Board. Their length of service and in-depth knowledge of the group's businesses are viewed by the Board as especially valuable.

PRINCIPLE 3 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There is a clear separation of the roles and responsibilities of the Chairman and the CEO. This is to ensure appropriate balance of power and authority, accountability and decision-making.

Mr Lee Kian Soo, who is the Non-Executive Chairman, and Mr Chew Thiam Keng, the CEO of the Company are not related to each other. The CEO is responsible for the day-to-day management of the affairs of the Company and the Group. He plays a leading role in developing and expanding the businesses of the Group and ensures that the Board is kept updated and informed of the Group's business.

The Chairman's duties include:

1) scheduling meetings and leading the Board to ensure its effectiveness and approves the agenda of Board meetings in consultation with the CEO;

2) ensures that Board members are provided with accurate and timely information;

3) promote a culture of openness and debate within the Board; and

4) ensure high standards of corporate governance and ensure effective communication with shareholders.

PRINCIPLE 4 BOARD MEMBERSHIP

NOMINATING COMMITTEE

The NC comprises three Directors, all of whom, including the Chairman are independent. The NC members are:

Mr Tan Woon Hum (Chairman)
Dr Wang Kai Yuen
Mr Lim Thean Ee

The NC's duties include the following:

- Identifying candidates and making recommendations for all Board appointments and re-nomination or continuation in office of any Director;
- review and recommend to the Board the retirement and re-election of directors in accordance with the Company's Articles of Association at each Annual General Meeting ("AGM");
- determine the independence of directors annually;
- review the size and composition of the Board annually to ensure that the Board has appropriate balance of independent directors and to ensure an appropriate balance of expertise, skills, attributes and ability among the directors;
- evaluate the performance and effectiveness of the Board as a whole.

The NC reviews and assesses candidates for directorship before making recommendations to the Board. In recommending new directors to the Board, the NC takes into consideration the skills and experience and the current composition of the Board, and strives to ensure that the Board has an appropriate balance of independent directors as well as directors with the right profile of expertise, skills, attributes and ability.

The Directors submit themselves for re-nomination and re-election at regular intervals of at least once every three years. The Company's Articles of Association provides that one third of the Board, or the number nearest to one third is to retire by rotation at every AGM. In addition, the Company's Articles of Association also provides that newly appointed Directors are required to submit themselves for re-nomination and re-election at the next AGM of the Company.

Mr Chew Thiam Keng, Executive Director and CEO and Mr Tan Woon Hum, an Independent Director will be retiring by rotation at the forthcoming AGM pursuant to Article 107. Mr Chew does not have any family relationships with the Directors of the Company. Madam Chan Fooi Peng, a substantial shareholder of the Company is the spouse of Mr Chew. Mr Tan does not have any relationships including immediate family relationships with the Directors, the Company or its 10% shareholders as defined in the Code of Corporate Governance 2012. Both Mr Chew and Mr Tan being eligible had consented to re-election. The NC has recommended that both Directors be nominated for re-election at the forthcoming AGM.

The dates of initial appointment and last re-election of each director are set out as follows:

Name of director	Appointment	Date of initial appointment	Date of last re-election
Mr Lee Kian Soo	Non-Executive Chairman	1 June 2007	21 April 2014
Mr Chew Thiam Keng	CEO and Executive Director	1 March 2007	26 April 2012
Dr Wang Kai Yuen	Independent Non-Executive Director	28 July 2000	25 April 2013
Mr Lim Thean Ee	Independent Non- Executive Director	28 July 2000	25 April 2013
Mr Tan Woon Hum	Independent Non-Executive Director	21 March 2007	26 April 2012

Based on the attendance of the Directors and their contributions at meetings of the Board and Board Committees and their time commitment to the affairs of the Company, the NC believes that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately. The Board is of the view that setting a maximum number of listed company board representations would not be meaningful as the contributions of the Directors would depend on many factors such as whether they were in full time employment and their other responsibilities. The NC will assess each Director relative to his abilities and known commitments and responsibilities. There is no alternate director on the Board.

PRINCIPLE 5 BOARD PERFORMANCE

The performance of the Board is ultimately reflected in the long term performance of the Company.

The Board, through the delegation of its authority to the NC, had made its best efforts to ensure each Director possess the experience, knowledge and skills critical to the Group's business. This is necessary to enable the Board to make sound and well-considered decisions. The NC, in considering the nomination of any Director for re-election, will evaluate the performance of the Director involved.

A process is in place to assess the performance and effectiveness of the Board as a whole. The evaluation of the Board is conducted annually through a questionnaire designed to assess the performance of the Board and its Board Committees and enhance the overall effectiveness of directors. The performance criteria for the Board evaluation are based on financial and non-financial indicators such as evaluation of the size and composition of the Board, the Board's access to information, Board's processes, strategy and planning, risk management, accountability, Board's performance in relation to discharging its principal functions, communication with Management and standards of conduct of the Directors. The Board evaluation results were discussed with the NC and the Board. Key actions were mapped with the goal of enhancing the effectiveness of Board and Board Committees.

Renewal or replacement of Directors, if any, does not necessarily reflect their contribution to date, but may be driven by the need to position and shape the Board in line with the needs of the Company and its business.

The Chairman of the NC confers with the Chairman of the Board on the findings and appropriate follow-up actions are taken as necessary. The Board is satisfied that all directors have discharged their duties adequately for FY2014 and expects that the directors will continue to discharge their duties adequately in FY2015.

PRINCIPLE 6 ACCESS TO INFORMATION

The Board members are provided with adequate and timely information prior to Board meetings and on an ongoing basis. The Board has separate and independent access to the Group's senior management and the advice and services of the Company Secretaries who are responsible to the Board for ensuring board procedures are followed and the relevant statutory rules and regulations are complied with. Under the Articles of Association of the Company, the decision to appoint or remove the Company Secretaries can only be taken by the board as a whole. At least one of the Company Secretaries will be present at board meetings.

Should directors, whether as a group or individually, need independent professional advice to enable them to discharge their duties, the Company, subject to the approval of the Board, will appoint a professional advisor to render advice at its own cost.

REMUNERATION MATTERS

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

The RC comprises three Directors, all of whom including the Chairman are independent. The RC members are as follows:

Mr Lim Thean Ee (Chairman)
Dr Wang Kai Yuen
Mr Tan Woon Hum

The duties of the RC include the following:

- review and recommend to the Board an appropriate and competitive framework of remuneration for the Directors and key management personnel of the Group;
- recommend to the Board specific remuneration packages for each Executive Director, taking into account factors including remuneration packages of Executive Directors in comparable industries as well as the performance of the Company and that of the Executive Directors;
- review and make recommendation on the fees of Independent Non-Executive Directors for approval by the Board;
- ensure the remuneration policies and systems of the Group support the Group’s objectives and strategies; and
- administration of the Ezion Employee Share Plan and the Ezion Employee Share Option Scheme.

The remuneration package adopted for the Executive Director is as per the service contract entered into between the Director and the Company. The RC will review and recommend the specific remuneration package for each Executive Director upon recruitment. Thereafter, the RC reviews subsequent increments, bonuses and allowances where these payments are discretionary against the achievement of prescribed goals and targets for the Executive Director and CEO. No Director or member of the RC is involved in deciding his own remuneration.

The RC reviews the terms of compensation and employment for executive directors at the time of their respective employment or renewal (where applicable) including considering the Company’s obligations in the event of termination of services to ensure such contracts of service contain fair and reasonable termination clauses which are not overly generous.

Non-Executive Directors do not have any service contracts with the Company. Save for Directors’ fees, Non-Executive Directors do not receive any remuneration from the Company.

Directors' fees are set in accordance with a remuneration framework comprising basic fees and additional fees for serving on any of the committees having regards to the scope and extent of a director's responsibilities and obligations, the prevailing market conditions and referencing directors' fees against comparable benchmarks. Directors' fees are subject to approval of shareholders of the Company as a lump sum payment at the AGM of the Company.

The RC has access to the appropriate advice from the Head of Human Resources who attends all RC meetings and also external professional advice on remuneration matters, if required.

The Company has in place the Ezion Employee Share Option Scheme and Ezion Employee Share Plan, both administered by the RC. Details of the Scheme and the Share Plan are disclosed under Report of the Directors set out in pages 48 to 52 of this Annual Report.

REMUNERATION OF DIRECTORS

Taking note of the competitive pressures in the industry and the talent market, the Board has on review decided to disclose the remuneration of the Directors, in bands with a breakdown of the components in percentage. Information on the remuneration of Directors of the Company for FY2014 is as follows:-

Remuneration Band and Name of Directors	Fees %	Salary & CPF %	Bonus & CPF %	Other Benefits %	Total %
S$1,000,000 and above					
Chew Thiam Keng	–	13	86	1	100
Larry Glenn Johnson *	–	23	73	4	100
Below S$250,000					
Lee Kian Soo	100	–	–	–	100
Dr Wang Kai Yuen	100	–	–	–	100
Lim Thean Ee	100	–	–	–	100
Tan Woon Hum	100	–	–	–	100

* Stepped down from the position of Chief Operating Officer and Executive Director on 7 November 2014

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The Company adopts a remuneration system that is responsive to the market elements and performance of the Company and business divisions respectively. Taking note of the competitive pressures in the talent market, the Board has, on review, decided not to disclose the names of the Company's top eight key management personnel (who is not a Director or CEO of the Company). The following shows the annual remuneration band of the top eight key management personnel of the Group for FY2014:-

(a) Three key executives received total remuneration of more than S$400,000 each; and

(b) Five key executives received total remuneration of less than S$ 250,000 each.

Key information on the key management personnel is set out in pages 18 to 19 of this Annual Report.

The Company's compensation framework comprises fixed pay, short-term and long-term incentives. The Company subscribes to linking executive remuneration to corporate and individual performance. Long-term incentive schemes are put in place to motivate and reward employees and align their interests to maximise long-term shareholder value.

For the financial year, there were no termination, retirement and post-employment benefits granted to any Director, the CEO and key management personnel other than the payment in lieu of notice in the event of termination in their respective employment contracts, where applicable.

There are no employees within the Group who are immediate family members of a Director or the CEO whose remuneration exceeds S$50,000 during the financial year.

PRINCIPLE 10 ACCOUNTABILITY

The Board, through its announcements of the Group financial results to shareholders, aims to present a balanced and understandable assessment of the Group's financial position and prospects.

In preparing the financial statements, the Directors have:

(i) Selected suitable accounting policies and applied them consistently;

(ii) Made judgments and estimates that are reasonable and prudent;

(iii) Ensured that all applicable accounting standards have been followed; and

(iv) Prepared financial statements on the basis that the directors have reasonable expectations, having made enquires, that the Group and Company have adequate resources to continue operations for the foreseeable future.

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

PRINCIPLE 11 RISK MANAGEMENT AND INTERNAL CONTROL

The Board is responsible for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board has ultimate responsibility for approving the strategy of the Group in a manner which addresses stakeholders' expectations and does not expose the Group to an unacceptable level of risk.

The Board approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instils the right risk focused culture throughout the Group for effective risk governance.

The Board has approved a Group Risk Management Framework for the identification of key risks within the business which is aligned with the ISO 31000:2009 Risk Management framework.

The Audit Committee oversees risk governance which includes the following roles and responsibilities:

- proposes the risk governance approach and risk policies for the Group to the Board;
- reviews the risk management methodology adopted by the Group;
- reviews the strategic, financial, operational, regulatory, compliance, information technology and other emerging risks relevant to the Group identified by management; and
- reviews management's assessment of risks and management's action plans to mitigate such risks

Management presented an annual report to the Audit Committee and the Board on the Group's risk profile, the risk mitigation action plans and the results of various assurance activities carried out on the adequacy of Group's internal controls including financial, operational, compliance and information technology controls. Such assurance activities include control self-assessments performed by Management, internal, external audits and external certifications conducted by various external professional service firms.

In respect of FY2014, the Board has received assurance from the CEO and Chief Financial Officer:

(a) that financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and

(b) the Company's risk management and internal control systems are effective and adequate.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, external certification firms and reviews performed by management, various Board Committees and the Board, the Board (with concurrence of the Audit Committee) are of the opinion that the Group's risk management and internal control systems addressing financial, operational, compliance and information technology controls, were adequate and effective as at 31 December 2014.

The Board notes that system of internal controls and risk management established by the Company provides reasonable, but not absolute, assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives. However, the Board also notes that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities.

AUDIT

PRINCIPLE 12 AUDIT COMMITTEE
PRINCIPLE 13 INTERNAL AUDIT

The AC comprises three Directors, all of whom including the Chairman are independent. The AC members are:

Dr Wang Kai Yuen (Chairman)
Mr Lim Thean Ee
Mr Tan Woon Hum

The AC members have the relevant accounting or related financial management expertise and experience to discharge their duties.

The AC performs the following functions:

(a) review with the external auditors the scope and results of the audit, their evaluation of the system of internal accounting controls, their management letter and management's response;

(b) review with the internal auditors, their audit plan, the adequacy of the internal audit procedures and their evaluation of the effectiveness of the overall internal control systems, including financial, operational and compliance controls;

(c) review the quarterly and annual financial statements, including announcements to shareholders and the SGX-ST prior to submission to the Board so as to ensure the integrity of the Company's financial statements;

(d) review any significant findings and recommendations of the external and internal auditors and related management response and assistance given by the management to auditors;

(e) review interested person transactions to ensure that the review procedures approved by the shareholders are adhered to; and

(f) conduct annual review of the independence and objectivity of the external auditors, including the volume of non-audit services provided by the external auditors, to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors before confirming their re-nomination; and

(g) oversees risk governance (refer to detailed disclosure under Principle 11).

The AC has full access to and receives full co-operation from Management, and has full discretion to invite members of Management to attend its meetings and has been given reasonable resources to enable it to discharge its functions. The external auditors have direct and unrestricted access to the AC, which is empowered to conduct or authorise investigations into any matters within its terms of reference.

The AC has reviewed the overall scope of the external audit and the assistance given by the Company's officers to the auditors. It met with the Company's external auditors to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls. The AC has also met with the auditors, without the presence of management.

The Company has in place a whistle blowing policy, details of which have been made available to all employees, to provide a channel for staff to raise in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The objective of such a policy is to ensure independent investigation of such matters and for appropriate follow-up action. The complaint can be made through email and mail, both administered by Yang Lee & Associates, which reports directly to the AC on all such matters.

The AC has reviewed the non-audit service provided by the external auditor for FY2014. The AC is of the view that the provision of this non-audit service does not compromise the independence of the external auditor. Details of the aggregate amount of fees paid to the external auditor for FY2014 and a breakdown of the fees paid in total for audit and non-audit services respectively, can be found on page 118.

During the financial year, the AC reviewed the quarterly financial statements prior to approving or recommending their release to the Board; the external audit plan and the results of the external audit performed; the internal audit plan and the results of the internal audit performed; non-audit services rendered by the external auditor as well as the independence and objectivity of the external auditor.

During FY2014, the AC and the Board were briefed by the external auditor on the developments in financial reporting and governance standards.

The AC approves the hiring, removal and evaluation of the professional service firm to which the internal audit function was outsourced.

The Company outsources its internal audit functions to Yang Lee & Associates. The internal auditors ("IA") report directly to the AC and internal control weaknesses identified during the internal audit reviews and the recommended corrective actions are reported to the AC periodically.

The AC reviews and approves the internal audit scope and plan to ensure that there is sufficient coverage of the Group's activities. It also oversees the implementation of the internal audit plan and ensures that Management provides the necessary co-operation to enable the IA to perform its function.

The IA is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) issued by the Institute of Internal Auditors.

The AC annually reviews the adequacy of the internal audit function to ensure that the internal audits are performed effectively. The AC is satisfied that the IA is staffed by qualified and experienced personnel.

In relation to FY2014, the IA completed one review in accordance with the internal control testing plan approved by the Board under the Group Risk Management Framework. The findings and recommendations of the IA, management's responses, and management's implementation of the recommendations have been reviewed and approved by the AC.

COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 14 SHAREHOLDERS' RIGHTS
PRINCIPLE 15 COMMUNICATION WITH SHAREHOLDERS
PRINCIPLE 16 CONDUCT OF SHAREHOLDER MEETINGS

The Board is committed to providing clear and full information on the Group to shareholders through the publication of notices, announcements, circulars, quarterly and full-year financial results. The Company does not practise selective disclosures and releases its financial results and other material information to the shareholders on a timely basis in accordance with the requirements of the Listing Manual of the SGX-ST, via the SGXNet system. All announcements are also available on the Company's corporate website. The contact details of the investor relations team are available on the Company's corporate website to enable shareholders to contact the Company easily.

Shareholders are encouraged to attend the AGM to ensure a greater level of shareholder participation and for them to be kept up to date as to the strategies and goals of the Group. All shareholders of the Company receive a copy of the annual report, the notice of AGM and circulars and notices pertaining to any extraordinary general meetings of the Company. The notice is also advertised in the newspaper and available on the SGX-ST's website.

To facilitate participation by the shareholders, the Company's Articles of Association allow a shareholder to appoint not more than two proxies to attend and vote at general meetings. Currently, the Company's Articles of Association do not allow a shareholder to vote in absentia.

Shareholders who hold shares through nominees such as CPF and custodian banks may vote through their nominee or custodian banks. Such shareholders may also, upon presentation of official letters issued by their nominees attend the general meeting as observers.

At the AGMs, the external auditor as well as the Directors are in attendance to answer queries from shareholders. Shareholders are given the opportunity at general meetings of the Company to air their views and query the Directors and management on matters relating to the Group and its operations.

Currently, the Company has yet to implement poll voting in all its general meetings in view of the higher costs involve in polling. The Board is of the view that shareholders are better served by having the Company's resources devoted on value-added activities. The Company will implement poll voting at general meetings to be held after 1 August 2015.

There is no formal dividend policy adopted by the Company. The Board, having considered the financial performance of the Group during the financial year, has recommended a first and final dividend of S$0.001 per share tax exempt (one-tier) for FY2014.

DEALINGS IN SECURITIES

The Company has adopted an internal code with regard to dealings in securities to provide guidance for its Directors and employees.

The Company's Code provides that Directors and employees of the Group are prohibited from dealing in securities of the Company when they are in possession of any unpublished material price-sensitive information of the Group. The Company's code also prohibits the Directors and employees from trading in the Company's securities during the period commencing one month and two weeks before the date of announcement of the Company's full year or quarterly results respectively and ending on the date of announcement of the relevant results.

Directors and employees are also required to observe insider trading laws at all times even when dealing in securities within the permitted trading period. In addition, the Directors and employees are expected not to deal in the Company's securities for short-term considerations.

INTERESTED PERSON TRANSACTIONS ("IPTS") POLICY

The Company has established procedures to ensure that transactions with interested persons are properly reviewed and approved and are conducted at arm's length basis.

There were no IPTs during the financial year ended 31 December 2014.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company and its subsidiaries involving the interests of its CEO, Directors or Controlling Shareholders.

USE OF PROCEEDS

Proceeds	Description of use of proceeds	Remaining balance as at 26 March 2015
Net proceeds of approximately S$51.30 million from issue of redeemable exchangeable preference shares ("REPS") by the subsidiary of the Company, Ezion Offshore Logistics Hub Pte. Ltd.	General working capital of the marine supply business of the subsidiary	Nil
Net proceeds of approximately S$30 million from issue of redeemable exchangeable preference shares ("REPS") by the subsidiary of the Company, Teras Investments Pte. Ltd.	Acquisition of offshore and marine assets	S$22.30 million
Net proceeds of approximately S$194 million from placement of 100,000,000 ordinary shares in share capital of the Company completed on 6 May 2014.	Acquisition of offshore and marine assets	S$150.14 million

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

DIRECTORS

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

Lee Kian Soo
Chew Thiam Keng
Dr Wang Kai Yuen
Lim Thean Ee
Tan Woon Hum

DIRECTORS' INTERESTS

According to the register kept by the Company for the purposes of Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), particulars of interests of directors who held office at the end of the financial year (including those held by their spouses and infant children) in shares, debentures, warrants and share options in the Company and in related corporations (other than wholly-owned subsidiaries) are as follows:

	Direct		Deemed	
Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year	Holdings at beginning of the year	Holdings at end of the year
The Company				
Dr Wang Kai Yuen	180,000	216,000	–	–
Lim Thean Ee	1,500,000	1,958,400	–	–
Chew Thiam Keng	16,224,000	19,618,800	170,400,000	204,480,000
Lee Kian Soo	–	86,400	–	–

By virtue of Section 7 of the Act, Chew Thiam Keng, is deemed to have interests in the subsidiaries of the Company, which are wholly-owned, at the beginning and at the end of the financial year.

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

Apart from Tan Woon Hum who has following the partial exercise of his share options were issued with 230,400 shares in the capital of the Company, there were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2015.

Except as disclosed under the "Share Options" Section of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

During the financial year, the Company and its related corporations have in the normal course of business entered into transactions with companies including a joint venture in which a director of the Company has financial interest. Such transactions comprised charter of vessels and lease of office carried out on normal commercial terms as set out in note 28 to the financial statements. The director has neither received nor become entitled to receive any benefit arising out of these transactions other than those to which he is ordinarily entitled to as shareholder of these companies.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 28 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has substantial financial interest.

SHARE OPTIONS

Director Option and Executive Option Agreements

The grant of share options to Captain Larry Glenn Johnson under the Director Option Agreement ("Agreement") and to 2 key executives under the Executive Option Agreements was approved by its members at an Extraordinary General Meeting held on 23 November 2009 (the "Vesting Reference Date").

Other information regarding the above share options granted is set out below:

- The exercise price of each option is fixed at Singapore Dollar ("S$") 0.375 (Prior to Bonus Shares I: S$0.450).

- The share options shall be exercised, in whole or in part, in accordance with the following schedule from 23 November 2010 to 23 November 2014:

  (i) 25% of the share options shall vest 12 months after the Vesting Reference Date; and
  (ii) 25% of the share options shall vest on each anniversary of the Vesting Reference Date thereafter.

- All options are settled by physical delivery of shares.

- The options granted expire after 5 years or upon cessation of the employment of Captain Larry Glenn Johnson or the 2 key executives.

At the end of the financial year, details of the options granted under Agreement and Executive Option Agreements on the unissued ordinary shares of the Company are as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1 January 2014 '000	Options granted '000	Options exercised '000	Options outstanding at 31 December 2014 '000	Number of option holders at 31 December 2014	Exercise period
23/11/2009	S$0.375	4,800	–	(4,800)	–	–	01/11/2010 to 23/11/2014

There are no outstanding share options under the Executive Option Agreement as at 31 December 2014.

Ezion Employee Share Option Scheme

The Ezion Employee Share Option Scheme (the "Scheme") was approved and adopted by its members at an Extraordinary General Meeting held on 23 November 2009. The Scheme is administered by the Company's Remuneration Committee, comprising three directors, Lim Thean Ee, Dr Wang Kai Yuen and Tan Woon Hum.

Other information regarding the Scheme is set out below:

Option granted on 11 October 2011 ("Grant Date 1")

- The exercise price of each option is fixed at S$0.288 (Prior to Bonus Shares II: S$0.345).
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 11 October 2012 to 11 October 2021:
  - (i) 20% of the options shall vest after the end of first anniversary of Grant Date 1;
  - (ii) 50% of the options shall vest after 31 March 2013; and
  - (iii) 30% of the options shall vest after 31 March 2014.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.

Option granted on 7 June 2012 ("Grant Date 2")

- The exercise price of each option is fixed at S$0.514 (Prior to Bonus Shares II: S$0.617).
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 7 June 2013 to 7 June 2022:

  (i) 30% of the options shall vest after the end of first anniversary of Grant Date 2;

  (ii) 30% of the options shall vest after the end of second anniversary of Grant Date 2; and

  (iii) 40% of the options shall vest after the end of third anniversary of Grant Date 2.

- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.

Option granted on 21 January 2013 ("Grant Date 3")

- The exercise price of each option is fixed at S$1.083 (Prior to Bonus Shares II: S$1.300).
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 21 January 2015 to 21 January 2023:

  (i) 30% of the options shall vest after the end of second anniversary of Grant Date 3;

  (ii) 30% of the options shall vest after the end of third anniversary of Grant Date 3; and

  (iii) 40% of the options shall vest after the end of forth anniversary of Grant Date 3.

- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.

Option granted on 7 March 2014 ("Grant Date 4")

- The exercise price of each option is fixed at S$1.567 (Prior to Bonus Shares II: S$1.880).
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 7 March 2016 to 7 March 2024:

  (i) 30% of the options shall vest after the end of second anniversary of Grant Date 4;

  (ii) 30% of the options shall vest after the end of third anniversary of Grant Date 4; and

  (iii) 40% of the options shall vest after the end of fourth anniversary of Grant Date 4.

- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.

At the end of the financial year, details of the options granted under the Scheme on unissued ordinary shares of the Company are as follows:

Date of grant of options	Exercise price per share	Options outstanding at 1 January 2014 '000	Options granted '000	Options exercised '000	Options forfeited '000	Options outstanding at 31 December 2014 '000	Number of option holders at 31 December 2014	Exercise period
11/10/2011	S$0.288	5,465	394	(3,555)	–	2,304	3	11/10/2012 to 11/10/2021
7/6/2012	S$0.514	4,892	629	(1,855)	(403)	3,263	7	7/6/2013 to 7/6/2022
21/1/2013	S$1.083	6,744	1,349	–	(1,008)	7,085	56	21/1/2015 to 21/1/2023
7/3/2014	S$1.567	–	7,950	–	(840)	7,110	89	7/3/2016 to 7/3/2024
		17,101	10,322	(5,410)	(2,251)	19,762		

Except for the above, there are no other share options forfeited, expired, cancelled or exercised since commencement of Scheme to 31 December 2014.

Details of options granted to the directors of the Company are as follows:

Name of director	Options granted for financial year ended 31 December 2014	Aggregate options granted since commencement of Scheme to 31 December 2014	Aggregate options exercised since commencement of Scheme to 31 December 2014	Aggregate options cancelled since commencement of Scheme to 31 December 2014	Aggregate options outstanding as at 31 December 2014
Chew Thiam Keng	1,512,000	5,572,000	–	(700,000)	4,872,000
Lee Kian Soo	153,600	393,600	(72,000)	–	321,600
Lim Thean Ee	153,600	503,600	(182,000)	–	321,600
Tan Woon Hum	192,000	552,000	–	–	552,000
Dr Wang Kai Yuen	192,000	552,000	–	–	552,000
	2,203,200	7,573,200	(254,000)	(700,000)	6,619,200

Option granted on 16 January 2015 ("Grant Date 5")

Subsequent to the financial year, the Company has granted a total of 11,900,000 options pursuant to the Scheme, details as follows:

- The exercise price of each option is fixed at S$1.011.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 16 January 2015 to 16 January 2025:

  (i) 30% of the options shall vest after the end of second anniversary of Grant Date 5;
  (ii) 30% of the options shall vest after the end of third anniversary of Grant Date 5; and
  (iii) 40% of the options shall vest after the end of fourth anniversary of Grant Date 5.

- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.
- The options include 1,400,000 share options granted to the Executive Director, Chew Thiam Keng and 200,000 share options granted to each of the directors, Lim Thean Ee, Tan Woon Hum, Dr Wang Kai Yuen and Lee Kian Soo.

As at 16 January 2015, Mr Chew Thiam Keng has ceased to be a controlling shareholder of the Company and accordingly the grant of the abovementioned 1,400,000 options to him would not be subject to approval of shareholders at a general meeting of the Company.

Employee Share Plan

The Employee Share Plan (the "Plan") was approved and adopted by members of the Company at the Extraordinary General Meeting held on 20 April 2008. The Plan is administered by a committee comprising the directors of the Company. No treasury shares had been awarded to employees under the Plan in 2014.

AUDIT COMMITTEE

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

Dr Wang Kai Yuen	(Chairman and independent director)
Lim Thean Ee	(Independent director)
Tan Woon Hum	(Independent director)

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

The Audit Committee has held 4 meetings since the last directors' report. In performing its functions, the Audit Committee met with the Company's external and internal auditors to discuss the scope of their work, the results of their examination and evaluation of the Company's internal accounting control system.

The Audit Committee also reviewed the following:

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

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

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

In appointing our auditors for the Company and its subsidiaries, we have complied with Rules 712 and 715 of the SGX Listing Manual.

AUDITORS

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

On behalf of the Board of Directors

Lee Kian Soo
Director

Chew Thiam Keng
Director

26 March 2015

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 57 to 143 are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

On behalf of the Board of Directors

Lee Kian Soo
Director

Chew Thiam Keng
Director

26 March 2015

Members of the Company
Ezion Holdings Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Ezion Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 57 to 143.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of the 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 of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
26 March 2015

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2014

	Note	Group		Company	
		2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Non-current assets					
Plant and equipment	4	2,135,580	1,463,967	747	688
Subsidiaries	5	–	–	1,043,354	742,353
Joint ventures	6	104,109	188,149	51,518	71,483
Associates	7	68,805	6,127	74,232	6,220
Other assets	8	13,832	5,173	132	143
		2,322,326	1,663,416	1,169,983	820,887
Current assets					
Trade receivables	9	159,580	107,142	4,053	5,297
Other assets	8	127,555	106,542	31,651	19,456
Cash and cash equivalents	10	371,510	165,978	316,992	119,162
		658,645	379,662	352,696	143,915
Total assets		2,980,971	2,043,078	1,522,679	964,802
Equity					
Share capital	11	535,654	345,537	535,654	345,537
Perpetual securities	12	211,874	97,678	211,874	97,678
Redeemable exchangeable preference shares	13	23,464	23,464	–	–
Reserves	14	(21,424)	(13,273)	(980)	(108)
Retained earnings		563,059	346,936	140,734	94,521
Equity attributable to owners of the Company		1,312,627	800,342	887,282	537,628
Non-controlling interests		(6)	(94)	–	–
Total equity		1,312,621	800,248	887,282	537,628
Non-current liabilities					
Other payables	15	33,453	3,670	21,598	16,736
Notes payable	16	315,532	210,786	315,532	210,786
Financial liabilities	17	892,220	652,030	103,918	88,522
		1,241,205	866,486	441,048	316,044
Current liabilities					
Trade payables	18	69,886	69,104	40	252
Other payables	15	61,732	77,358	120,540	42,386
Financial liabilities	17	288,292	223,089	70,057	64,688
Provision for tax		7,235	6,793	3,712	3,804
		427,145	376,344	194,349	111,130
Total liabilities		1,668,350	1,242,830	635,397	427,174
Total equity and liabilities		2,980,971	2,043,078	1,522,679	964,802

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

CONSOLIDATED INCOME STATMENT

Year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000
Revenue	20	386,512	281,924
Cost of sales		(190,544)	(148,729)
Gross profit		195,968	133,195
Other income		45,778	28,548
Administrative expenses		(19,339)	(18,058)
Other expenses		(7,999)	(4,805)
Results from operating activities		214,408	138,880
Finance income		5,801	5,427
Finance costs		(22,488)	(12,242)
Net finance costs	21	(16,687)	(6,815)
Share of results of joint ventures and associates, net of tax		28,042	30,903
Profit before income tax	22	225,763	162,968
Income tax expense	23	(2,029)	(2,640)
Profit for the year		223,734	160,328
Profit attributable to:			
Owners of the Company		223,658	160,388
Non-controlling interests		76	(60)
Profit for the year		223,734	160,328
Earnings per share			
Basic earnings per share (cents)	24	16.53	13.65*
Diluted earnings per share (cents)	24	16.17	13.33*

* Restated, see note 24

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014 US$'000	2013 US$'000
Profit for the year	223,734	160,328
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences relating to financial statements of foreign operations	(3,676)	499
Share of foreign currency translation differences of associates	(149)	–
Exchange differences on monetary items forming part of net investment in foreign operations	(3,149)	(3,145)
Exchange differences on disposal of subsidiaries to profit or loss	(782)	–
Effective portion of changes in fair value of cashflow hedges	(428)	(670)
Other comprehensive income for the year, net of tax	(8,184)	(3,316)
Total comprehensive income for the year	215,550	157,012
Total comprehensive income attributable to:		
Owners of the Company	215,507	157,072
Non-controlling interests	43	(60)
Total comprehensive income for the year	215,550	157,012

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Note	Share capital US$'000	Perpetual securities US$'000	Redeemable exchangeable preference shares US$'000	Treasury shares US$'000	Foreign currency translation reserve US$'000	Hedging reserve US$'000	Statutory reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
		Attributable to owners of the Company										
Group												
At 1 January 2013		260,499	97,678	11,126	(102)	(9,733)	–	(6)	193,387	552,849	–	552,849
Total comprehensive income for the year												
Profit for the year		–	–	–	–	–	–	–	160,388	160,388	(60)	160,328
Other comprehensive income												
Foreign currency translation differences relating to financial statements of foreign operations		–	–	–	–	499	–	–	–	499	–	499
Exchange differences on monetary items forming part of net investment in foreign operations		–	–	–	–	(3,145)	–	–	–	(3,145)	–	(3,145)
Effective portion of changes in fair value of cashflow hedges		–	–	–	–	–	(670)	–	–	(670)	–	(670)
Total comprehensive income for the year		–	–	–	–	(2,646)	(670)	–	160,388	157,072	(60)	157,012
Transactions with owners of the Company, recognised directly in equity												
Contributions by and distributions to owners of the Company												
Issue of shares	11	72,602	–	–	–	–	–	–	–	72,602	–	72,602
Issue of redeemable exchangeable preference shares, net of issue expenses	13	–	–	23,464	–	–	–	–	–	23,464	–	23,464
Disposal of subsidiaries		–	–	–	–	(116)	–	–	–	(116)	(34)	(150)
Accrued perpetual securities distributions		–	–	–	–	–	–	–	(7,771)	(7,771)	–	(7,771)
Conversion of redeemable preference shares	13	11,126	–	(11,126)	–	–	–	–	–	–	–	–
Share options exercised	11	1,310	–	–	–	–	–	–	–	1,310	–	1,310
Dividends paid	14	–	–	–	–	–	–	–	(779)	(779)	–	(779)
Share-based payment transactions	19	–	–	–	–	–	–	–	1,711	1,711	–	1,711
Total contributions by and distributions to owners		85,038	–	12,338	–	(116)	–	–	(6,839)	90,421	(34)	90,387
At 31 December 2013		345,537	97,678	23,464	(102)	(12,495)	(670)	(6)	346,936	800,342	(94)	800,248

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

Year ended 31 December 2014

	Note	Share capital US$'000	Perpetual securities US$'000	Redeemable exchangeable preference shares US$'000	Treasury shares US$'000	Foreign currency translation reserve US$'000	Hedging reserve US$'000	Statutory reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
		Attributable to owners of the Company										
Group												
At 1 January 2014		345,537	97,678	23,464	(102)	(12,495)	(670)	(6)	346,936	800,342	(94)	800,248
Total comprehensive income for the year												
Profit for the year		–	–	–	–	–	–	–	223,658	223,658	76	223,734
Other comprehensive income												
Foreign currency translation differences relating to financial statements of foreign operations		–	–	–	–	(3,643)	–	–	–	(3,643)	(33)	(3,676)
Share of foreign currency translation differences of associates		–	–	–	–	(149)	–	–	–	(149)	–	(149)
Exchange differences on monetary items forming part of net investment in foreign operations		–	–	–	–	(3,149)	–	–	–	(3,149)	–	(3,149)
Exchange differences on disposal of subsidiaries to profit or loss		–	–	–	–	(782)	–	–	–	(782)	–	(782)
Effective portion of changes in fair value of cashflow hedges		–	–	–	–	–	(428)	–	–	(428)	–	(428)
Total comprehensive income for the year		–	–	–	–	(7,723)	(428)	–	223,658	215,507	43	215,550

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

Year ended 31 December 2014

		Attributable to owners of the Company										
	Note	Share capital US$'000	Perpetual securities US$'000	Redeemable exchangeable preference shares US$'000	Treasury shares US$'000	Foreign currency translation reserve US$'000	Hedging reserve US$'000	Statutory reserve US$'000	Retained earnings US$'000	Total US$'000	Non-controlling interests US$'000	Total equity US$'000
Transactions with owners of the Company, recognised directly in equity												
Contributions by and distributions to owners of the Company												
Issue of shares	11	186,808	–	–	–	–	–	–	–	186,808	–	186,808
Issue of perpetual securities		–	116,500	–	–	–	–	–	–	116,500	–	116,500
Redemption of perpetual securities		–	(2,304)	–	–	–	–	–	1	(2,303)	–	(2,303)
Accrued perpetual securities distributions		–	–	–	–	–	–	–	(8,627)	(8,627)	–	(8,627)
Share options exercised	11	3,309	–	–	–	–	–	–	–	3,309	–	3,309
Dividends paid	14	–	–	–	–	–	–	–	(959)	(959)	–	(959)
Share-based payment transactions	19	–	–	–	–	–	–	–	2,050	2,050	–	2,050
Total contributions by and distributions to owners		190,117	114,196	–	–	–	–	–	(7,535)	296,778	–	296,778
Changes in ownership interests in subsidiaries												
Acquisition of subsidiary from non-controlling interests	25	–	–	–	–	–	–	–	–	–	(6)	(6)
Disposal of subsidiaries	25	–	–	–	–	–	–	–	–	–	51	51
Total changes in ownership interests in subsidiaries		–	–	–	–	–	–	–	–	–	45	45
Total transactions with owners		190,117	114,196	–	–	–	–	–	(7,535)	296,778	45	296,823
At 31 December 2014		535,654	211,874	23,464	(102)	(20,218)	(1,098)	(6)	563,059	1,312,627	(6)	1,312,621

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000
Cash flows from operating activities			
Profit for the year		223,734	160,328
Adjustments for:			
Income tax expense	23	2,029	2,640
Depreciation expense	4	102,754	45,395
(Gain)/loss on disposal of:			
- assets held for sale		–	(1,705)
- joint venture		–	(18,304)
- plant and equipment		(870)	495
- subsidiary	25	(34,904)	–
Income from financial guarantee income provided to joint ventures		(6,190)	(3,887)
Finance income	21	(5,801)	(5,427)
Finance costs	21	22,488	12,242
Net impairment loss on:			
- plant and equipment		–	986
- trade receivables	9	209	490
Equity-settled share-based payment transactions	19	2,050	1,711
Share of results of joint ventures and associates, net of tax		(28,042)	(30,903)
Operating profit before changes in working capital		277,457	164,061
Changes in working capital:			
Trade receivables and other assets		(46,463)	(59,744)
Trade and other payables		(15,802)	53,402
Cash generated from operating activities		215,192	157,719
Tax paid		(1,643)	(2,260)
Net cash from operating activities		213,549	155,459
Cash flows from investing activities			
Advance payments for purchase of plant and equipment		(70,696)	(42,546)
Interest received		6,070	324
Investment in joint ventures		19,026	(53,918)
Investment in associate		(15,684)	(1,301)
Proceeds from disposal of assets held for sale		–	24,850
Proceeds from disposal of plant and equipment		7,060	15,190
Proceeds from disposal of joint venture		–	35,791
Proceeds from disposal of subsidiary, net of cash disposed of	25	10,614	–
Acquisition of subsidiary, net of cash acquired	25	(18,011)	(3,477)
Purchase of plant and equipment		(458,296)	(703,503)
Investment in other assets		–	(5,000)
Dividends received		–	1,039
Net cash used in investing activities		(519,917)	(732,551)

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

CONSOLIDATED STATEMENT OF CASH FLOWS (CONT'D)

Year ended 31 December 2014

	Note	2014 US$'000	2013 US$'000
Cash flows from financing activities			
Interest paid		(30,385)	(12,843)
Net proceeds from issuance of perpetual securities		116,500	–
Net proceeds from issuance of notes		198,147	136,230
Net proceeds from issuance of ordinary shares		154,189	72,602
Net proceeds from exercise of share options		3,358	1,310
Net proceeds from issue of redeemable preference shares		–	23,464
Dividends paid		(959)	(779)
Proceeds from borrowings		333,700	463,238
Repayment of borrowings		(162,407)	(69,314)
Repayment of notes		(79,694)	–
Redemption of perpetual securities		(2,304)	–
Release of deposits pledged		–	1,414
Net cash from financing activities		530,145	615,322
Net increase in cash and cash equivalents		223,777	38,230
Cash and cash equivalents at 1 January		165,978	133,497
Effect of exchange rate fluctuations on cash held		(18,245)	(5,749)
Cash and cash equivalents at 31 December	10	371,510	165,978

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 26 March 2015.

1 DOMICILE AND ACTIVITIES

Ezion Holdings Limited (the "Company") is incorporated in Singapore. The address of the Company's registered office is 15 Hoe Chiang Road, #12-05 Tower Fifteen, Singapore 089316.

The financial statements of the Company as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the "Group" and individually as "Group entities") and the Group's interests in associates and joint ventures.

The principal activities of the Company are those of investment holding company and the provision of management services to its subsidiaries. The principal activities of the significant subsidiaries are set out in note 5 to the financial statements.

2 BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise disclosed in the accounting policies set out in note 3.

(c) Functional and presentation currency

These financial statements are presented in United States dollars ("US$"), which is the Company's functional currency. All financial information presented in United States dollars has been rounded to the nearest thousand, unless otherwise stated.

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected are discussed in note 29.

2 BASIS OF PREPARATION (CONT'D)

(e) Changes in accounting policies

Subsidiaries

As a result of FRS 110 *Consolidated Financial Statements*, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

The adoption of the FRS 110 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

Joint arrangements

From 1 January 2014, as a result of FRS 111 *Joint Arrangements*, the Group has changed its accounting policy for its interests in joint arrangements. Under FRS 111, the Group has classified its interests in joint arrangements as either joint operations (if the Group has rights to the assets, and obligations for the liabilities, relating to an arrangement) or joint ventures (if the Group has rights only to the net assets of an arrangement). When making this assessment, the Group considered the structure of the arrangements, the legal form of any separate vehicles, the contractual terms of the arrangements and other facts and circumstances. Previously, the structure of the arrangement was the sole focus of classification.

The adoption of the FRS 111 has been no impact on the recognised assets, liabilities and comprehensive income of the Group and the Group's investment in joint ventures continues to be recognised by applying the equity method.

Disclosure of interests in other entities

From 1 January 2014, as a result of FRS 112 *Disclosure of Interests in Other Entities*, the Group has expanded its disclosures about its interests in subsidiaries, associates and joint ventures (see notes 5, 6 and 7).

Offsetting of financial assets and financial liabilities

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

The Group has presented the respective receivables and payables on a gross basis prior to the amendment as the right to set-off is not enforceable in the event of bankruptcy of the counterparty. The amendment of the FRS 32 has no impact on the recognised assets, liabilities and comprehensive income of the Group.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by Group entities, except as explained in note 2(e), which addresses changes in accounting policies.

(a) Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(ii) Subsidiaries

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

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

(iii) Loss of control

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

(iv) Investments in associates and joint ventures

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

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (cont'd)

(v) Transactions eliminated on consolidation

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

(vi) Accounting for subsidiaries, associate and joint ventures

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

(b) Foreign currency

(i) Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for the differences arising on the retranslation of available-for-sale equity instruments and retranslation of monetary items that are in substance form part of the Group's net investment in foreign operations (see (iii) below).

(ii) Foreign operations

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (cont'd)

(ii) Foreign operations (cont'd)

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

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

(iii) Net investment in foreign operations

Exchange differences arising from monetary items that in substance form part of the Company's net investment in a foreign operation are recognised in the Company's profit or loss. Such exchange differences are reclassified to other comprehensive income in the consolidated financial statements. When the foreign operation is disposed of, the cumulative amount in equity is transferred to profit or loss as an adjustment to the profit or loss arising on disposal.

(c) Plant and equipment

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset.

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

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

The gain or loss on disposal of an item of plant and equipment is determined by comparing the proceeds from disposal with the carrying amount of plant and equipment, and is recognised in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Plant and equipment (cont'd)

(ii) Subsequent costs

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

Costs incurred on subsequent dry-docking of vessels are capitalised and depreciated over the shorter of period to next estimated dry-docking and five years. When significant dry-docking costs are incurred prior to the expiry of the depreciation period, the remaining costs of the previous dry-docking are written off in the month of the next dry-docking.

(iii) Depreciation

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

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term.

Depreciation is recognised from the date that plant and equipment are completed and ready for use.

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

Vessels	8 – 25 years
Assets on board the vessels	3 – 10 years
Dry-docking expenditure	5 years
Rig and other oil and gas related assets	10 – 15 years
Renovation, furniture, fittings and office equipment	2 years
Motor vehicles	5 – 7 years

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

No depreciation is provided on assets under construction.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments

(i) Non-derivative financial assets

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

The Group classifies non-derivative financial assets into the following categories: loans and receivables and available-for-sale financial assets.

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents, trade receivables and other assets (excludes advances to suppliers, prepayments, deferred expenditure, loan to investee company and available-for-sale financial asset).

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the statement of cash flows, pledged deposits are excluded from cash and cash equivalents.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (cont'd)

(i) Non-derivative financial assets (cont'd)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3(g)(i)) and foreign currency differences on available-for-sale equity instruments (see note 3(b)(i)), are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Where equity instruments do not have a quoted market price in an active market and other methods of determining fair value do not result in a reliable estimate, the investment is measured at cost less impairment losses.

Available-for-sale financial assets comprise equity securities.

(ii) Non-derivative financial liabilities

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

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

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

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

Other financial liabilities comprise financial liabilities, notes payable and trade and other payables (excludes downpayments and advances from customers, interest rate swaps used for hedging and deferred revenue).

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (cont'd)

(iii) Share capital

Ordinary shares

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

Perpetual securities

The perpetual securities do not have a maturity date and the Company is able to elect to defer making a distribution subject to the term and conditions of the securities issue. Accordingly, the Company is not considered to have a contractual obligation to make principal repayments or distributions in respect of its perpetual securities issue and the perpetual capital securities are presented within equity. Distributions are treated as dividends which will be directly debited from equity. Incremental costs directly attributable to the issue of the perpetual securities are deducted against the proceeds from the issue.

Preference share capital

Preference share capital is classified as equity if it is non-redeemable, or redeemable only at the Company's option, and any dividends are discretionary.

Preference share capital is classified as a financial liability if it is redeemable on a specific date or at the option of the shareholders.

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

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

(v) Intra-group financial guarantees

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (cont'd)

(vi) Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be "highly effective" in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80%-125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transactions are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are recognised immediately in profit or loss.

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in other comprehensive income and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in other comprehensive income and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Other non-trading derivatives

When a derivative financial instrument is not designated in a hedge relationship that qualifies for hedge accounting, all changes in its fair value are recognised immediately in profit or loss. Other non-trading derivatives comprise share options in associates.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases

(i) When entities within the Group are lessees of a finance lease

Leased assets in which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset. Leased assets are depreciated over the shorter of the lease term and their estimated useful lives. Lease payments are apportioned between finance expense and reduction of the lease liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

At inception, an arrangement that contains a lease is accounted for as such based on the terms and conditions even though the arrangement is not in the legal form of a lease.

(ii) When entities within the Group are lessees of an operating lease

Where the Group has the use of assets under operating leases, payments made under the leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised in profit or loss as an integral part of the total lease payments made. Contingent rentals are charged to profit or loss in the accounting period in which they are incurred.

(iii) When entities within the Group are lessors of a finance lease

When entities within the Group are lessor of the finance lease, the amounts due under the leases, after deduction of unearned charges, are included in "Finance lease receivables" as appropriate. The difference between the gross receivable and present value of the receivable is recognised as unearned interest. Interest receivable is recognised over the periods of the leases so as to give a constant rate of return on the net investment in the leases.

(iv) When entities within the Group are lessors of an operating lease

Where the Group leases out assets under operating leases, the leased assets are included in statement of financial position according to their nature and, where applicable, are depreciated in accordance with Group's depreciation policies. Revenue arising from operating leases is recognised in accordance with the Group's revenue recognition policies.

(f) Inter-company loans

In the Company's financial statements, inter-company loans to subsidiaries are stated at fair value at inception. The difference between the fair value and the loan amount at inception is recognised as additional investments in subsidiaries in the Company's financial statements. Subsequently, these loans are measured at amortised cost using the effective interest rate method. The unwinding of the difference is recognised as interest income in profit or loss over the expected repayment period.

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(f) Inter-company loans (cont'd)

Inter-company loans, where settlement is neither planned nor likely to occur in the foreseeable future, are in substance, part of the holding company's net investment in the entities and are stated at cost less accumulated impairment losses.

Such balances are eliminated in full in the Group's consolidated financial statements.

(g) Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event has occurred after the initial recognition of the asset, and that the loss event had a negative effect on the estimated future cash flows of that asset that can be estimated reliably.

Objective evidence that financial assets are impaired can include default or delinquency by a debtor, restructuring of an amount due to the Group on terms that the Group would not consider otherwise, indications that a debtor or issuer will enter bankruptcy, adverse changes in the payment status of borrowers or issuers in the Group, economic conditions that correlate with defaults or the disappearance of an active market for a security. In addition, for an investment in an equity security, a significant or prolonged decline in its fair value below its cost is objective evidence of impairment. The Group considers a decline of 20% to be significant and a period of 9 months to be prolonged.

Loans and receivables

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Impairment (cont'd)

(i) Non-derivative financial assets (cont'd)

Available-for-sale financial assets

Impairment losses on available-for-sale financial assets are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. The cumulative loss that is reclassified from equity to profit or loss is the difference between the acquisition cost, net of any principal repayment and amortisation, and the current fair value, less any impairment loss recognised previously in profit or loss. Changes in impairment provisions attributable to application of the effective interest method are reflected as a component of interest income. If, in a subsequent period, the fair value of an impaired available-for-sale debt security increases and the increase can be related objectively to an event occurring after the impairment loss was recognised in profit or loss, then the impairment loss is reversed. The amount of the reversal recognised in profit or loss. However, any subsequent recovery in the fair value of an impaired available-for-sale equity security is recognised in other comprehensive income.

(ii) Non-financial assets

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Impairment (cont'd)

(ii) Non-financial assets (cont'd)

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

(h) Employee benefits

(i) Defined contribution plans

A defined contribution plan is a post-employment benefit plan under which an entity pays fixed contributions into a separate entity and will have no legal or constructive obligations to pay further amounts. Obligations for contributions to defined contribution pension plans are recognised as an employee benefit expense in profit or loss in the periods during which services are rendered by employees.

(ii) Short-term employee benefits

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

(iii) Share-based payment transactions

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

(i) Provisions

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(j) Revenue recognition

(i) Chartering and offshore support services

Revenue from chartering and offshore support services relates to chartering of vessels and is recognised in profit or loss on a straight-line basis over the respective term of the charter, net of trade discounts.

(ii) Rendering of marine services

Revenue from rendering of marine services is recognised when the related services have been rendered.

(iii) Sale of goods

Revenue from the sale of goods is measured at the fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when persuasive evidence exists, usually in the form of an executed sales agreement, that the significant risks and rewards of ownership have been transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, there is no continuing management involvement with the goods, and the amount of revenue can be measured reliably. If it is probable that discounts will be granted and the amount can be measured reliably, then the discount is recognised as a reduction of revenue as the sales are recognised.

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement.

(iv) Management services fees

Management services fees are recognised when the related services are rendered.

(v) Dividend income

Dividend income is recognised in profit or loss when the shareholders' right to receive payment is established.

(k) Finance income and costs

Finance income comprises interest income on bank deposits and finance leases. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(l) Income tax expense

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

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

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for temporary differences on the initial recognition of assets or liabilities in a transaction that affects neither accounting nor taxable profit or loss.

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

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

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

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

(m) Earnings per share

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(n) Segment reporting

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

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

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

(o) New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. The Group has yet to assess the full impact of these standards and will apply these standards as and when they become effective.

4 PLANT AND EQUIPMENT

Group	Note	Assets under construction US$'000	Vessels US$'000	Assets on board the vessels US$'000	Dry-docking expenditure US$'000	Rig and other oil and gas related assets US$'000	Renovation, furniture, fittings and office equipment US$'000	Motor vehicles US$'000	Total US$'000
Cost									
At 1 January 2013		351,587	413,056	2,765	1,310	63,552	1,387	784	834,441
Additions		403,119	131,381	19	831	172,239	1,742	105	709,436
Disposals		–	(22,150)	–	(321)	–	–	–	(22,471)
Acquisition of subsidiary	25	–	18,768	–	–	–	–	–	18,768
Reclassification		(210,807)	–	9	–	210,798	–	–	–
Translation differences on consolidation		–	(101)	–	–	(203)	(38)	(20)	(362)
At 31 December 2013		543,899	540,954	2,793	1,820	446,386	3,091	869	1,539,812
Additions		349,140	20,358	–	12,536	136,388	1,035	203	519,660
Disposals		–	(772)	–	–	(7,348)	(2)	(87)	(8,209)
Disposal of subsidiaries	25	(3,702)	(122)	–	–	(1,236)	(33,484)	(271)	(38,815)
Acquisition of subsidiaries	25	–	–	31	–	302,788	3	–	302,822
Reclassification		(113,279)	(183,687)	–	–	264,848	32,118	–	–
Translation differences on consolidation		(159)	(853)	–	–	(2,328)	(845)	(3)	(4,188)
At 31 December 2014		775,899	375,878	2,824	14,356	1,139,498	1,916	711	2,311,082

4 PLANT AND EQUIPMENT (CONT'D)

Group	Note	Assets under construction US$'000	Vessels US$'000	Assets on board the vessels US$'000	Dry-docking expenditure US$'000	Rig and other oil and gas related assets US$'000	Renovation, furniture, fittings and office equipment US$'000	Motor vehicles US$'000	Total US$'000
Accumulated depreciation and impairment losses									
At 1 January 2013		–	34,718	1,303	620	3,016	709	358	40,724
Depreciation charge for the year		–	20,017	551	279	24,048	407	93	45,395
Disposals		–	(10,926)	–	(172)	–	–	–	(11,098)
Impairment losses		–	986	–	–	–	–	–	986
Translation differences on consolidation		–	(81)	–	–	(56)	(20)	(5)	(162)
At 31 December 2013		–	44,714	1,854	727	27,008	1,096	446	75,845
Depreciation charge for the year		–	15,897	270	495	85,374	617	101	102,754
Disposals		–	(772)	–	–	(1,177)	–	(68)	(2,017)
Disposal of subsidiaries	25	–	(21)	–	–	(528)	(421)	(69)	(1,039)
Reclassification		–	(16,562)	–	–	16,562	–	–	–
Translation differences on consolidation		–	3	–	–	(45)	2	(1)	(41)
At 31 December 2014		–	43,259	2,124	1,222	127,194	1,294	409	175,502
Carrying amounts									
At 1 January 2013		351,587	378,338	1,462	690	60,536	678	426	793,717
At 31 December 2013		543,899	496,240	939	1,093	419,378	1,995	423	1,463,967
At 31 December 2014		775,899	332,619	700	13,134	1,012,304	622	302	2,135,580

During the financial year, the Group acquired plant and equipment with an aggregate cost of approximately US$519,660,000 (2013: US$709,436,000) of which approximately US$17,757,000 (2013: US$5,691,000) was paid in advance to the suppliers in the previous year.

4 PLANT AND EQUIPMENT (CONT'D)

	Renovation, furniture, fittings and office equipment US$'000	Motor vehicles US$'000	Total US$'000
Company			
Cost			
At 1 January 2013	1,090	641	1,731
Additions	194	–	194
At 31 December 2013	1,284	641	1,925
Additions	172	158	330
Disposals	(2)	(87)	(89)
At 31 December 2014	1,454	712	2,166
Accumulated depreciation and impairment losses			
At 1 January 2013	627	339	966
Depreciation charge for the year	201	70	271
At 31 December 2013	828	409	1,237
Depreciation charge for the year	181	69	250
Disposals	–	(68)	(68)
At 31 December 2014	1,009	410	1,419
Carrying amounts			
At 1 January 2013	463	302	765
At 31 December 2013	456	232	688
At 31 December 2014	445	302	747

Impairment loss

During the year ended 31 December 2014, there was no impairment loss recognised on the Group's plant and equipment. In 2013, there were eight vessels which were idle as at 31 December 2013. The Group recognised US$986,000 of impairment loss on 2 vessels in other operating expenses. Management estimated the recoverable amounts for the remaining six vessels and found them to be higher than their carrying amounts. The recoverable amount was based on fair value less cost to sell. The fair value less cost to sell is determined based on the latest transacted price.

Security

The vessels and rigs are pledged to secure the term loan facilities granted by financial institutions (note 17).

4 PLANT AND EQUIPMENT (CONT'D)

Plant and equipment under construction

The Group has assets under construction with costs capitalised up to the reporting date totalling US$775,899,000 (2013: US$543,899,000). Included in the cost capitalised above is borrowing costs related to the construction of assets amounting to US$14,428,000 (2013: US$18,585,000). Borrowing costs capitalised during the year amounted to US$15,874,000 (2013:US$14,205,000).

The depreciation charge of the Group is recognised in the following line items of profit or loss:

	Group	
	2014 US$'000	2013 US$'000
Cost of sales	102,073	44,895
Administrative expenses	681	500
	102,754	45,395

5 SUBSIDIARIES

	Company	
	2014 US$'000	2013 US$'000
Equity investments, at cost	273,337	138,600
Impairment losses	(155)	(155)
	273,182	138,445
Loans to subsidiaries	770,172	603,908
	1,043,354	742,353

The loans to subsidiaries are interest-free, except for amounts of US$376,279,000 (2013: US$178,572,000) which bear interest ranging from 4.6% to 8% (2013: 4.7% to 8%) per annum. The loans to subsidiaries are unsecured and settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, a part of the Company's net investments in the subsidiaries, they are stated at cost.

A subsidiary is considered significant if its net tangible assets represent 2% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 2% or more than the Group's consolidated pre-tax profits.

Details of the significant subsidiaries are as follows:

Name of significant subsidiary	Principal activities	Country of incorporation	2014 %	2013 %
Held by the Company				
Teras Offshore Pte Ltd [1]	Shipping agent and provision of ship chartering services, ship management services and engineering works.	Singapore	100	100
Teras Conquest 2 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100

5 SUBSIDIARIES (CONT'D)

Details of the significant subsidiaries are as follows:

Name of significant subsidiary	Principal activities	Country of incorporation	2014 %	2013 %
Held by the Company (continued)				
Teras Conquest 5 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Conquest 6 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras 375 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Pneuma Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Atlantic London Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Teras 336 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Atlantic Esbjerg Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Atlantic Amsterdam Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Atlantic Tiburon 2 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	100
Ezion Investments Pte Ltd [1] and its significant subsidiary:	Investment holding	Singapore	100	100
Teras Oranda Limited [2]	Ship owner, provision of ship chartering services and cargo transportation	British Virgin Islands	100	100
Kenai Offshore Ventures, LLC [2]	Ship owner and provision of ship chartering services	United States of America	100	50
Teras Conquest 1 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	49
Teras Conquest 4 Pte Ltd [1]	Ship owner and provision of ship chartering services	Singapore	100	–
Held by Teras Investments Pte Ltd				
Other indirect significant subsidiary:				
Resilient Energy Limited[3]	Ship owner and provision of ship chartering services	Malaysia	100	100

1 Audited by KPMG LLP, Singapore.
2 Not required to be audited in accordance with the law of the country of incorporation.
3 Audited by PKF, Malaysia.

6. JOINT VENTURES

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Interests in joint ventures	49,322	85,876	15,734	13,472
Loans to joint ventures	54,787	102,273	35,784	58,011
	104,109	188,149	51,518	71,483

The loans to joint ventures are interest-free, except for amounts of US$27,128,000 (2013: US$61,752,000) which bear interest ranging from 6% to 8% per annum (2013: 6% to 18% per annum). The loans to joint ventures are unsecured and settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, a part of the Company's net investments in the joint ventures, they are stated at cost.

The Group has one (2013: one) joint venture that is material and a number of joint ventures that are individually immaterial to the Group. All joint ventures are equity accounted. The following are the Group's material joint ventures:

	Strategic Offshore Limited (SOL)
Nature of relationship with the Group	Strategic partner principally engaged in offshore logistic support vessels' services
Country of incorporation	Malta
Ownership interest	50% (2013: 50%)

The above joint arrangement in which the Group has joint control, is an unlisted joint arrangement.

6. JOINT VENTURES (CONT'D)

The following table summarises the financial information of each of the Group's material joint ventures, based on their respective financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The table also includes summarised financial information for the Group's interest in immaterial joint ventures, based on the amounts reported in the Group's consolidated financial statements.

	SOL US$'000	Immaterial joint ventures US$'000	Total US$'000
2014			
Revenue	63,884		
Profit from operations	38,174		
Total comprehensive income	38,174		
Includes: - depreciation and amortisation of US$15,553,000 - interest expense of US$6,687,000 - income tax expense of US$2,396,000			
Non-current assets	207,670		
Current assets	54,241		
Non-current liabilities	(128,843)		
Current liabilities	(63,355)		
Net assets	69,713		
Includes: - cash and cash equivalents of US$12,607,000 - non-current financial liabilities (excluding trade and other payables and provisions) of US$87,215,000 - current financial liabilities (excluding trade and other payables and provisions) of US$34,749,000			
Group's interest in net assets of investee at beginning of the year	22,351	63,525	85,876
Group's share of profit from operations	19,087	3,585	22,672
Translation difference	–	(120)	(120)
Group's contribution during the year	–	3,897	3,897
Dividends received	–	(270)	(270)
Carrying amount of interest in joint ventures which have become subsidiaries	–	(62,733)	(62,733)
Carrying amount of interest in investee at end of the year	41,438	7,884	49,322

6. JOINT VENTURES (CONT'D)

	SOL US$'000	Immaterial joint ventures US$'000	Total US$'000
2013			
Revenue	53,306		
Profit from operations	31,530		
Total comprehensive income	31,530		
Includes: - depreciation and amortisation of US$12,017,000 - interest expense of US$6,011,000 - income tax expense of US$1,836,000			
Non-current assets	221,067		
Current assets	27,949		
Non-current liabilities	(169,029)		
Current liabilities	(48,446)		
Net assets	31,541		
Includes: - cash and cash equivalents of US$4,793,000 - non-current financial liabilities (excluding trade and other payables and provisions) of US$122,060,000 - current financial liabilities (excluding trade and other payables and provisions) of US$34,749,000			
Group's interest in net assets of investee at beginning of the year	5	67,366	67,371
Group's share of profit from operations	15,765	15,309	31,074
Translation difference	–	115	115
Group's contribution during the year	6,581	1,099	7,680
Dividends received	–	(1,039)	(1,039)
Carrying amount of interest in joint ventures which have become subsidiaries	–	(4,316)	(4,316)
Disposal of joint venture	–	(15,009)	(15,009)
Carrying amount of interest in investee at end of the year	22,351	63,525	85,876

The share of capital commitments of joint ventures as at 31 December 2014 is Nil (2013: US$17,794,000). There were no other capital commitments and contingent liabilities as at 31 December 2014 and 31 December 2013.

7. ASSOCIATES

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Interests in associates	41,110	6,127	46,537	6,220
Loan to an associate	27,695	–	27,695	–
	68,805	6,127	74,232	6,220

Details of the associates are as follows:

	Alpha Energy Limited [1] (Alpha Energy)	AusGroup Limited [2] (AusGroup)	Charisma Energy Services Limited [1] (Charisma Energy Services)
Nature of relationship with the Group	Strategic partner in ownership of oil reserves in Alaska	Strategic partner in ownership and management of port and marine base in Australia	Strategic partner in ownership and management of energy assets
Country of incorporation	Singapore	Singapore	Singapore
Ownership interest	14.44% (2013: –%)	17.83% (2013: –%)	49.60%[3] (2013: 49.99%)
Fair value of ownership interest (if listed)	US$7,311,000	US$ 29,983,000	US$115,612,000 (2013: US$261,225,000)

1 Audited by KPMG LLP, Singapore.

2 Audited by PricewaterhouseCoopers LLP, Singapore

3 Voting rights held: 24.65% (2013: 24.95%)

7. ASSOCIATES (CONT'D)

During the year, the Group has subscribed for:

- 960,332,000 new ordinary shares in the capital of Charisma Energy Services Limited, by way of share options at an exercise price of S$0.0018 per share and the consideration for the subscription shares were satisfied by cash;

- 42,000,000 new ordinary shares in the capital of Alpha Energy Limited (formerly known as JK Tech Holdings Limited), at an issue price of S$0.09 per share and the consideration for the subscription shares were satisfied by the allotment and issuance of the shares of the Company at an issue price of S$2.0445 per share;

- 39,900,000 ordinary shares in the capital of AusGroup Limited, at an issue price of S$0.355 per share and the consideration for the subscription shares were satisfied by cash; and

- 92,156,000 new ordinary shares in the capital of AusGroup Limited, at an issue price of S$0.3456 per share and the new ordinary shares were issued in consideration for the acquisition of the Group's subsidiaries by AusGroup Limited (note 25).

In 2013, the Group subscribed for 931,600,000 new ordinary shares in the capital of Charisma Energy Services Limited, by way of share options at an exercise price of S$0.0018 per share and the consideration for the subscription shares was satisfied by cash.

The Group has less than 20% ownership of the equity interests of Alpha Energy Limited and AusGroup Limited. However, the Group has determined that it has significant influence because it has representation on the board of Alpha Energy Limited and AusGroup Limited.

Fair values measured on a provisional basis

The fair values of net identifiable assets and liabilities assumed at date of acquisition under Alpha Energy Limited and AusGroup Limited have been determined provisionally pending completion of an independent valuation.

If new information obtained within one year from the acquisition date about facts and circumstances that existed at the acquisition date or any additional provisions that existed at the acquisition date, then the accounting for the acquisition will be revised.

The following summarises the financial information of each of the Group's material associates based on their respective (consolidated) financial statements prepared in accordance with FRS, modified for fair value adjustments on acquisition and differences in the Group's accounting policies. The table also includes summarised financial information for the Group's interest in immaterial associates, based on the amounts reported in the Group's consolidated financial statements.

7. ASSOCIATES (CONT'D)

Fair values measured on a provisional basis (cont'd)

	Charisma Energy Services US$'000	AusGroup US$'000	Immaterial associates US$'000	Total US$'000
2014				
Revenue	173,136	99,663		
Profit from operations	10,568	893		
Other comprehensive income	–	(834)		
Total comprehensive income	10,568	59		
Non-current assets	91,531	188,741		
Current assets	8,784	209,152		
Non-current liabilities	(48,222)	(127,614)		
Current liabilities	(19,572)	(81,733)		
Net assets	32,521	188,546		
2014				
Group's interest in net assets of investee at beginning of the year	6,050	–	77	6,127
Group's share of:				
- profit/(loss) from operations	5,242	159	(31)	5,370
- other comprehensive income	–	(149)	–	(149)
Translation difference	–	(1,189)	(303)	(1,492)
Group's contribution during the year	1,369	26,917	3,050	31,336
Disposal of an associate	–	–	(82)	(82)
Carrying amount of interest in investee at end of the year	12,661	25,738	2,711	41,110

7. ASSOCIATES (CONT'D)

Fair values measured on a provisional basis (cont'd)

	Charisma Energy Services US$'000	Immaterial associates US$'000	Total US$'000
2013			
Revenue	–		
Loss from operations	(342)		
Other comprehensive income	–		
Total comprehensive income	(342)		
Non-current assets	10,860		
Current assets	26,386		
Non-current liabilities	(23,501)		
Current liabilities	(3,208)		
Net assets	10,537		
Group's interest in net assets of investee at beginning of the year	4,852	–	4,852
Group's share of:			
- loss from operations	(171)	–	(171)
- other comprehensive income	–	–	–
Group's contribution during the year	1,369	77	1,446
Carrying amount of interest in investee at end of the year	6,050	77	6,127

There were no contingent liabilities as at 31 December 2014 and 31 December 2013.

8. OTHER ASSETS

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Non-current				
Available-for-sale equity securities	48	48	–	–
Deposits to suppliers	8,700	–	–	–
Loan to investee company	4,952	4,952	–	–
Prepayments	132	173	132	143
	13,832	5,173	132	143
Current				
Advances to suppliers	102,223	79,663	–	1
Deposits to suppliers	9,471	8,219	4,154	134
Deferred expenditure	1,197	396	–	–
Finance lease receivables	–	750	–	–
Prepayments	1,782	2,389	76	42
Non-trade amounts due from:				
- subsidiaries	–	–	–	4,000
- joint ventures	–	–	707	2,553
Interest receivables	4,913	7,683	24,101	9,756
Other receivables	7,969	7,442	2,613	2,970
	127,555	106,542	31,651	19,456
Total	141,387	111,715	31,783	19,599

The equity security is unquoted and is stated at cost less impairment loss, as there is no active market for the investment and its fair value could not be reliably measured.

Deposits to suppliers largely relate to deposits made to service providers, such as vessel charterers.

Loan to investee company is interest-free, unsecured and settlement is neither planned nor likely to occur in foreseeable future. As the amounts are in substance, a part of the Group's investment in an investee company, they are stated at cost.

Non-trade amounts due from subsidiaries and joint ventures are unsecured, interest-free and repayable on demand.

There is no allowance for doubtful debts arising from outstanding non-trade balances with related parties.

Deposits to suppliers, finance lease receivables, interest receivables and other receivables are not past due.

8. OTHER ASSETS (CONT'D)

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

	Total future minimum lease receipts US$'000	Unearned interest US$'000	Present value US$'000
At 31 December 2013			
Within 1 year	750	–	750

There are no finance lease receivables as at 31 December 2014.

9. TRADE RECEIVABLES

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Trade receivables – third parties	163,802	111,261	236	45
Impairment losses	(6,415)	(6,206)	–	–
Net trade receivables – third parties	157,387	105,055	236	45
Trade amounts due from:				
- affiliates	2,215	2,215	–	–
- associates	106	–	106	–
- subsidiaries	–	–	3,711	5,252
	2,321	2,215	3,817	5,252
Impairment losses	(128)	(128)	–	–
	2,193	2,087	3,817	5,252
Total trade receivables	159,580	107,142	4,053	5,297

An affiliate is a company in which a director of the Company has financial interest.

Trade amounts due from affiliates, associates and subsidiaries are unsecured.

Trade amounts due from affiliates, associates and subsidiaries are not past due, except for US$128,000 (2013: US$128,000) which has past due more than 120 days and is fully impaired.

There are no additional impairment losses (2013: no additional impairment losses) arising from outstanding trade balances due from the affiliates, associates and subsidiaries in the current financial year.

The Group's primary exposure to credit risk relating to trade receivables arising mainly from the chartering income by the subsidiaries. These customers are internationally dispersed, and are engaged in a wide spectrum of offshore activities. The Group and the Company's exposure to credit risk for trade receivables are disclosed in note 30.

9. TRADE RECEIVABLES (CONT'D)

The maximum exposure to credit risk for trade receivables, excluding trade amounts due from subsidiaries at the reporting date (by type of customer) was:

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Government related and multi-national entities	151,959	97,995	106	–
Small-medium enterprises	7,621	9,147	236	45
	159,580	107,142	342	45

Impairment losses

The ageing of trade receivables due from third parties at the reporting date was:

	2014		2013	
	Gross US$'000	Impairment losses US$'000	Gross US$'000	Impairment losses US$'000
Group				
Not past due or less than 60 days overdue	74,671	–	72,788	–
Past due 61 – 120 days	12,552	–	14,363	–
Past due more than 120 days	76,579	(6,415)	24,110	(6,206)
	163,802	(6,415)	111,261	(6,206)

The change in impairment loss in respect of trade receivables due from third parties during the year was as follows:

	Group	
	2014 US$'000	2013 US$'000
At 1 January	6,206	5,716
Impairment loss	235	991
Amount reversed	(26)	(501)
At 31 December	6,415	6,206

Based on historical default rates, the Group believes that no additional impairment allowance is necessary in respect of trade receivables not past due or past due up to 120 days, except for those identified as impaired by the Group. These receivables are mainly arising from customers that have a good record with the Group.

10. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Cash at bank and in hand	206,427	146,615	153,409	99,799
Fixed deposits	165,083	19,363	163,583	19,363
Cash and cash equivalents	371,510	165,978	316,992	119,162

The interest rates for cash at bank and fixed deposits for the Group and the Company range between 0.10% and 1.43% (2013: 0.10% and 0.90%) per annum. The fixed deposits are repriced on a daily to yearly basis for both years.

The deposits were pledged as security to obtain credit facilities (note 17).

11. SHARE CAPITAL

	Group and Company	
	2014	2013
	No. of shares '000	No. of shares '000
At 1 January	1,185,400	910,461
Shares issued during the year	383,378	242,640
Conversion of redeemable preference shares	–	28,993
Exercise of share options	10,210	3,306
At 31 December	1,578,988	1,185,400

All shares rank equally with regard to the Company's residual assets. All issued shares are fully paid with no par value.

Ordinary shares

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company.

Issuance of ordinary shares

In 2014, the Company issued:

- 18,392,046 shares at US$1.7709 (equivalent to S$2.2407) per share amounting to US$32,570,000 (equivalent to S$41,211,000). The issuance of shares is for the acquisition of the entire share capital of Teras Conquest 4 Pte Ltd.

- 100,000,000 shares at US$1.5440 (equivalent to S$1.94) per share amounting to US$151,245,000 (equivalent to S$190,039,000), net of transaction costs of US$3,152,000 (equivalent to S$3,961,000). All issued shares are fully paid.

11. SHARE CAPITAL (CONT'D)

Ordinary shares (cont'd)

Issuance of ordinary shares (cont'd)

- 1,848,862 shares at US$1.6293 (equivalent to S$2.0445) per share amounting to US$3,009,000 (equivalent to S$3,776,000), net of transaction costs of US$3,000 (equivalent to S$4,000). The issuance of shares is for the acquisition of 42,000,000 shares in the issued share capital of Alpha Energy Limited.

- 263,136,643 ordinary shares pursuant to the bonus issue on the basis of one bonus share for every five existing ordinary shares (the "Bonus Shares II"). The Bonus Shares II are issued as fully paid at nil consideration to entitled shareholders, without capitalisation of the Company's reserves and rank pari passu in all respects with the existing ordinary shares in the capital of the Company.

The following shares were issued under the Company's Employee Share Option Scheme:

(i) 3,498,000 shares issued at an exercise price of US$0.2744 (equivalent to S$0.345), amounting to US$960,000 (equivalent to S$1,207,000);

(ii) 1,744,200 shares issued at an exercise price of US$0.4916 (equivalent to S$0.617), amounting to US$857,000 (equivalent to S$1,076,000);

(iii) 4,800,000 shares issued at an exercise price of US$0.2989 (equivalent to S$0.375), amounting to US$1,434,000 (equivalent to S$1,800,000);

(iv) 57,600 shares issued at an exercise price of US$0.2254 (equivalent to S$0.288), amounting to US$13,000 (equivalent to S$17,000); and

(v) 110,400 shares issued at an exercise price of US$0.4022 (equivalent to S$0.514), amounting to US$44,000 (equivalent to S$57,000).

In 2013, the Company issued:

- 50,000,000 shares at US$1.518 (equivalent to S$1.895) per share amounting to US$75,891,000 (equivalent to S$94,750,000), net of transactions costs of US$3,289,000 (equivalent to S$4,139,000).

- 2,482,500 shares under the Company's Employee Share Option Scheme, at an exercise price of US$0.331 (equivalent to S$0.414) per share, amounting to US$822,000 (equivalent to S$1,028,000) and 823,500 shares were issued under the Company's Employee Share Option Scheme, at an exercise price of US$0.592 (equivalent to S$0.74) per shares, amounting to US$488,000 (equivalent to S$609,000).

- 192,639,398 ordinary shares pursuant to the bonus issue on the basis of one bonus share for every five existing ordinary shares (the "Bonus Shares I"). The Bonus Shares I are issued as fully paid at nil consideration to entitled shareholders, without capitalisation of the Company's reserves and rank pari passu in all respects with the existing ordinary shares in the capital of the Company.

- 15,900,000 redeemable exchangeable preference shares in a subsidiary were exchanged by the holders for shares in the Company at the exchange price of US$0.4334 (equivalent to S$0.5484) per share. As a result, a total of 28,993,425 new shares amounting to US$12,665,000 (equivalent to SS$15,900,000), were issued by the Company, net of transactions costs of US$1,539,000 (equivalent to S$1,932,000).

11. SHARE CAPITAL (CONT'D)

Capital management

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital. In order to maintain or adjust the capital structure, the Group may issue new shares, buy back issued shares, obtain new borrowings or reduce its borrowings.

The Group monitors capital based on gearing ratio. The gearing ratio is calculated as net debt divided by total equity. Net debt is calculated as financial liabilities and notes payable less cash and cash equivalents. Total equity includes equity attributable to owners of the Company, redeemable exchangeable preference shares, reserves and retained earnings.

	Group	
	2014 US$'000	2013 US$'000
Financial liabilities	1,180,512	875,119
Notes payable	315,532	210,786
Less: Cash and cash equivalents	(371,510)	(165,978)
Net debt	1,124,534	919,927
Total equity	1,312,627	800,342
Gearing ratio (times)	0.86	1.15

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

The Singapore vessels-owning companies are required to have a minimum share capital of US$40,846 (equivalent to S$50,000) as required by the Maritime and Port Authority of Singapore.

Except for the above, the Company and its subsidiaries are not subject to externally imposed capital requirements.

12. PERPETUAL SECURITIES

The Company has a Multi-currency Debt Issuance Programme (the "Programme") which allows the Company from time to time issue notes and perpetual securities in any currency. The limit of the Programme was increased from S$500 million to S$1.5 billion with effect from 8 May 2014. Under the Programme, the perpetual securities shall constitute direct, unconditional, unsubordinated and unsecured obligations of the Company and shall at all times rank pari passu, without any preference among themselves, and with any parity obligations of the Company.

As at 31 December 2014, the perpetual securities issued by the Company are as follows:

(i) Perpetual securities with a nominal principal of S$125,000,000 (equivalent to US$99,713,000) issued in 2012. The securities are perpetual, subordinated and the distribution interest of 7.8% per annum may be deferred at the sole discretion of the Company. In 2014, S$3,000,000 (equivalent to US$2,303,000) in aggregate principal amount of perpetual securities was purchased and cancelled by the Company.

12. PERPETUAL SECURITIES (CONT'D)

(ii) Perpetual securities with a nominal principal amount of S$150,000,000 (equivalent to US$117,380,000) issued in 2014. The securities are perpetual, subordinated and the distribution interest of 7.0% per annum may be deferred at the sole discretion of the Company.

These perpetual securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position. Transaction costs incurred in connection with the issuance of perpetual securities amounted to US$2,916,000 (2013: US$2,035,000).

As at 31 December 2014, the Group has accrued perpetual securities distribution of approximately US$8,627,000 (2013: US$7,771,000).

13. REDEEMABLE EXCHANGEABLE PREFERENCE SHARES

	Group	
	2014 US$'000	2013 US$'000
At 1 January	23,464	11,126
Conversion of redeemable exchangeable preference shares ("REPS")	–	(11,126)
Issuance of redeemable exchangeable preference shares	–	23,464
At 31 December	23,464	23,464

In 2010, 53,000,000 REPS ("REPS I") were issued by a subsidiary of the Company ("Subsidiary I") at an issue price of US$0.77 (equivalent to S$1) per share ("Issue Price I"). All issued shares are fully paid. The main terms and conditions of the agreement are as follows:

(a) The REPS I are convertible into certain number of ordinary shares in the share capital of the Company based on the exchange price of S$0.5490 (Prior to Bonus Shares I: S$0.6589) ("Exchange Price I"). The conversion ratio will be subject to the usual anti-dilution adjustments.

(b) The holders of REPS I shall have the right to convert:

(i) the first 35% of their holdings of the REPS I into ordinary shares of the Company ("Exchange Shares") at the Exchange Price I at any time beginning from the first anniversary of the date of issuance of REPS I ("Issue Date I") and up to the fourth anniversary of the Issue Date ("Maturity Date I");

(ii) the next 35% of their holdings of REPS I into Exchange Shares at the Exchange Price I at any time beginning from the second anniversary of the Issue Date I and up to the Maturity Date; and

(iii) the remaining 30% of their holdings of REPS I into Exchange Shares at the Exchange Price I from the third anniversary of the Issue Date I and up to the Maturity Date I.

13. REDEEMABLE EXCHANGEABLE PREFERENCE SHARES (CONT'D)

(c) Each holder of REPS I shall have the right to exchange all of its holdings of REPS I into Exchange Shares upon the occurrence of any of the following events prior to the Maturity Date I:

(i) a merger or consolidation of the subsidiary with or into another entity (except a merger or consolidation in which the Company continues to hold at least 50% of the voting power of the capital of the surviving or acquiring entity);

(ii) a change in control in which in excess of 50% of the outstanding voting power of the subsidiary is transferred; or

(iii) a voluntary liquidation, major corporate restructuring, or sale or disposal of all or substantially all of the assets of the subsidiary.

Such number of Exchange Shares is to be determined in accordance with the exchange formula.

(d) Within five business days immediately after the Maturity Date I, the subsidiary has the option to redeem such number of REPS I not exchanged into Exchange Shares ("Redemption Shares") at or prior to the Maturity Date I at S$1.45 for each Redemption Share ("Redemption Price").

Upon the subsidiary's exercise of its option to redeem the Redemption Shares, the Company shall unconditionally and irrevocably guarantee the payment of all moneys payable by the subsidiary to the holders of REPS I.

In the event that the subsidiary does not exercise its option to redeem in part or in whole the Redemption Shares, such Redemption Shares shall be exchanged as soon as practicable into such number of Exchange Shares to be determined by the redemption exchange formula. The holders of REPS I do not have the right to redeem the REPS I for cash.

In 2013, 15,900,000 REPS I in the Subsidiary I were exchanged by the holders for shares in the Company at the exchange price of US$0.4334 (equivalent to S$0.54890) per share. As a result, a total of 28,993,425 new shares amounting to US$12,665,000 (equivalent to SS$15,900,000), were issued by the Company, net of transactions costs of US$1,539,000 (equivalent to S$1,932,000).

13. REDEEMABLE EXCHANGEABLE PREFERENCE SHARES (CONT'D)

In 2013, 300 REPS ("REPS II") were issued by a subsidiary of the Company ("Subsidiary II") at an issue price of US$78,388.34 (equivalent to S$100,000) per share ("Issue Price II''). All issued shares are fully paid. The main terms and conditions of the agreement are as follows:

(a) The REPS II are convertible into certain number of ordinary shares in the share capital of the Company based on the exchange price of S$1.8214 (Prior to Bonus Shares I: S$2.1857) ("Exchange Price II"). The conversion ratio will be subject to the usual anti-dilution adjustments.

(b) The holders of REPS II shall have the right to convert:

    (i) the first 50% of their holdings of REPS II into Exchange Shares at the Exchange Price II at any time starting from the first anniversary of the date of issue of REPS II ("Issue Date II") and up to one business day before the third anniversary of the Issue Date II ("Maturity Date II"); and

    (ii) the remaining 50% of their holdings of REPS II into Exchange Shares at any time starting from the second anniversary of the Issue Date and up to one business day before the Maturity Date II.

(c) Save as otherwise provided herein under the clause entitled "Distribution Preference Deferral" and subject to the Companies Act (Chapter 50) of Singapore, the Preference Shares shall be entitled to:

    (i) an annual dividend equal to 5% of the Issue Price II (the "Distribution Preference") in respect of the outstanding REPS II as at the Maturity Date II, with such Distribution Preference payable cumulatively on the Maturity Date II; and

    (ii) a one-off dividend equal to 3% of the Issue Price II (the "One-Time Dividend") in respect of the REPS II that are exchanged into Exchange Shares before the Maturity Date II, with such One-Time Dividend payable no later than 5 business days after the date of exchange of the REPS II into Exchange Shares,

    (such date of payment of the Distribution Preference or the One-Time Dividend by the Subsidiary, a "Distribution Payment Date").

(d) The Group may, at its sole discretion, elect to defer (in whole or in part) the payment of any Distribution Preference and/or One-Time Dividend which is otherwise scheduled to be paid on a Distribution Payment Date to a date no later than the date on which the Group pays a discretionary dividend, distribution or other payment (other than in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants) for the financial year in which the relevant Distribution Payment Date falls within.

    The Group has no obligation to pay any dividend on any Distribution Payment Date if it validly elects not to do so.

13. REDEEMABLE EXCHANGEABLE PREFERENCE SHARES (CONT'D)

(e) Each holder of REPS II shall have the right to exchange all of its holdings of REPS II into Exchange Shares upon the occurrence of any of the following events prior to the Maturity Date II:

(i) a merger or consolidation of the Subsidiary with or into another entity (except a merger or consolidation in which the Group continues to hold at least 50% of the voting power of the capital of the surviving or acquiring entity);

(ii) a change in control in which in excess of 50% of the outstanding voting power of the Subsidiary is transferred;

(iii) the Subsidiary is unable to pay its debts as they fall due or is insolvent; or

(iv) the Subsidiary is subject to a liquidation or winding up action (whether voluntary or otherwise), or an administrator or receiver has been appointed over any of the assets of the Subsidiary, or if any of its material assets have been seized by a court order.

Such number of Exchange Shares is to be determined in accordance with the exchange formula.

(f) Within five business days immediately after the Maturity Date II, the Subsidiary has the option to redeem (upon which the Company shall guarantee) any amount of outstanding REPS II not exchanged by the Holders as at the Maturity Date II at a redemption price per REPS II equal to the Issue Price II in cash.

In the event that the Subsidiary does not exercise the aforementioned redemption option, all outstanding REPS II as at the Maturity Date II shall be automatically exchanged into Exchange Shares at the Exchange Price II. For the avoidance of doubt, the Holders shall be entitled to the Distribution Preference on the outstanding Preference Shares as at the Maturity Date II.

In 2014 and 2013, no REPS II in Subsidiary II was exchanged by the holders for shares in the Company.

14. RESERVES

The reserves of the Group and the Company comprise the following balances:

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Treasury shares	(102)	(102)	(102)	(102)
Foreign currency translation reserve	(20,218)	(12,495)	–	–
Hedging reserve	(1,098)	(670)	(872)	–
Statutory reserve	(6)	(6)	(6)	(6)
	(21,424)	(13,273)	(980)	(108)

14. RESERVES (CONT'D)

Treasury shares

Treasury shares comprise the cost of the Company's shares held by the Group. As at 31 December 2014, the Group held 684,000 (2013: 570,000) of the Company's shares. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

Foreign currency translation reserve

The foreign currency translation reserve comprises:

(a) foreign exchange differences arising from the translation of the financial statements of subsidiaries whose functional currencies are different from the functional currency of the Company; and

(b) the exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative change (net of taxes) in the fair value of cash flow hedging instruments related to hedged transactions that have not yet affected profit or loss.

Statutory reserve

The statutory reserve comprises the difference between the fair value and the cost of treasury shares issued to certain employees pursuant to the Employee Share Plan (see note 19 (c)).

Dividends

Subject to the approval by the shareholders at the next Annual General Meeting, the directors have proposed a final (one-tier) dividend of 0.10 Singapore cents (2013: 0.10 Singapore cents) per share, amounting to a net dividend of US$1,168,000 (equivalent to S$1,578,000) (2013: US$959,000 (equivalent to S$1,184,000)) in respect of the financial year ended 31 December 2014 based on the share capital as at that date. The proposed dividend has not been included as a liability in the financial statements.

15. OTHER PAYABLES

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Non-current				
Other payables	15,000	–	–	–
Deposits from a supplier	2,000	3,000	–	–
Deposits from a customer	15,355	–	–	–
Interest rate swaps used for hedging	1,098	670	872	–
Non-trade amounts due to subsidiaries	–	–	20,726	16,736
	33,453	3,670	21,598	16,736
Current				
Payables to other suppliers	500	689	500	605
Downpayments and advances from customers	21,033	40,275	–	1,495
Deferred revenue	1,572	3,836	460	882
Non-trade amounts due to:				
- joint ventures	5,646	935	–	–
- subsidiaries	–	–	99,399	25,492
Accrued interest payable	7,472	11,177	6,124	4,065
Accrued expenses	14,516	10,599	13,134	9,209
Employee benefits	123	69	61	69
Other payables	10,870	9,778	862	569
	61,732	77,358	120,540	42,386
Total	95,185	81,028	142,138	59,122

At 31 December 2014, the Group held interest rate swaps with a total notional amount of US$202,500,000 (2013: US$150,000,000). The Group has designated interest rate swaps with notional amount of US$202,500,000 (2013: US$150,000,000) as cash flow hedges to provide fixed rate funding for a term of 2 to 3 years (2013: 4 years).

Non-current non-trade amounts due to subsidiaries are unsecured, interest-free and repayable in 2016 (2013: repayable in 2015).

Current non-trade amounts due to subsidiaries and joint ventures are unsecured, interest-free and repayable on demand.

16. NOTES PAYABLE

		Group		Company	
	Maturity	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
SGD 100 million[(1)]	May 2015	–	78,041	–	78,041
SGD 60 million[(2)]	August 2018	45,034	46,939	45,034	46,939
SGD 50 million[(3)]	January 2019	37,626	–	37,626	–
SGD 110 million[(4)]	November 2019	82,333	85,806	82,333	85,806
SGD 55 million[(5)]	March 2020	41,318	–	41,318	–
SGD 150 million[(6)]	June 2021	109,221	–	109,221	–
		315,532	210,786	315,532	210,786

(1) The notes bore fixed interest rate of 5.25% per annum payable semi-annually. The fair value was approximately US$81,412,000 based on quoted market prices as at 31 December 2013. In June 2014, the whole principal amount of the notes was purchased and cancelled by the Company.

(2) The notes bear fixed interest rate of 4.60% per annum payable semi-annually, with fair value of approximately US$45,474,000 (2013: US$47,701,000) based on quoted market prices.

(3) The notes bear fixed interest rate of 4.85% per annum payable semi-annually, with fair value of approximately US$37,691,000 based on quoted market prices.

(4) The notes bear fixed interest rate of 4.70% per annum payable semi-annually, with fair value of approximately US$82,697,000 (2013: US$86,605,000) based on quoted market prices.

(5) The notes bear fixed interest rate of 5.10% per annum payable semi-annually, with fair value of approximately US$41,177,000 based on quoted market prices.

(6) The notes bear fixed interest rate of 4.875% per annum payable semi-annually, with fair value of approximately US$111,539,000 based on quoted market prices.

The above notes are listed on the Main Board of the Singapore Exchange Securities Trading Limited and the full carrying amount of the notes payable is classified as non-current.

17. FINANCIAL LIABILITIES

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Non-current				
Secured bank loans	884,750	643,421	–	–
Finance lease liabilities	121	142	121	142
Financial guarantees	7,349	8,467	103,797	88,380
	892,220	652,030	103,918	88,522
Current				
Secured bank loans	247,893	181,502	–	–
Unsecured bank loans	39,750	39,750	39,750	39,750
Finance lease liabilities	70	68	70	68
Financial guarantees	579	1,769	30,237	24,870
	288,292	223,089	70,057	64,688
Total financial liabilities	1,180,512	875,119	173,975	153,210

Secured bank loans

All the bank loans were secured by corporate guarantees from the Company, first legal charge on the Group's vessels, legal assignment of the rental proceeds from the Group's vessels, assignment of insurances in respect of vessels in bank's favour and all monies standing to the credit of the Group's receiving operating account in respect of the vessels maintained by the Group with the bank.

The bank loans are secured on vessels and rigs with a carrying amount of US$1,936,425,000 (2013: US$1,351,925,000).

Terms and debt repayment schedule

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

	Nominal interest rate %	Year of maturity	Carrying amount	
			2014 US$'000	2013 US$'000
Group				
US$ secured floating rate loans	2.32 – 3.83	2015 - 2021	1,132,643	824,923
S$ unsecured fixed rate loans	1.99 – 3.03	2015	39,750	39,750
S$ finance lease liabilities	2.20 - 2.28	2017	191	210
			1,172,584	864,883
Company				
S$ unsecured fixed rate loans	1.99 – 3.03	2015	39,750	39,750
S$ finance lease liabilities	2.20 - 2.28	2017	191	210
			39,941	39,960

17. FINANCIAL LIABILITIES (CONT'D)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	2014			2013		
	Principal US$'000	Interest US$'000	Future minimum lease payments US$'000	Principal US$'000	Interest US$'000	Future minimum lease payments US$'000
Group and Company						
Within 1 year	70	4	74	68	4	72
After 1 year but within 5 years	121	3	124	142	4	146
Total	191	7	198	210	8	218

The following are the expected contractual undiscounted cash outflows of financial liabilities, including interest payments and excluding the impact of netting agreements:

		Cash flows			
	Carrying amount US$'000	Contractual cash flows US$'000	Within 1 year US$'000	Within 2 to 5 years US$'000	After 5 years US$'000
Group					
2014					
Non-derivative financial liabilities					
Secured bank loans	1,132,643	(1,224,389)	(334,355)	(865,461)	(24,573)
Unsecured bank loans	39,750	(40,788)	(40,788)	–	–
Notes payable	315,532	(396,413)	(15,409)	(221,842)	(159,162)
Finance lease liabilities	191	(198)	(74)	(124)	–
Trade payables	69,886	(69,886)	(69,886)	–	–
Other payables[(1)]	71,482	(71,482)	(39,127)	(32,355)	–
	1,629,484	(1,803,156)	(499,639)	(1,119,782)	(183,735)
Derivative financial liabilities					
Interest rate swaps used for hedging	1,098	(1,358)	(1,804)	446	–
	1,098	(1,358)	(1,804)	446	–
	1,630,582	(1,804,514)	(501,443)	(1,119,336)	(183,735)

17. FINANCIAL LIABILITIES (CONT'D)

		Cash flows			
	Carrying amount US$'000	Contractual cash flows US$'000	Within 1 year US$'000	Within 2 to 5 years US$'000	After 5 years US$'000
Group					
2013					
Non-derivative financial liabilities					
Secured bank loans	824,923	(866,154)	(189,332)	(659,673)	(17,149)
Unsecured bank loans	39,750	(40,810)	(40,810)	–	–
Notes payable	210,786	(251,076)	(10,432)	(151,097)	(89,547)
Finance lease liabilities	210	(218)	(72)	(146)	–
Trade payables	69,104	(69,104)	(69,104)	–	–
Other payables[(1)]	36,247	(36,247)	(33,247)	(3,000)	–
	1,181,020	(1,263,609)	(342,997)	(813,916)	(106,696)
Derivative financial liabilities					
Interest rate swaps used for hedging	670	(482)	(574)	92	–
	670	(482)	(574)	92	–
	1,181,690	(1,264,091)	(343,571)	(813,824)	(106,696)
Company					
2014					
Non-derivative financial liabilities					
Unsecured bank loans	39,750	(40,788)	(40,788)	–	–
Notes payable	315,532	(396,413)	(15,409)	(221,842)	(159,162)
Finance lease liabilities	191	(198)	(74)	(124)	–
Trade payables	40	(40)	(40)	–	–
Other payables[(1)]	140,806	(140,806)	(120,080)	(20,726)	–
	496,319	(578,245)	(176,391)	(242,692)	(159,162)
Derivative financial liabilities					
Interest rate swaps used for hedging	872	(1,133)	(1,592)	459	–
	872	(1,133)	(1,592)	459	–
	497,191	(579,378)	(177,983)	(242,233)	(159,162)
2013					
Non-derivative financial liabilities					
Unsecured bank loans	39,750	(40,810)	(40,810)	–	–
Notes payable	210,786	(251,076)	(10,432)	(151,097)	(89,547)
Finance lease liabilities	210	(218)	(72)	(146)	–
Trade payables	252	(252)	(252)	–	–
Other payables[(1)]	56,745	(56,745)	(40,009)	(16,736)	–
	307,743	(349,101)	(91,575)	(167,979)	(89,547)

(1) Excludes downpayments and advances from customers, interest rate swaps used for hedging and deferred revenue.

18. TRADE PAYABLES

	Group		Company	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Trade payables	68,940	69,000	40	252
Trade amounts due to associate	475	–	–	–
Trade amounts due to affiliates	471	104	–	–
	69,886	69,104	40	252

Outstanding balances with affiliates were unsecured.

19. SHARE-BASED PAYMENTS

At 31 December 2014, the Group has the following share-based payment arrangements:

(a) Director Option Agreement and Executive Option Agreements (equity-settled)

On 23 November 2009 ("Vesting Reference Date"), the Group granted share options to a director and 2 key executives pursuant to the Director Option Agreement and the Executive Option Agreements respectively.

Other information regarding the above share options granted is set out below:

- The exercise price of each option is fixed at S$0.375 (Prior to Bonus Shares I: S$0.450).
- The share options shall be exercised, in whole or in part, in accordance with the following schedule from 23 November 2010 to 23 November 2014:

  (i) 25% of the share options shall vest 12 months after the grant; and
  (ii) 25% of the share options shall vest on each anniversary of the Vesting Reference Date thereafter.

- All options are settled by physical delivery of shares.
- The options granted expire after 5 years or upon cessation of the employment of the director or the 2 key executives.

19. SHARE-BASED PAYMENTS (CONT'D)

(a) *Director Option Agreement and Executive Option Agreements (equity-settled) (cont'd)*

At the end of the financial year, details of the options granted under Director Option Agreement and Executive Option Agreements on the unissued ordinary shares of the Company are as follows:

Date of grant of options	Exercise prices per share	Options outstanding at 1 January 2014 '000	Options granted '000	Options exercised '000	Options outstanding at 31 December 2014 '000	Number of option holders at 31 December 2014	Exercise period
23/11/2009	S$0.375	4,800	–	(4,800)	–	–	23/11/2010 to 23/11/2014

There are no outstanding share options under the Executive Option Agreement as at 31 December 2014.

Fair value of share options and assumptions

The grant-date fair value of share options granted was measured based on the Black-Scholes option-pricing model formula as the grant-date fair value of services performed by the director cannot be measured reliably. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plan are as follows:

	Tranche A	Tranche B	Tranche C	Tranche D
Fair value at grant date (S$)	0.42	0.52	0.57	0.61
Share price at grant date (S$)	0.77	0.77	0.77	0.77
Exercise price (S$)	0.45	0.45	0.45	0.45
Expected volatility	95%	109%	107%	107%
Option life	5 years	5 years	5 years	5 years
Expected dividends (Singapore cents)	0.15	0.15	0.15	0.15
Risk-free interest rate	0.50%	0.65%	0.82%	1.15%

There is no market condition associated with the share option grants.

(b) *Ezion Employee Share Option Scheme (equity-settled)*

The Ezion Employee Share Option Scheme (the "Scheme") was approved and adopted by its members at an Extraordinary General Meeting held on 23 November 2009. The Scheme is administered by the Company's Remuneration Committee. All Directors and Employees of the Group shall be eligible to participate in the Scheme.

19. SHARE-BASED PAYMENTS (CONT'D)

(b) Ezion Employee Share Option Scheme (equity-settled) (cont'd)

Other information regarding the Scheme is set out below:

Option granted on 11 October 2011 ("Grant Date 1")

- The exercise price of each option is fixed at S$0.288 (Prior to Bonus Shares II: S$0.345).
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 11 October 2012 to 11 October 2021:

  (i) 20% of the options shall vest after the end of first anniversary of Grant Date 1;

  (ii) 50% of the options shall vest after 31 March 2013; and

  (iii) 30% of the options shall vest after 31 March 2014.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.
- The options include 1,400,000 share options granted to each of the executive directors, Chew Thiam Keng and Captain Larry Glenn Johnson; and 100,000 share options granted to each of the non-executive directors, Lim Thean Ee, Tan Woon Hum and Dr. Wang Kai Yuen.

Option granted on 7 June 2012 ("Grant Date 2")

- The exercise price of each option is fixed at S$0.514 (Prior to Bonus Shares II: S$0.617).
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 7 June 2013 to 7 June 2022:

  (i) 30% of the options shall vest after the end of first anniversary of Grant Date 2;

  (ii) 30% of the options shall vest after the end of second anniversary of Grant Date 2; and

  (iii) 40% of the options shall vest after the end of third anniversary of Grant Date 2.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.
- The options include 700,000 share options granted to each of the executive directors, Chew Thiam Keng and Captain Larry Glenn Johnson; and 100,000 share options granted to each of the directors, Lim Thean Ee, Tan Woon Hum, Dr. Wang Kai Yuen and Lee Kian Soo.

19. SHARE-BASED PAYMENTS (CONT'D)

(b) Ezion Employee Share Option Scheme (equity-settled) (cont'd)

<u>*Option granted on 21 January 2013 ("Grant Date 3")*</u>

- The exercise price of each option is fixed at S$1.083 (Prior to Bonus Shares II: S$1.300).
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 21 January 2015 to 21 January 2023:

  (i) 30% of the options shall vest after the end of second anniversary of Grant Date 3;

  (ii) 30% of the options shall vest after the end of third anniversary of Grant Date 3; and

  (iii) 40% of the options shall vest after the end of fourth anniversary of Grant Date 3.

- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.
- The options include 700,000 share options granted to each of the executive directors, Chew Thiam Keng and Captain Larry Glenn Johnson; and 100,000 share options granted to each of the directors, Lim Thean Ee, Tan Woon Hum, Dr. Wang Kai Yuen and Lee Kian Soo.

<u>*Option granted on 7 March 2014 ("Grant Date 4")*</u>

- The exercise price of each option is fixed at S$1.567 (Prior to Bonus Shares II: S$1.880).
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 7 March 2016 to 7 March 2024:

  (i) 30% of the options shall vest after the end of second anniversary of Grant Date 4;

  (ii) 30% of the options shall vest after the end of third anniversary of Grant Date 4; and

  (iii) 40% of the options shall vest after the end of fourth anniversary of Grant Date 4.

- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.
- The options include 700,000 share options granted to each of the executive directors, Chew Thiam Keng and Captain Larry Glenn Johnson; and 100,000 share options granted to each of the directors, Lim Thean Ee, Tan Woon Hum, Dr. Wang Kai Yuen and Lee Kian Soo.

19. SHARE-BASED PAYMENTS (CONT'D)

(b) Ezion Employee Share Option Scheme (equity-settled) (cont'd)

At the end of the financial year, details of the options granted under the Scheme on unissued ordinary shares of the Company are as follows:

Date of grant of options	Exercise prices per share	Options outstanding at 1 January 2014 '000	Options granted '000	Options exercised '000	Options forfeited '000	Options outstanding at 31 December 2014 '000	Number of option holders at 31 December 2014	Exercise period
11/10/2011	S$0.288	5,465	394	(3,555)	–	2,304	3	11/10/2012 to 11/10/2021
7/6/2012	S$0.514	4,892	629	(1,855)	(403)	3,263	7	7/6/2013 to 7/6/2022
21/1/2013	S$1.083	6,744	1,349	–	(1,008)	7,085	56	21/1/2015 to 21/1/2023
7/3/2014	S$1.567	–	7,950	–	(840)	7,110	89	7/3/2016 to 7/3/2024
		17,101	10,322	(5,410)	(2,251)	19,762		

<u>*Fair value of share options and assumptions*</u>

The grant-date fair value of share options granted was measured based on the Black-Scholes option-pricing model formula as the fair value of services performed by employees and directors cannot be measured reliably. Expected volatility is estimated by considering historic average share price volatility. Option lives are based on the assumption that each tranche of share options will be exercised once the vesting period is over.

<u>Options granted at 11 October 2011</u>

	At 11 October 2011		
	Tranche A	Tranche B	Tranche C
Fair value (S$)	0.077	0.091	0.159
Share price (S$)	0.45	0.45	0.45
Exercise price (S$)	0.414	0.414	0.414
Expected volatility	32%	33%	52%
Expected dividends (Singapore cents)	–*	–*	–*
Risk-free interest rate	0.20%	0.21%	0.35%

* - denotes less than 0.01 Singapore cents

19. SHARE-BASED PAYMENTS (CONT'D)

(b) *Ezion Employee Share Option Scheme (equity-settled) (cont'd)*

Options granted at 7 June 2012

	At 7 June 2012		
	Tranche A	Tranche B	Tranche C
Fair value (S$)	0.16	0.174	0.224
Share price (S$)	0.78	0.78	0.78
Exercise price (S$)	0.74	0.74	0.74
Expected volatility	46.11%	35.88%	39.13%
Expected dividends (Singapore cents)	–*	–*	–*
Risk-free interest rate	0.25%	0.23%	0.33%

* - denotes less than 0.01 Singapore cents

Options granted at 21 January 2013

	At 21 January 2013		
	Tranche A	Tranche B	Tranche C
Fair value (S$)	0.473	0.530	0.758
Share price (S$)	1.76	1.76	1.76
Exercise price (S$)	1.56	1.56	1.56
Expected volatility	39.06%	36.58%	51.40%
Expected dividends (Singapore cents)	–*	–*	–*
Risk-free interest rate	0.24%	0.27%	0.30%

* - denotes less than 0.01 Singapore cents

Options granted at 7 March 2014

	At 7 March 2014		
	Tranche A	Tranche B	Tranche C
Fair value (S$)	0.543	0.674	0.747
Share price (S$)	2.20	2.20	2.20
Exercise price (S$)	1.88	1.88	1.88
Expected volatility	30.65%	35.17%	33.81%
Expected dividends (Singapore cents)	–*	–*	–*
Risk-free interest rate	0.34%	0.46%	0.87%

* - denotes less than 0.01 Singapore cents

There is no market condition associated with the share option grants.

19. SHARE-BASED PAYMENTS (CONT'D)

(c) *Employee Share Plan (equity-settled)*

The Employee Share Plan (the "Plan") was approved and adopted by members of the Company at the Extraordinary General Meeting held on 29 April 2008. The Plan is administered by a committee comprising the directors of the Company.

In 2009, 230,000 treasury shares have been awarded to certain employees pursuant to the Plan. No treasury shares had been awarded to employees under the Plan in 2013, 2012, 2011 and 2010.

Disclosure of share-based payments arrangements

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

	Weighted average exercise price per share	Number of options	Weighted average exercise price per share	Number of options
	2014	2014	2013	2013
	S$	'000	S$	'000
Outstanding at 1 January	0.71	21,901	0.52	15,937
Granted during the year	1.39	10,322	1.07	9,270
Exercised during the year	0.41	(10,210)	0.50	(3,306)
Forfeited during the year	1.16	(2,251)	–	–
Outstanding at 31 December	1.07	19,762	0.71	21,901
Exercisable at 31 December	0.35	3,148	0.39	7,575

The options outstanding at 31 December 2014 have an exercise price in the range of S$0.29 to S$1.57 (2013: S$0.35 to S$1.30) and the weighted average contractual life of 7.9 years (2013: 4.3 years).

Employee expenses

	Group	
	2014	2013
	US$'000	US$'000
Director Option Agreement and Executive Option Agreements	–	111
Ezion Employee Share Option Scheme	2,050	1,600
Total expense recognised as employee costs	2,050	1,711

20. REVENUE

	Group	
	2014	2013
	US$'000	US$'000
Liftboats and rigs' charter income	298,867	170,508
Offshore logistic support vessels' charter income	87,645	111,416
Total revenue	386,512	281,924

21 NET FINANCE COSTS

	Group 2014 US$'000	Group 2013 US$'000
Interest income:		
- banks	1,523	515
- related corporations	3,659	4,807
- others	619	105
Finance income	5,801	5,427
Interest expense:		
- other banks	(22,017)	(12,242)
- notes payable	(471)	–
Finance costs	(22,488)	(12,242)
Net finance costs recognised in profit or loss	(16,687)	(6,815)

22 PROFIT BEFORE INCOME TAX

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

	Note	Group 2014 US$'000	Group 2013 US$'000
Foreign exchange gain		(1,147)	(1,028)
(Gain)/loss on disposal of:			
- assets held for sale		–	(1,705)
- joint venture		–	(18,304)
- plant and equipment		(870)	495
- subsidiary	25	(34,904)	–
Net impairment losses on:			
- plant and equipment		–	986
- trade receivables	9	209	490
Audit fees		294	253
Non-audit fees paid to auditors of the Company		22	64
Operating lease expense		18,943	57,536
Staff costs		17,624	14,540
Contributions to defined contribution plans, included in staff costs		808	603
Equity-settled share-based payment transactions, included in staff costs		2,050	1,711

Staff costs include key management personnel compensation and key executives compensation as disclosed in note 28.

23 INCOME TAX EXPENSE

	Group 2014 US$'000	Group 2013 US$'000
Current tax expense		
Current year	855	1,031
Overprovision in respect of prior years	(24)	(67)
Foreign tax expense	1,198	1,676
	2,029	2,640
Reconciliation of effective tax rate		
Profit before income tax	225,763	162,968
Share of results of joint ventures and associates (net of tax)	(28,042)	(30,903)
Profit before income tax excluding share of results of joint ventures and associates	197,721	132,065
Tax calculated using Singapore tax rate of 17% (2013: 17%)	33,613	22,451
Effect of tax rates in foreign jurisdictions	(3,204)	–
Income not subject to tax	(9,735)	(7,571)
Net tax exempt income under Section 13A of Income Tax Act	(21,747)	(15,877)
Non-deductible expenses	2,076	1,220
Foreign tax expense	1,198	1,676
Overprovision in respect of prior years	(24)	(67)
Others	(148)	808
	2,029	2,640

For the financial year ended 31 December 2014 and 2013, the effective applicable tax rate is lower than 17% as no provision is made for taxation for certain income in view of the exempt profits earned by the Group under Section 13A of the Income Tax Act during the year.

24 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2014 was based on the profit attributable to ordinary shareholders of the Company of approximately US$223,658,000 (2013: US$160,388,000) and a weighted average number of ordinary shares outstanding of approximately 1,352,722,000 (2013: 1,174,990,000), calculated as follows:

	Group 2014 US$'000	Group 2013 US$'000
Profit attributable to ordinary shareholders	223,658	160,388

24 EARNINGS PER SHARE (CONT'D)

Weighted average number of ordinary shares

	2014 '000	2013* '000
Issued ordinary shares at 1 January	1,184,830	909,891
Effect of issue of new ordinary shares	162,159	262,221
Effect of conversion of redeemable exchangeable preference shares	–	715
Effect of exercise of options	5,733	2,163
Weighted average number of ordinary shares at 31 December	1,352,722	1,174,990

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2014 was based on the profit attributable to ordinary shareholders of the Company of US$223,658,000 (2013: US$160,388,000) and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 1,382,848,000 (2013: 1,202,967,000), calculated as follows:

	Group	
	2014 US$'000	2013 US$'000
Profit attributable to ordinary shareholders of the Company (diluted)	223,658	160,388

Weighted average number of ordinary shares (diluted)

	2014 '000	2013* '000
Weighted average number of ordinary shares (basic)	1,352,722	1,174,990
Effect of share options in issue	10,827	22,577
Effect of issue of redeemable exchangeable preference shares	19,299	5,400
Weighted average number of ordinary shares at 31 December	1,382,848	1,202,967

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

* Number of weighted average number of ordinary shares were restated due to retrospective adjustments for Bonus shares.

25 ACQUISITION/DIVESTMENT OF SUBSIDIARY

Acquisition of subsidiaries

The primary reason for the Group's acquisitions of subsidiaries is to increase its investment in the segment of jack-up rigs services.

(i) The list of subsidiaries acquired in the year ended 31 December 2014 is as follows:

Name of significant subsidiary	Date of acquisition	Equity interest acquired %
Kenai Offshore Ventures, LLC	January 2014	50
Teras Conquest 4 Pte Ltd	January 2014	100
Teras Conquest 1 Pte Ltd	May 2014	51
Atlantic Labrador Pte Ltd	October 2014	50
Teras Fortress 2 Pte Ltd	December 2014	100
Teras Conquest 7 Pte Ltd	December 2014	100

From the date of acquisition to 31 December 2014, the above-mentioned subsidiaries acquired contributed net losses of US$3,677,000 to the Group's results for the year, before accounting for financial costs attributable to the acquisitions. If the acquisitions have occurred on 1 January 2014, management estimates that consolidated revenue would have been approximately US$403,249,000, and consolidated profit for the year would have been approximately US$229,752,000. In determining these amounts, management assumed that the fair value adjustments, determined provisionally, arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2014.

25 ACQUISITION/DIVESTMENT OF SUBSIDIARY (CONT'D)

Acquisition of subsidiaries (cont'd)

(i) The list of subsidiaries acquired in the year ended 31 December 2014 is as follows: (cont'd)

Effect of acquisitions

The cash flow and the net assets of subsidiaries acquired during the year ended 31 December 2014 are provided below:

	Note	Recognised values on acquisition US$'000
Property, plant and equipment	4	302,822[1]
Trade and other receivables		92,009
Cash and cash equivalents		9,057
Secured bank loan		(167,740)
Trade and other payables		(32,826)
Provision for tax		(99)
Non-controlling interest, based on proportionate interest in the recognised amount of the assets and liabilities		6
		203,229
Amounts previously accounted for as joint ventures		(62,733)
Net identifiable assets and liabilities acquired		140,496
Assumption of shareholder's loans		(22,581)
Settlement of pre-existing relationships		(48,507)
Total purchase consideration		69,408
Less:		
Equity instruments issued		(32,570)
Settlement of amount owing by a joint venturer		(9,770)
Cash and cash equivalents acquired		(9,057)
Net cash outflow on acquisition of subsidiary		18,011

[1] All fair value adjustments arising from the acquisitions have been accounted for in the property, plant and equipment.

25 ACQUISITION/DIVESTMENT OF SUBSIDIARY (CONT'D)

Acquisition of subsidiaries (cont'd)

(ii) The list of subsidiaries acquired in the year ended 31 December 2013 is as follows:

Name of significant subsidiary	Date of acquisition	Equity interest acquired %
Teras BBC Houston (BVI) Limited	June 2013	50

On 7 June 2013, the Group acquired an additional 50% interest in Teras BBC Houston (BVI) Limited for a consideration of approximately US$3,500,000. As a result the investment in the joint venture was reclassified to the investment in subsidiaries.

In the seven months to 31 December 2013, Teras BBC Houston (BVI) Limited contributed revenue of US$2,080,000 and profit of US$1,234,000 to the Group's results. If the acquisition had occurred on 1 January 2013, management estimates that consolidated revenue would have been US$283,920,000, and consolidated profit for the year would have been US$163,067,000. In determining these amounts, management assumed that the fair value adjustments, determined provisionally, those arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2013.

The cash flow and the net assets of subsidiary acquired during the year ended 31 December 2013 are provided below:

	Note	Recognised values on acquisition US$'000
Property, plant and equipment	4	18,768
Trade and other receivables		203
Cash and cash equivalents		23
Secured bank loan		(9,111)
Trade and other payables		(2,883)
Non-controlling interest, based on proportionate interest in the recognised amount of the assets and liabilities		(3,500)
Net identifiable assets and liabilities acquired		3,500
Total purchase consideration		3,500
Cash and cash equivalents acquired		(23)
Net cash outflow on acquisition of subsidiary		3,477

25 ACQUISITION/DIVESTMENT OF SUBSIDIARY (CONT'D)

Disposal of subsidiaries

(i) The list of subsidiaries disposed during the year ended 31 December 2014 is as follows:

Name of significant subsidiary	Date of disposal	Equity interest disposed %
Eminent Offshore Logistics Hub Pte Ltd	November 2014	100
Teras Australia Pty Ltd	November 2014	90
Ezion Offshore Logistics Hub (Tiwi) Pty Ltd	November 2014	100
Ezion Offshore Logistics Hub (Exmouth) Pty Ltd	November 2014	100
Indigenous Marine Logistics Pty Ltd	November 2014	100

Effect of disposals

The cash flow and the net assets of subsidiaries disposed during the year ended 31 December 2014 are provided below:

	Note	Recognised values on disposal US$'000
Property, plant and equipment	4	37,776
Associate		82
Other assets		1,784
Trade and other receivables		7,894
Cash and cash equivalents		341
Secured bank loan		(28,966)
Trade and other payables		(33,352)
Provision for tax		(24)
Non-controlling interests		(51)
Net liabilities disposed		(14,516)
Realisation of foreign currency translation reserve		(782)
Retained interest in investment		8,979
Gain on disposal	22	34,904
Transaction related costs		7,293
Sale consideration		35,878
Less:		
Equity instruments received		(24,923)
Net cash and cash equivalents disposed		(341)
Net cash inflow on disposal of subsidiaries		10,614

The disposed subsidiaries previously contributed net loss of US$4,468,000 from 1 January 2014 to the respective dates of disposal.

26 OPERATING SEGMENTS

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

(a) Offshore logistic support vessels' services: engaged in the owning, chartering and management of oil and gas related offshore logistics support vessels.

(b) Liftboats and jack-up rigs' services: engaged in the owning, chartering and management of oil and gas related liftboats and jack-up rigs.

The accounting policies of the reportable segments are the same as described in note 3(n).

Information regarding the results of each reportable segment is included below. Performance is measured based on segment profit before income tax, as included in the internal management reports that are reviewed by the Group's key management. Segment profit is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. Inter-segment pricing is determined on an arm's length basis.

Business segments

	Liftboats and jack-up rigs' services US$'000	Offshore logistic support vessels' services US$'000	Total operations US$'000
Year ended 31 December 2014			
External revenue	298,867	87,645	386,512
Inter-segment revenue	66,108	65,355	131,463
Total revenue for reportable segments	364,975	153,000	517,975
Elimination of inter-segment revenue			(131,463)
Consolidated revenue			386,512
Reportable segment results from operating activities	162,122	24,203	186,325
Other income	10,774	35,004	45,778
Share of results of joint ventures and associates, net of tax	24,315	3,727	28,042
Finance income	5,697	104	5,801
Finance expense	(17,201)	(5,287)	(22,488)
Unallocated expenses			(17,695)
Profit before income tax			225,763
Income tax expense			(2,029)
Profit for the year			223,734
Reportable segment assets	2,063,178	429,809	2,492,987
Investment in joint ventures and associates	77,837	95,077	172,914
Unallocated assets			315,070
Total assets			2,980,971

26 OPERATING SEGMENTS (CONT'D)

Business segments (cont'd)

	Liftboats and jack-up rigs' services US$'000	Offshore logistic support vessels' services US$'000	Total operations US$'000
Year ended 31 December 2014			
Reportable segment liabilities	1,408,898	233,116	1,624,014
Unallocated liabilities			26,336
Total liabilities			1,668,350
Capital expenditure	492,033	27,297	519,330
Unallocated capital expenditure			330
Total capital expenditure			519,660
Other material non-cash items:			
Depreciation	85,319	17,185	102,504
Unallocated depreciation			250
Total depreciation			102,754
Gain on disposal of:			
- plant and equipment	–	(870)	(870)
- subsidiaries	–	(34,904)	(34,904)
Net impairment losses on:			
- trade receivables	209	–	209
Year ended 31 December 2013			
External revenue	170,508	111,416	281,924
Inter-segment revenue	25,957	86,303	112,260
Total revenue for reportable segments	196,465	197,719	394,184
Elimination of inter-segment revenue			(112,260)
Consolidated revenue			281,924
Reportable segment results from operating activities	93,028	34,124	127,152
Other income	9,205	19,343	28,548
Share of results of joint ventures and associates, net of tax	28,623	2,280	30,903
Finance income	4,575	852	5,427
Finance expense	(7,678)	(4,564)	(12,242)
Unallocated expenses			(16,820)
Profit before income tax			162,968
Income tax expense			(2,640)
Profit for the year			160,328
Reportable segment assets	1,205,519	493,725	1,699,244
Investment in joint ventures	128,091	60,058	188,149
Unallocated assets			155,685
Total assets			2,043,078

26 OPERATING SEGMENTS (CONT'D)

Business segments (cont'd)

	Liftboats and jack-up rigs' services US$'000	Offshore logistic support vessels' services US$'000	Total operations US$'000
Year ended 31 December 2013			
Reportable segment liabilities	914,904	303,773	1,218,677
Unallocated liabilities			24,153
Total liabilities			1,242,830
Capital expenditure	536,183	191,827	728,010
Unallocated capital expenditure			194
Total capital expenditure			728,204
Other material non-cash items:			
Depreciation	30,920	14,204	45,124
Unallocated depreciation			271
Total depreciation			45,395
(Gain)/loss on disposal of:			
- asset held for sale	(1,705)	–	(1,705)
- joint ventures	–	(18,304)	(18,304)
- plant and equipment	–	495	495
Net impairment losses on:			
- plant and equipment	–	986	986
- trade receivables	–	490	490

26 OPERATING SEGMENTS (CONT'D)

Geographical segments

The businesses of the Group are operated in five principal geographical areas, namely, Singapore, Australia, rest of Asia, Europe and other countries. In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location where assets are registered.

	Singapore		Australia		Rest of Asia		Europe		Other countries		Total operations	
	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000	2014 US$'000	2013 US$'000
Revenue	24,801	50,722	56,187	96,554	150,187	66,658	128,979	61,917	26,358	6,073	386,512	281,924
Non-current assets[1]	1,369,511	1,035,678	9,056	35,446	303,984	37,774	340,211	289,110	112,818	65,959	2,135,580	1,463,967

(1) Non-current assets presented consist of plant and equipment

Major customers

During the financial year ended 31 December 2014, the Group had two (2013: three) customers in the Group's offshore support vessels' services and liftboats and rigs' services segments that individually contributed 10% or more of the Group's total revenue. Revenue from these customers amounted to US$165,221,000 (2013: US$156,054,000) of the Group's total revenue.

27 COMMITMENTS

(a) Capital commitments

	Group	
	2014 US$'000	2013 US$'000
Contracted but not provided for	476,100	371,145

(b) Operating lease expense commitments (as lessee)

At the reporting date, the Group have commitments for future minimum lease payments under non-cancellable operating leases as follows:

	Group	
	2014 US$'000	2013 US$'000
Within 1 year	23,584	28,065
After 1 year but within 5 years	78,334	36,936
	101,918	65,001

Operating lease expense commitments at the reporting date represents rentals payable by the Group for its vessel charters and office space. The leases from vessel charter and office rental are for a period ranging from 1 to 3 years from 1 January 2015 to 31 December 2019 (2013: 1 January 2014 to 31 December 2016).

Included in the above future minimum lease payments under non-cancellable operating leases are amounts payable to the Group's joint ventures and an affiliate within 1 year and after 1 year but within 5 years of US$22,730,000 (2013: US$24,246,000) and US$78,263,000 (2013: US$32,923,000) respectively.

(c) Operating lease income commitments (as lessor)

The Group charters out its vessels. At the reporting date, the total future minimum lease receivables under non-cancellable operating lease rentals are as follows:

	Group	
	2014 US$'000	2013 US$'000
Within 1 year	381,304	362,282
After 1 year but within 5 years	816,177	760,624
After 5 years	15,445	–
	1,212,926	1,122,906

27 COMMITMENTS (CONT'D)

(c) Operating lease income commitments (as lessor) (cont'd)

Operating lease income commitments represents rentals receivable from customer on the Group's vessels charter. The lease terms are negotiated on fixed terms till expiry of the lease. Included in the above future minimum lease receivables under non-cancellable operating lease rentals are amounts arising from customers' options to extend their vessel charter within 1 year, after 1 year but within 5 years and after 5 years of US$23,429,000 (2013: US$11,388,000) and US$227,789,000 (2013: US$145,504,000) and US$15,445,000 (2013: nil) respectively.

28 RELATED PARTIES

For the purposes of these financial statements, parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control or common significant influence. Related parties may be individuals or other entities.

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

Key management personnel compensation and key executives compensation

Key management personnel compensation and key executives compensation comprised:

	Group	
	2014 US$'000	2013 US$'000
Short-term employee benefits	7,456	5,150
Share-based payments	1,147	1,711

Other related party transactions

	Group	
	2014 US$'000	2013 US$'000
Transactions with companies in which a director has financial interest		
Offshore logistic support vessels, liftboats and rigs' services revenue received and receivable	–	32,093
Offshore logistic support vessels, liftboats and rigs' services costs paid and payable	275	173

28 RELATED PARTIES (CONT'D)

Other related party transactions (cont'd)

	Group	
	2014 US$'000	2013 US$'000
Transactions with joint ventures		
Interest income received and receivable	3,659	4,360
Offshore logistic support vessels, liftboats and rigs' services costs paid and payable	8,810	14,363
Management fee income from joint ventures	294	515
Recharge of expenses to a joint venture	–	115
Transactions with associates		
Management fee income from associates	81	–

29 ACCOUNTING ESTIMATES AND JUDGMENTS

Estimates and judgment are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year is discussed as follows:

Useful lives and depreciation of vessels and vessel component costs

The cost of the Group's vessels is depreciated on a straight-line basis over the vessels' useful lives. Management estimates the economic useful life of the Group's vessels to be 8 to 25 years based on their age and condition, with a new vessel estimated to have a useful life of a maximum of 25 years. This is a common life expectancy applied in the offshore marine service industry. Changes in the expected level of use of the assets and market factors could impact the economic useful lives of the vessels, therefore future depreciation charges could be revised.

The residual values of the vessels are based on the amount that the vessels are expected to fetch as scrap metal upon decommissioning of the vessels. Metal prices are subject to volatile market conditions over time. Future changes in these prices could impact the estimates of residual value used in calculating depreciation expense.

The Group estimates the useful life of its vessel component costs by reference to the average historical periods between two dry-dockings of vessels of similar age, and expected usage of the vessel until its next dry-docking.

Any changes in the economic useful lives of the vessels and the vessel component costs would impact the depreciation charges and consequently affect the Group's results.

29 ACCOUNTING ESTIMATES AND JUDGMENTS (CONT'D)

Impairment of plant and equipment

The Group assesses the impairment of plant and equipment whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include the following:

- Extended periods of idle time;
- Inability to contract specific assets or groups of assets; and
- Significant adverse industry or economic trends.

The complexity of the estimation process and issues related to the assumptions, risks and uncertainties inherent in the application of the Group's accounting estimates in relation to plant and equipment affect the amounts reported in the financial statements, especially the estimates of the expected useful economic lives and the carrying values of those assets. If business conditions were different, or if different assumptions were used in the application of this and other accounting estimates, it is likely that materially different amounts could be reported in the Group's financial statements.

For the purposes of impairment assessment of vessels, each vessel is a separate CGU. A total of 70 (2013: 63) CGUs have been identified. Management assessed the recoverable amounts of the vessels based on their fair value less costs to sell if any indicators of impairment existed.

The recoverable amounts of 4 (2013: 4) CGUs with carrying value of US$14,875,000 (2013: US$15,800,000) were determined based on valuation reports issued by independent professional valuers.

Based on the above assessments, management determined that no impairment to the vessels is considered necessary (2013: US$986,000) (note 4).

Impairment of trade receivables

Trade receivables are recorded at the invoiced amount and do not bear interest. The allowance for doubtful receivables is the Group's best estimate of the amount of probable credit losses in the Group's existing trade receivables.

Management uses judgment to determine the allowance for doubtful receivables which are supported by historical write-off, credit history of the customers and repayment records. The Group reviews its allowance for doubtful receivables monthly. Balances which are past due for more than 120 days are reviewed individually for collectability. Accounts balances are charged off against the allowance after all means of collection have been exhausted and the potential for recovery is considered remote. Actual results could differ from estimates.

30 FINANCIAL RISK MANAGEMENT

Overview

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

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group.

The Group's principal financial instruments comprise cash and cash equivalents and bank loans. The main purpose of these financial instruments is to finance the Group's operations. The other financial instruments such as trade and other payables are directly from its operations.

Credit risk

The Group's maximum exposure to credit risk are carrying amounts of amounts due from joint ventures, other assets, trade receivables, and cash and cash equivalents.

The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an ongoing basis. Therefore, the Group does not expect to incur material credit losses. Cash and cash equivalents are placed with regulated financial institutions. Hence, minimal credit risk exists with respect to these assets.

The Group establishes an allowance for impairment that represents its estimate of incurred losses in respect of trade and other receivables. The main components of this allowance are a specific loss component that relates to individually significant exposures, and a collective loss component established for groups of similar assets in respect of losses that have been incurred but not yet identified. The collective loss allowance is determined based on historical data of payment statistics for similar financial assets.

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

The Group's top two (2013: three) most significant customers account for 52% (2013: 65%) of trade receivables due from third parties at 31 December 2014.

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Financial guarantees

The credit risk represents the loss that would be recognised upon a default by the parties to which the guarantees were given on behalf of. To mitigate these risks, management continually monitors the risks and has established processes including performing credit evaluations of the parties it is providing the guarantee on behalf of. Guarantees are only given to its subsidiaries and joint ventures.

Financial guarantees provided by the Company to its subsidiaries are eliminated in preparing the consolidated financial statements. Estimates of the Company's obligations arising from financial guarantee contracts may be affected by future events, which cannot be predicted with any certainty. The assumptions may well vary from actual experience so that the actual liability may vary considerably from the best estimates.

Financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to US$1,113,480,000 (2013: US$1,030,474,000).

Liquidity risk

The Group monitors its liquidity risk and maintains a level of cash and cash equivalents deemed adequate by management to finance the Group's operations and to mitigate the effects of fluctuations in cash flows. Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses for a period of 60 days, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

As at 31 December 2014, the Group has undrawn banking facilities amounting to US$99,633,000 (2013: US$112,825,000).

Market risk

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

Interest rate risk

The Group's interest rate exposure relates primarily to its long-term debt obligations as they are subject to fluctuating interest rates that reset according to market rates change. Surplus funds are placed in fixed deposits accounts with regulated banks that interest rate varies according to market rates. The Group enters into and designates interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

At 31 December 2014, the Group has interest rate swaps with total notional contract amount of US$202,500,000 (2013: US$150,000,000) whereby the Group has agreed with counterparties to exchange, at specified intervals, the difference between floating rate and fixed rate interest amounts calculated by reference to the agreed notional principal amounts of the secured and unsecured term loans.

The net fair value of the above swaps at 31 December 2014 is US$1,098,000 (2013: US$670,000).

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Interest rate risk (cont'd)

Exposure to interest rate risk

At the reporting date, the interest rate profile of the Group's interest-bearing financial interests, as reported to the management, was as follows:

Variable rate instruments

	Group Nominal amount	
	2014 US$'000	2013 US$'000
Interest rate swaps	202,500	150,000

Sensitivity analysis

For the variable rate financial assets and liabilities, a change of 100 basis point ("bp") in interest rate at the reporting date would increase/(decrease) profit or loss by the pre-tax amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant.

	Profit or loss		Equity	
	100 bp Increase US$'000	100 bp Decrease US$'000	100 bp Increase US$'000	100 bp Decrease US$'000
Group				
31 December 2014				
Interest-bearing loans	(11,726)	11,726	–	–
Fixed deposits	1,651	(1,651)	–	–
Interest rate swaps	11	(11)	14	(14)
31 December 2013				
Interest-bearing loans	(8,649)	8,649	–	–
Fixed deposits	194	(194)	–	–
Interest rate swaps	7	(7)	5	(5)

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk

The Group has exposures to foreign currency risks as a result of its operations in several countries. The currencies giving rise to this risk are primarily US dollar, Singapore dollar, Australian dollar and Euro.

In respect of other monetary assets and liabilities held in currencies other than the functional currencies of respective entities, the Group ensures that the net exposure is kept to an acceptable level by buying currencies at spot rates, where necessary, to address short term imbalances.

The Group's and the Company's exposures to foreign currencies are as follows:

	US dollar US$'000	Singapore dollar US$'000	Australian dollar US$'000	Euro US$'000	Others US$'000	Total US$'000
Group						
31 December 2014						
Loan to associate	–	1,703	1,366	–	–	3,069
Trade receivables and other assets	18,821	3,026	1,237	94	266	23,444
Cash and cash equivalents	18	328,108	285	1,222	2,895	332,528
Trade and other payables	(126)	(26,047)	(1,508)	(613)	(110)	(28,404)
Financial liabilities	–	(191)	–	–	–	(191)
Notes payable	–	(315,532)	–	–	–	(315,532)
	18,713	(8,933)	1,380	703	3,051	14,914
31 December 2013						
Trade receivables and other assets	–	895	2,384	98	526	3,903
Cash and cash equivalents	20	107,182	146	106	1,911	109,365
Trade and other payables	(6,106)	(18,326)	(212)	(861)	(60)	(25,565)
Financial liabilities	–	(210)	–	(1,154)	–	(1,364)
Notes payable	–	(210,786)	–	–	–	(210,786)
	(6,086)	(121,245)	2,318	(1,811)	2,377	(124,447)

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (cont'd)

	Singapore dollar US$'000	Australian dollar US$'000	Euro US$'000	Total US$'000
Company				
31 December 2014				
Loans to subsidiaries	68,232	5,599	–	73,831
Loan to associate	1,703	1,366	–	3,069
Trade receivables and other assets	325	–	–	325
Cash and cash equivalents	315,560	2	–	315,562
Trade and other payables	(42,435)	(882)	–	(43,317)
Financial liabilities	(191)	–	(460)	(651)
Notes payable	(315,532)	–	–	(315,532)
	27,662	6,085	(460)	33,287
31 December 2013				
Loans to subsidiaries	58,203	4,400	–	62,603
Loans to joint ventures	–	–	2,441	2,441
Trade receivables and other assets	665	734	–	1,399
Cash and cash equivalents	105,893	3	–	105,896
Trade and other payables	(37,702)	(14)	–	(37,716)
Financial liabilities	(210)	–	(1,154)	(1,364)
Notes payable	(210,786)	–	–	(210,786)
	(83,937)	5,123	1,287	(77,527)

Exposure to currency risk - Sensitivity analysis

The following table indicates the approximate change in the Group's profit before tax and equity in response to a 10% change in the foreign exchange rates to which the Group has significant exposure at the reporting date. The sensitivity analysis includes balances between group entities where the denomination of the balances is in a currency other than the functional currencies of the lender or the borrower.

A 10% strengthening of US dollar (2013: US dollar) against the following currencies at the reporting date would increase/(decrease) equity and profit or loss by the pre-tax amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (cont'd)

Exposure to currency risk - Sensitivity analysis (cont'd)

	Group		Company	
	Equity US$'000	Profit or loss US$'000	Equity US$'000	Profit or loss US$'000
31 December 2014				
US dollar	–	1,871	–	–
Singapore dollar	–	893	–	(2,766)
Australian dollar	–	(138)	–	(609)
Euro	–	(70)	–	46
Others	–	(305)	–	–
31 December 2013				
US dollar	–	(609)	–	–
Singapore dollar	–	12,125	–	8,394
Australian dollar	–	(232)	–	(512)
Euro	–	181	–	(129)
Others	–	(238)	–	–

A 10% weakening of US dollar (2013: US dollar) against the above currencies would have had the equal but opposite effect on the above currencies to the pre-tax amounts shown above, on the basis that all other variables remain constant.

Fair values versus carrying amounts

Non-derivative financial assets and liabilities

The carrying amounts of the Group and the Company's financial instruments carried at cost or amortised cost are not materially different from their fair values as at 31 December 2014 and 31 December 2013 except those disclosed below.

Derivatives

The financial instruments that are recorded in the Level 3 category comprise unquoted share options in an associate. At 31 December 2014, the fair value approximates the cost of S$1. The fair value of the unquoted share option in associate is measured using valuation techniques that incorporate assumptions that are not evidenced by prices from observable current market transactions. Instead, they are based on "unobservable" inputs reflecting management's "own assumptions" about the way assets would be priced.

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Financial instruments by category

Set out below is a comparison by category of carrying amounts of all the Group and Company's financial instruments that are carried in the financial statements:

	Note	Fair value-hedging instruments US$'000	Loans and receivables US$'000	Other financial liabilities within scope of FRS 39 US$'000	Other financial liabilities outside scope of FRS 39 US$'000	Total carrying amount US$'000	Fair value US$'000
Group							
31 December 2014							
Assets							
Other assets[1]	8	–	31,053	–	–	31,053	31,053
Trade receivables	9	–	159,580	–	–	159,580	159,580
Cash and cash equivalents	10	–	371,510	–	–	371,510	371,510
Liabilities							
Interest rate swaps used for hedging	15	(1,098)	–	–	–	(1,098)	(1,098)
Other payables[2]	15	–	–	(71,482)	–	(71,482)	(71,482)
Trade payables	18	–	–	(69,886)	–	(69,886)	(69,886)
Financial liabilities[3]	17	–	–	(1,180,321)	–	(1,180,321)	(1,180,321)
Financial lease liabilities	17	–	–	–	(191)	(191)	(191)
Notes payable	16	–	–	(315,532)	–	(315,532)	(318,578)

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Financial instruments by category (cont'd)

	Note	Fair value-hedging instruments US$'000	Loans and receivables US$'000	Other financial liabilities within scope of FRS 39 US$'000	Other financial liabilities outside scope of FRS 39 US$'000	Total carrying amount US$'000	Fair value US$'000
Group							
31 December 2013							
Assets							
Other assets(1)	8	–	24,094	–	–	24,094	24,094
Trade receivables	9	–	107,142	–	–	107,142	107,142
Cash and cash equivalents	10	–	165,978	–	–	165,978	165,978
Liabilities							
Interest rate swaps used for hedging	15	(670)	–	–	–	(670)	(670)
Other payables(2)	15	–	–	(36,247)	–	(36,247)	(36,247)
Trade payables	18	–	–	(69,104)	–	(69,104)	(69,104)
Financial liabilities(3)	17	–	–	(874,909)	–	(874,909)	(874,909)
Financial lease liabilities	17	–	–	–	(210)	(210)	(210)
Notes payable	16	–	–	(210,786)	–	(210,786)	(215,718)
Company							
31 December 2014							
Assets							
Other assets(1)	8	–	31,575	–	–	31,575	31,575
Trade receivables	9	–	4,053	–	–	4,053	4,053
Cash and cash equivalents	10	–	316,992	–	–	316,992	316,992

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Financial instruments by category (cont'd)

	Note	Fair value-hedging instruments US$'000	Loans and receivables US$'000	Other financial liabilities within scope of FRS 39 US$'000	Other financial liabilities outside scope of FRS 39 US$'000	Total carrying amount US$'000	Fair value US$'000
Company							
31 December 2014							
Liabilities							
Interest rate swaps used for hedging	15	(872)	–	–	–	(872)	(872)
Other payables[2]	15	–	–	(140,806)	–	(140,806)	(140,806)
Trade payables	18	–	–	(40)	–	(40)	(40)
Financial liabilities[3]	17	–	–	(173,784)	–	(173,784)	(173,784)
Financial lease liabilities	17	–	–	–	(191)	(191)	(191)
Notes payable	16	–	–	(315,532)	–	(315,532)	(318,578)
31 December 2013							
Assets							
Other assets[1]	8	–	19,413	–	–	19,413	19,413
Trade receivables	9	–	5,297	–	–	5,297	5,297
Cash and cash equivalents	10	–	119,162	–	–	119,162	119,162
Liabilities							
Other payables[2]	15	–	–	(56,745)	–	(56,745)	(56,745)
Trade payables	18	–	–	(252)	–	(252)	(252)
Financial liabilities[3]	17	–	–	(153,000)	–	(153,000)	(153,000)
Financial lease liabilities	17	–	–	–	(210)	(210)	(210)
Notes payable	16	–	–	(210,786)	–	(210,786)	(215,718)

(1) Excludes advances to suppliers, prepayments, loan to investee company, available-for-sale equity securities, and deferred expenditure.

(2) Excludes downpayments and advances from customers, interest rate swaps used for hedging and deferred revenue.

(3) Excludes financial lease liabilities.

30 FINANCIAL RISK MANAGEMENT (CONT'D)

Fair value hierarchy

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

- *Level 1:* quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group can access at the measurement date.
- *Level 2:* inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- *Level 3:* unobservable inputs for the asset or liability.

Financial assets and financial liabilities carried at fair value

Group

	Note	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
31 December 2014					
Liabilities					
Interest rate swaps used for hedging	15	–	(1,098)	–	(1,098)
31 December 2013					
Liabilities					
Interest rate swaps used for hedging	15	–	(670)	–	(670)

Company

	Note	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
31 December 2014					
Liabilities					
Interest rate swaps used for hedging	15	–	(872)	–	(872)
31 December 2013					
Liabilities					
Interest rate swaps used for hedging	15	–	–	–	–

30 FINANCIAL RISK MANAGEMENT (CONT'D)

*Financial assets and financial liabilities not carried at fair value but for which fair values are disclosed**

	Level 1 US$'000	Level 2 US$'000	Level 3 US$'000	Total US$'000
Group				
31 December 2014				
Liabilities				
Notes payable	(318,578)	–	–	(318,578)
31 December 2013				
Liabilities				
Notes payable	(215,718)	–	–	(215,718)
Company				
31 December 2014				
Liabilities				
Notes payable	(318,578)	–	–	(318,578)
31 December 2013				
Liabilities				
Notes payable	(215,718)	–	–	(215,718)

* Excludes financial assets and financial liabilities whose carrying amounts measured on the amortised cost basis approximate their fair value due to their short-term nature and where the effect of discounting immaterial.

Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring Level 2 fair values.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobserved input	Inter-relationship between key unobserved inputs and fair value measurements
Group and Company			
Interest rate	Market comparison technique: The fair values are based on bank quotes.	Not applicable	Not applicable

As at 13 March 2015

GENERAL INFORMATION ON SHARE CAPITAL

Total no. of issued shares	:	1,578,534,087 (excluding treasury shares)
Class of shares	:	Ordinary share
Voting rights	:	One vote per share (no vote for treasury shares)
Number of treasury shares	:	684,000
Percentage of treasury shares	:	0.04% based on total number of issued shares

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	18	0.15	641	0.00
100 – 1,000	390	3.27	285,018	0.02
1,001 - 10,000	6,333	53.03	36,721,442	2.32
10,001 - 1,000,000	5,156	43.17	222,169,873	14.07
1,000,001 and above	45	0.38	1,320,041,113	83.59
	11,942	100.00	1,579,218,087	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	% **
1	Citibank Nominees Singapore Pte Ltd	321,181,115	20.35
2	DBS Nominees Pte Ltd	182,323,653	11.55
3	Chan Fooi Peng	144,480,000	9.15
4	Raffles Nominees (Pte) Ltd	124,921,868	7.91
5	HSBC (Singapore) Nominees Pte Ltd	122,745,070	7.78
6	DBSN Services Pte Ltd	89,780,669	5.69
7	BNP Paribas Securities Services	39,042,552	2.47
8	United Overseas Bank Nominees Pte Ltd	28,853,999	1.83
9	Evia Growth Opportunities II Ltd	23,544,826	1.49
10	EDB Investments Pte Ltd	20,548,253	1.30
11	Chew Thiam Keng	19,468,800	1.23
12	DB Nominees (s) Pte Ltd	18,892,336	1.20
13	UOB Kay Hian Pte Ltd	16,676,021	1.06
14	Morgan Stanley Asia (S) Securities Pte Ltd	13,286,352	0.84
15	OCBC Securities Private Ltd	13,019,120	0.82
16	Bank of Singapore Nominees Pte Ltd	12,828,753	0.81
17	DBS Vickers Securities (S) Pte Ltd	11,797,200	0.75
18	Maybank Kim Eng Securities (S) Pte Ltd	11,782,700	0.75
19	Chow Joo Ming	11,000,000	0.70
20	Skyven Growth Opportunities Fund Pte Ltd	9,750,784	0.62
		1,235,924,071	78.30

** The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the company as at 13 March 2015, excluding 684,000 ordinary shares held as treasury shares as at that date.

As at 13 March 2015

SUBSTANTIAL SHAREHOLDERS

As per Register of Substantial Shareholders:

	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
Chan Fooi Peng [1]	144,480,000	9.15	79,618,800	5.04
Chew Thiam Keng [2]	19,618,800	1.24	204,480,000	12.95
Franklin Resources Inc [3]	–	–	109,910,202	6.96
Templeton Worldwide, Inc. [4]	–	–	101,268,385	6.42
Templeton International, Inc. [5]	–	–	94,880,185	6.01
Franklin Templeton Capital Holdings Private Limited [6]	–	–	93,501,105	5.92
Franklin Templeton Asia Holdings Private Limited [7]	–	–	93,501,105	5.92
Franklin Templeton Investments (Asia) Limited [8]	–	–	93,501,105	5.92
GuoLine Capital Assets Limited [9]	–	–	100,000,000	6.33
Hong Leong Company (Malaysia) Berhad [10]	–	–	100,000,000	6.33
HL Holdings Sdn Bhd [11]	–	–	100,000,000	6.33
Quek Leng Chan [12]	–	–	100,000,000	6.33
Hong Leong Investment Holdings Pte. Ltd. [13]	–	–	100,000,000	6.33
Colonial First State Group Limited [14]	–	–	144,197,440	9.14
Colonial Holding Company Limited [14]	–	–	144,197,440	9.14
Commonwealth Insurance Holdings Limited [14]	–	–	144,197,440	9.14
Commonwealth Bank of Australia [14]	–	–	144,197,440	9.14
First State Investments (UK Holdings) Limited [14]	–	–	144,197,440	9.14
First State Investment Management (UK) Limited [14]	–	–	142,416,240	9.02
Credit Suisse Group AG [15]	–	–	115,840,282	7.34
Credit Suisse AG [15]	–	–	115,840,282	7.34

Notes:

1 By virtue of Shares held directly by Madam Chan Fooi Peng's spouse, Mr Chew Thiam Keng, she is deemed to be interested in 19,618,800 shares held by Mr Chew Thiam Keng and deemed interested in 60,000,000 shares held by White Ruby Worldwide Inc.

2 By virtue of Shares held directly by Mr Chew Thiam Keng's spouse, Madam Chan Fooi Peng, he is deemed to be interested in the Shares held by Madam Chan Fooi Peng. 150,000 of the shares under Mr Chew Thiam Keng's direct interest are registered under Citibank Nominees SG.

3 Shares are held by funds and managed accounts that are managed by investment advisers directly or indirectly owned by Franklin Resources, Inc.

4 Shares are held by funds and managed accounts that are managed by investment advisers directly or indirectly owned by Franklin Resources, Inc. Templeton Worldwide, Inc. is a wholly-owned subsidiary of Franklin Resources, Inc.

5 Shares are held by funds and managed accounts that are managed by investment advisers directly or indirectly owned by Franklin Resources, Inc. Templeton International, Inc. is a wholly-owned subsidiary of Templeton Worldwide, Inc., which is a wholly-owned subsidiary of Franklin Resources, Inc.

6 Shares are held by funds and managed accounts that are managed by investment advisers directly or indirectly owned by Franklin Resources, Inc. Franklin Templeton Capital Holdings Private Limited is a wholly-owned subsidiary of Templeton International, Inc., which is a wholly-owned subsidiary of Templeton Worldwide, Inc. Templeton Worldwide, Inc. is a wholly-owned subsidiary of Franklin Resources Inc.

As at 13 March 2015

7 Shares are held by funds and managed accounts that are managed by investment advisers directly or indirectly owned by Franklin Resources, Inc. Franklin Templeton Asia Holdings Private Limited is a wholly-owned subsidiary of Franklin Templeton Capital Holdings Private Limited, which is a wholly-owned subsidiary of Templeton International, Inc. Templeton International, Inc. is a wholly-owned subsidiary of Templeton Worldwide, Inc., which is a wholly-owned subsidiary of Franklin Resources, Inc.

8 Shares are held by funds and managed accounts that are managed by investment advisers directly or indirectly owned by Franklin Resources, Inc. Franklin Templeton Investments (Asia) Limited is a wholly-owned subsidiary of Franklin Templeton Asia Holdings Private Limited, which is a wholly-owned subsidiary of Franklin Templeton Capital Holdings Private Limited, which is a wholly-owned subsidiary of Templeton International, Inc. Templeton International, Inc. is a wholly-owned subsidiary of Templeton Worldwide, Inc., which is a wholly-owned subsidiary of Franklin Resources, Inc.

9 Asia Fountain Investment Company Limited ("AFI") is an indirect wholly-owned subsidiary of Guoco Group Limited, which is in turn an indirect subsidiary of GuoLine Capital Assets Limited ("GCA"). GuoLine Capital Limited ("GCL") is a wholly-owned subsidiary of GCA. GCA is deemed to have interest in the shares held by AFI and GCL by virtue of the provisions of Section 7 of the Companies Act, Cap. 50.

10 AFI is an indirect wholly-owned subsidiary of Guoco Group Limited, which is in turn an indirect subsidiary of GCA. GCL is a wholly-owned subsidiary of GCA. GCA is a wholly-owned subsidiary of Hong Leong Company (Malaysia) Berhad ("HLCM"). HLCM is deemed to have interest in the shares held by AFI and GCL by virtue of the provisions of Section 7 of the Companies Act, Cap. 50.

11 AFI is an indirect wholly-owned subsidiary of Guoco Group Limited, which is in turn an indirect subsidiary of GCA. GCL is a wholly-owned subsidiary of GCA. GCA is a wholly-owned subsidiary of HLCM, a company in which HL Holdings Sdn Bhd ("HLH") is deemed to have interest by virtue of the provisions of Section 7 of the Companies Act, Cap 50.

12 AFI is an indirect wholly-owned subsidiary of Guoco Group Limited, which is in turn an indirect subsidiary of GCA. GCL is a wholly-owned subsidiary of GCA. GCA is a wholly-owned subsidiary of HLCM, a company in which Mr Quek Leng Chan is deemed to have interest by virtue of the provisions of Section 7 of the Companies Act, Cap. 50.

13 Hong Leong Investment Holdings Pte. Ltd. is deemed to have interest in the shares held by AFI and GCL by virtue of the provisions of Section 7 of the Companies Act, Cap. 50.

14 Purchase of securities for client funds.

15 Transaction of shares by affiliates.

16 The percentage of shareholdings is computed based on the issued and paid-up share capital of the Company comprising 1,578,534,087 Shares (excluding Treasury Shares) as at 13 March 2015.

PERCENTAGE OF SHAREHOLDING HELD IN PUBLIC'S HANDS

Based on information made available to the Company as at 13 March 2015, approximately 55.74% of the Company's shares (excluding treasury shares) was held in the hands of the public, and accordingly, Rule 723 of the SGX-ST Listing Manual is complied with.

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Ezion Holdings Limited (the "**Company**") will be held at Sime Room, The Singapore Island Country Club, 240 Sime Road, Singapore 288303 on Wednesday, 22 April 2015 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

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

2. To declare a first and final dividend of S$0.001 per share tax exempt (one-tier) for the year ended 31 December 2014. **(Resolution 2)**

3. To re-elect the following Directors of the Company retiring pursuant to Article 107 of the Articles of Association of the Company:

   Mr Chew Thiam Keng (See Explanatory Note (i)) **(Resolution 3)**

   Mr Tan Woon Hum (See Explanatory Note (ii)) **(Resolution 4)**

4. To approve the payment of Directors' fees of S$198,834.00 for the year ended 31 December 2014. **(Resolution 5)**

5. To re-appoint KPMG LLP as the Auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 6)**

6. 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:

7. Authority to issue shares in the capital of the Company

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

(a) (i) issue shares in 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,

provided that:

(1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed fifty per centum (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), of which the aggregate number of shares to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) 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 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 exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; 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 Articles of Association 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 7)**

8. Authority to issue shares under the Ezion Employee Share Plan

That the Directors of the Company be hereby authorised to offer and grant awards ("**Awards**") in accordance with the provisions of the Ezion Employee Share Plan (the "**Plan**") and to allot and issue or deliver from time to time such number of fully-paid shares as may be required to be issued or delivered pursuant to the vesting of the Awards under the Plan, provided that:-

(i) the aggregate number of shares to be issued pursuant to the Plan shall not exceed three point-five per cent (3.5%) of the total issued share capital of the Company as at 31 March 2008; and

(ii) the aggregate number of shares to be issued pursuant to the Plan, when added to the number of shares issued and issuable in respect of such Awards and other shares issued and/or issuable under other share-based incentive schemes of the Company, shall not exceed fifteen per cent (15%) of the total number of the issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(See Explanatory Note (iv)) **(Resolution 8)**

9. Authority to issue shares under the Ezion Employee Share Option Scheme

That the Directors of the Company be hereby authorised and empowered to offer and grant options in accordance with the rules of the Ezion Employee Share Option Scheme ("the **Scheme**") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme, when added to the number of shares issued and issuable in respect of such Scheme and other shares issued and/or issuable under other share-based incentive schemes of the Company, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(See Explanatory Note (v)) **(Resolution 9)**

10. Renewal of Share Buyback Mandate

That:

(a) for the purposes of Sections 76C and 76E of the Companies Act, and such other laws and regulations as may for the time being be applicable, approval be and is hereby given for the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the share capital of the Company ("**Shares**") not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market share purchases ("**Market Purchase**"), transacted on the SGX-ST; and/or

(ii) off-market share purchases ("**Off-Market Purchase**") (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable (the "**Share BuyBack Mandate**");

(b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share Buy-Back Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;

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

(i) the date on which the next annual general meeting of the Company is held or required by law to be held;

(ii) the date on which the Share Buy-Backs are carried out to the full extent mandated; or

(iii) the date on which the authority contained in the Share Buy-Back Mandate is varied or revoked;

(d) in this Resolution:

"**Prescribed Limit**" means ten per cent. (10%) of the total issued ordinary share capital of the Company as at the date of passing of this Ordinary Resolution, unless the Company has effected a reduction of the share capital of the Company in accordance with the applicable provisions of the Companies Act, at any time during the Relevant Period, in which event the total issued ordinary share capital of the Company shall be taken to be the amount of the issued ordinary share capital of the Company as altered (excluding any treasury shares);

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

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) not exceeding:

(i) in the case of a Market Purchase, 105% of the Average Closing Price;

(ii) in the case of an Off-Market Purchase, 120% of the Highest Last Dealt Price, where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days, on which transactions in the Shares were recorded, immediately preceding the date of making the Market Purchase or, as the case may be, the day of the making of an offer pursuant to the Off-Market Purchase, and deemed to be adjusted for any corporate action that occurs after the relevant five (5) Market Days;

"**Day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase of Shares from the shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off- Market Purchase; and

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase; and

"**Market Day**" means a day on which the SGX-ST is open for trading in securities;

(e) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including, without limitation, executing such documents as may be required) as they may consider desirable, expedient or necessary to give effect to the transactions contemplated by this Resolution.

(See Explanatory Note (vi)) **(Resolution 10)**

By Order of the Board

Lim Ka Bee
Secretary
Singapore, 7 April 2015

Explanatory notes:

(i) Mr Chew Thiam Keng is also currently the Chief Executive Officer of the Company. Detailed information on Mr Chew can be found under the sections entitled "Board of Directors" and "Corporate Governance Report" in the Annual Report.

(ii) Mr Tan Woon Hum will, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee, member of the Audit Committee and the Remuneration Committee and will be considered independent. Detailed information on Mr Tan can be found under the sections entitled "Board of Directors" and "Corporate Governance Report" in the Annual Report.

(iii) Resolution 7, 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, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

(iv) Resolution 8 is to authorise the Directors to offer and grant Awards under the Plan and to allot and issue shares pursuant to the vesting of Awards under the Plan, provided that the number of shares issued and issuable in respect of such Awards:-

(a) shall not exceed three point-five per cent (3.5%) of the total issued share capital of the Company as at 31 March 2008; and

(b) the aggregate number of shares to be issued pursuant to the Plan, when added to the number of shares issued and issuable in respect of such Awards and other shares issued and/or issuable under other share-based incentive schemes of the Company, shall not exceed fifteen per cent (15%) of the issued shares of the Company from time to time.

Based on the issued share capital of the Company as at 31 March 2008, the total number of shares, which may be issued or issuable in respect of such Awards, is 22,539,230 shares.

(v) Resolution 9, 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 in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate, when added to the number of shares issued and issuable in respect of such Awards and other shares issued and/or issuable under other share-based incentive schemes of the Company, fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

(vi) Resolution 10 is to renew the mandate to permit the Company to purchase or acquire issued ordinary shares in the capital of the Company on the terms and subject to the conditions of the Resolution. The actual amount of funding required for the Company to purchase or acquire its ordinary shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of ordinary shares purchased or acquired and the price at which such ordinary shares were purchased or acquired.

The illustrative financial effects of the purchase or acquisition of such ordinary shares by the Company pursuant to the proposed Share Buyback Mandate on the audited financial accounts of the Group and the Company for the financial year ended 31 December 2014 are set out in greater detail in the Appendix, which is enclosed together with this Notice.

NOTES:

1. A Member 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 stead. A proxy need not be a Member of the Company.

2. The form of proxy in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.

3. If the form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.

4. If no name is inserted in the space for the name of your proxy on the form of proxy, the Chairman of the Meeting will act as your proxy.

5. The form of proxy or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at 15 Hoe Chiang Road, #12-05 Tower Fifteen, Singapore 089316 not less than forty-eight (48) hours before the time appointed for holding the Meeting and at any adjournment thereof.

6. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited at least 48 hours before the time fixed for holding the Meeting in order for the Depositor to be entitled to attend and vote at the Meeting.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the 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 Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the 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.

NOTICE OF BOOKS CLOSURE

NOTICE IS HEREBY GIVEN that the Share Transfer Books and Register of Members of Ezion Holdings Limited (the "Company") will be closed on 30 April 2015 for the preparation of dividend warrants of a first and final dividend of S$0.001 per share tax exempt (one-tier) (the "Final Dividend").

Duly completed registrable transfers in respect of ordinary shares in the capital of the Company together with all relevant documents of title received by the Company's Share Registrar, M&C Services Private Limited, 112 Robinson Road, #05-01 Singapore 068902 up to the close of business at 5.00 p.m. on 29 April 2015 will be registered to determine shareholders' entitlements to the Final Dividend, subject to the approval of the shareholders of the Company to the Final Dividend at the Annual General Meeting to be held on 22 April 2015.

Subject as aforesaid, shareholders whose Securities Accounts with The Central Depository (Pte) Limited are credited with ordinary shares in the capital of the Company as at 5.00 p.m. on 29 April 2015 will be entitled to the Final Dividend.

Payment of the Final Dividend, if approved by the members at the Annual General Meeting to be held on 22 April 2015 will be made on 12 May 2015.

By Order of the Board

Lim Ka Bee
Secretary
Singapore, 7 April 2015

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PROXY FORM

(Please see notes overleaf before completing this Form)

EZION HOLDINGS LIMITED

(Company Registration No. 199904364E)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. For investors who have used their CPF monies to buy Ezion Holdings Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ________________________________ (Name) ______________________ (NRIC / Passport no.)

of ____

being a member/members of Ezion 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 the person, or either or both of the persons, referred to above, 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 Sime Room, The Singapore Island Country Club, 240 Sime Road, Singapore 288303 on Wednesday, 22 April 2015 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the 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. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

No.	Resolutions relating to:	No. of Votes For*	No. of Votes Against*
1	Directors' Report and Audited Accounts for the year ended 31 December 2014		
2	Payment of first & final dividend		
3	Re-election of Mr Chew Thiam Keng as a Director		
4	Re-election of Mr Tan Woon Hum as a Director		
5	Approval of Directors' fees amounting to S$198,834.00		
6	Re-appointment of KPMG LLP as Auditor		
7	Authority to issue new shares		
8	Authority to issue shares under the Ezion Employee Share Plan		
9	Authority to issue shares under the Ezion Employee Share Option Scheme		
10	Renewal of share buyback mandate		

* If you wish to exercise all your votes "For" or "Against", please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this ____________ day of ____________ 2015

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

*Delete where inapplicable

NOTES :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), 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 of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 15 Hoe Chiang Road, #12-05 Tower Fifteen Singapore 089316 not less than forty-eight (48) hours before the time appointed for the Meeting.

Affix
Stamp

The Company Secretary
Ezion Holdings Limited
15 Hoe Chiang Road Tower Fifteen
#12-05, Singapore 089316

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6. 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 duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

PERSONAL DATA PRIVACY:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the notice of Annual General Meeting dated 7 April 2015.

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 forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

FOCUSED ON EXCELLENCE

ANNUAL REPORT 2014

Ezion Holdings Limited

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