KOH BROTHERS
ECO ENGINEERING LIMITED

Metamorphosis

ANNUAL REPORT **2015**

CONTENTS

CORPORATE PROFILE

Listed on the Singapore Exchange ("SGX") in 2006, Koh Brothers Eco Engineering Limited ("KBE") today is a sustainable engineering solutions group that provides engineering, procurement and construction ("EPC") services for water & wastewater treatment, hydro-engineering, bio-refinery and bio-energy projects.

Incorporated in Singapore in 1975, KBE started out by providing EPC services for water & wastewater treatment projects as well as hydro-engineering projects. Today, its principal market is in Asia with projects from both the public and private sectors.

Its bio-refinery and bio-energy division under Oiltek Sdn. Bhd. specialises in a full range of conventional edible oil process plants as well as biodiesel, pre-treatment and winter fuel plants. Through a joint venture company, Oiltek Nova Bioenergy Sdn. Bhd., it also designs, builds and supplies biogas recovery systems to palm oil mill effluent plants in Malaysia and Indonesia.

KBE has been awarded the ISO 9001:2000 certification since 2001 which serves as a testimony of its ability to deliver quality services and products. It has also attained ME11 L6 grading by the Singapore Building and Construction Authority to tender for Singapore government contracts of unlimited value in this category.

OUR BUSINESSES

Water & Wastewater Treatment

With more than 35 years of track record in the water solutions business, KBE has delivered many water & wastewater treatment projects in countries such as Singapore, Indonesia, Malaysia, Thailand, the Philippines and India for both the public and private sectors. These include water & wastewater treatment plants for local water municipals as well as industrial effluent treatment system for industries.

KBE provides a complete solution, which include process and selection of treatment mode, basic and detailed engineering, manufacturing, procurement, supply, installation, commissioning, performance trials, training, spares and operation and maintenance services. KBE supplies water & wastewater treatment equipment such as filters, thickeners and clarifiers and also carries out pilot plant membrane systems for ultra-filtration and reverse-osmosis, which include:

- Designing pretreatment-physical and/or chemical treatment, dissolved air floatation systems, anaerobic and/or aerobic treatment, tertiary treatment, such as multimedia filtration, activated carbon filtration, resin treatment, membrane filtration and recovery, sludge handling and dewatering
- Creating specialised designs for aerobic systems such as conventional plants, extended aeration and aerobic reactors with anoxic zones
- Providing specialised-type aerobic reactors for colour and biological pollutants removal, followed by media polishing
- Handling textile process house waste treatment projects which ranges in capacities from $300m^3$/day to $7,200m^3$/day

Hydro-Engineering

KBE designs and supplies equipment for the control of the flow of fluid which utilises mainly electrical drives and related control systems. KBE designs pump systems, gates (such as sluice, weir, roller and barrage gates), valves (such as butterfly and gate valves) and related operating equipment. KBE also acts as a system integrator for the entire mechanical and electrical power, as well as the instrumentation and control systems. Such equipment may also be used in water & wastewater treatment plants.

KBE has provided EPC services for hydro-engineering projects mainly to the public sector in Singapore, Indonesia and Malaysia. KBE has also supplied such hydro-engineering equipment and systems as part of our water & wastewater treatment projects to the private sector.

A notable project is the supply and installation of seven main drainage pump-sets systems and related equipment as well as other hydro-engineering equipment for Singapore's Marina Barrage Pumping Station. One of the largest pumping stations in the world, the Marina Barrage Pumping Station has a total capacity of 1 million cubic metres per hour.

Whether it is flow control or flood control, KBE has the capabilities to design, build and install hydro-engineering equipment and systems to meet our client's specific requirements.

KBE is also the agent for KASCO brand, which supplies a range of floating aerators and aeration fountains.

Bio-Refinery Engineering

Our subsidiary, Oiltek Sdn. Bhd. ("Oiltek") has over 35 years of experience in providing total solutions to the edible oil and non-edible oil sectors. To date, Oiltek markets to more than 26 countries across Asia, Africa, Central America and Latin America. Oiltek is also the award winner of Asia Pacific Super Excellent Brand 2009, Asia Success Award and Super Outstanding Brand in 2012 and 2013. Oiltek is also the process licensee of Malaysia Palm Oil Board for biodiesel, winter fuel, multi-feedstock biodiesel, phytonutrient extraction and some other downstream processes.

Oiltek engineers, procures and constructs facilities to refine palm oil. Specifically, it provides a full range of customised solutions, which include complete edible oil and non-edible oil refining plants, renewable energy and biofuel plants as well as improvements to the production system for existing refining operations. Oiltek also distributes machinery and components.

Oiltek's customised solutions and processing systems are supplied to the following areas:

- Physical and Chemical Refining Plant
- Multiple Feedstock Biodiesel and Winter Fuel Plant
- Dry Fractionation Plant
- Continuous and Semi-continuous Physical Refining Plant
- Neutralisation and Acidulation Plant
- Winterisation, Dewaxing and Polishing Plant
- Pasteurisation and Texturisation Plant
- Chemical and Enzymatic Interesterification Plant
- Margarine and Shortening Plant
- Solvent Recovery and Rectification Plant
- Biogas Capturing and Utilisation
- Palm Kernel Oil Fractionation Plant
- Packaging System

Bio-Energy Engineering

Being one of the pioneering engineering company in Malaysia which had successfully designed, built and delivered biodiesel since 2000, we have one of the leading track records in integrated and multi-feedstock biodiesel plant which is currently successfully running and operating in Malaysia and Thailand.

We also provide consultancy, design, engineering, procurement and construction services for palm oil mills seeking to recover and utilise methane as a source of renewable energy for power generation.

As a leading provider of palm oil mill effluent ("POME") biogas and methane recovery systems, we have the technology to recover biogas such as methane from palm oil mills across the two leading palm oil producing countries, namely Malaysia and Indonesia. This technology optimises capital expenditure with low operational and maintenance costs and high efficiency in terms of amount of biogas recovered. Furthermore, it is without fire risk and has a proven track record of long-term operation with zero shutdown.

The biogas recovered can be used for industrial and commercial purposes such as a direct displacement for boiler fuel such as fuel oil, diesel and even biomass. Biogas can also be used in a thermal and electricity generation, as well as a hydrogen plant.

We also assist in designing, reviewing, submitting and supporting POME biogas recovery projects to achieve Certified Emission Reduction registration, commonly known as carbon credits. We have demonstrated our capabilities and track record by completing successful biogas capturing and utilisation projects in Malaysia and Indonesia.

CHAIRMAN'S STATEMENT

Dear Valued Shareholders

On behalf of the Board of Directors for Koh Brothers Eco Engineering Limited ("KBE" or the "Company"), I am happy to present to you the annual report of the Company for the financial year ended as at 31 December 2015 ("FY2015").

FY2015 was both challenging and promising. We worked hard and managed to secure approximately S$35.4 million worth of contracts in 2015. Our outstanding order book as at 31 December 2015 stood at S$46.0 million.

Since Koh Brothers Group Limited ("KBGL") acquired its stake in KBE, the Company has been restructured and returned to profitability. By sharing resources and working closely with KBGL, we also embarked on a steady growth path to a promising future.

Financial Review

The Group's revenue of S$44.8 million in FY2015, was 1% higher than the previous financial year ("FY2014") mainly due to higher revenue contribution from the group's Water and Waste Treatment business division. We completed several major projects and started to recognise revenue contributions from the newly secured projects which had kicked in during the year under review.

Overall gross profit margin improved from 12.6% to 17.2% for the year. This was mainly contributed by the Bio-Refinery and Bio-Energy business division. For the Group, gross profit increased by 37.5% from S$5.6 million in FY2014 to S$7.7 million in FY2015.

Profit before income tax improved two-fold to S$4.5 million in FY2015. In this regard, we managed to reap in a foreign exchange gain of S$2.1 million for the year as compared to a loss of S$0.2 million in the previous year.

The group's net profit attributable to shareholders rose by 392.0% to S$2.1 million in FY2015 from S$0.4 million in FY2014. Meanwhile, the Company's balance sheet remained healthy with a net cash inflow of S$8.9 million for the year.

As at 31 December 2015, the group's total net asset value was S$15.0 million, an increase from S$14.2 million as at 31 December 2014. Basic earnings per share rose from 0.11 Singapore cent to 0.55 Singapore cent over the same year.

Moving Into 2016

While we move into 2016 with a strong outstanding order-book, we are also beefing up the Company, especially with the proposed acquisition of Koh Brothers Building & Civil Engineering Contractor (Pte.) Ltd ("KBCE") into KBE. The proposed acquisition is subject to shareholders' approval at the forthcoming AGM.

The combination of KBE and KBCE will have distinct synergies and this will help to further enhance operational efficiencies and cost savings. KBCE focuses on building and civil engineering construction business ranging from design and build to general construction for residential, commercial, infrastructure works and institutional buildings. With these broadened capabilities, we can fill the gap in the growing Environment and Water Industry, which has been identified as a key growth industry by the Singapore Government as Singapore positions itself as a Global Hydrohub.

The acquisition of KBCE will allow KBE to be well positioned to tender for projects that involve both hydro-engineering and civil engineering capabilities. Going forward, the group will constantly re-engineer and innovate itself, so that it remains relevant in today's fast changing environment. We are also cautiously optimistic as the Singapore Building and Construction Authority has projected that the total construction demand in 2016 to be between S$27 billion and S$34 billion, 65% of which will be largely driven by public sector demand. Civil engineering construction demand is also expected to remain strong beyond 2016 due to major infrastructure works such as Changi Airport Terminal 5 and Phase 2 of the Deep Tunnel Sewerage System.

Going Beyond Asia

We are building up our growth momentum by going further afield to Central America and Africa for our Bio-Refinery and Bio-Energy projects. Not only has Oiltek Sdn. Bhd., our subsidiary spearheading this division, entrenched its leadership position in Asia with projects in Malaysia, Indonesia, Thailand, Philippines, Hong Kong and Pakistan, it has also gone further afield to countries like Kenya, Honduras, Nicaragua and Togo. These overseas projects cover a broad range of edible oil refinery and fractionation, multiple feedstock biodiesel and POME palm oil mill effluent bio-gas plants.

As a pioneer in the edible oil process engineering industry in Malaysia, Oiltek has to-date grown into a well-diversified engineering, procurement, construction and commissioning company. Oiltek covers four major segments in the vegetable oil industry, namely edible oil refining, oleochemical and renewable energy, downstream food and high value niche products, and components sales and servicing. With its expansion into Togo and Hong Kong in 2015, Oiltek's business now covers twenty-eight countries across five continents.

Oiltek continues to develop new proprietary technology in the refining process to provide continual innovation to the industry, as well as actively expanding its geographical footprints. We are optimistic on Oiltek's long term growth prospects despite the current weak economic sentiment in the commodities industry. Nevertheless, the Group will continue to monitor the business climate and prudently pursue opportunities moving forward.

Conclusion & Appreciation

The macro-economic environment is rapidly changing and we have to change and recalibrate our business model to adapt. The integration with KBCE is part of this ongoing evolution. Going forward, we have to re-engineer, innovate and rely on our values to remain relevant in a changing world.

I have to acknowledge that it is with the continued hard work and determination of our management and staff that we can confidently move forward. Additionally, I would also like to extend our deepest appreciation to our clients, business associates, and shareholders for their unfailing support and confidence in us as we seek new opportunities and overcome the challenges that may lie ahead.

Koh Keng Siang (Francis)
Non-Executive Chairman

23 March 2016

BOARD OF DIRECTORS

Koh Keng Siang (Francis)
Non-Executive and Non-Independent Chairman
Mr Koh Keng Siang is the Non-Executive Chairman of Koh Brothers Eco Engineering Limited ("KBE"). He was appointed a Director of KBE on 28 February 2013 and was last re-elected on 29 April 2014. He is the Chairman of the Nominating Committee and a member of the Remuneration Committee, and the Audit and Risk Committee.

Mr Koh is the Managing Director and Group CEO of Koh Brothers Group Limited ("KBGL"). He has been with KBGL since 1987 and has held various positions in administration, finance and project management. He has been the main driving force behind the expansion of KBGL's business into Real Estate and Leisure & Hospitality. He is credited with spearheading KBGL to establish its brand name in Singapore as a builder of quality homes.

Mr Koh holds a Master of Business Administration from the National University of Singapore and a Bachelor of Engineering (Honours) from the University of Birmingham. He was conferred the Best Executive Award 1997-1998 by His Excellency, The State Minister of Industry and Trade of the Republic of Indonesia, Mr Ir T Airwibowo in 1997. He was also conferred the Promising SME 500 (Distinguished Business Leader of the year) in 2014.

Tan Liang Seng
Non-Executive and Non-Independent Director
Mr Tan Liang Seng is a Non-Executive Director of KBE. He was appointed a Director of KBE on 31 October 2014 and was last re-elected on 29 April 2015.

Mr Tan joined KBGL in 2013, overseeing infrastructure projects such as Bugis MRT Station (Downtown Line 1), Jurong Water Reclamation Plant and Development of Changi Airport 3-Runway System. Prior to joining KBGL, he has more than 26 years of professional experience in the construction industry and held senior positions in various construction companies and developers managing prestigious projects in Singapore, China, Malaysia and Indonesia.

He holds a Bachelor in Civil Engineering (1st Class Honours) from the University of Malaya.

Tan Hwa Peng
Independent Director
Mr Tan Hwa Peng is an Independent Director of KBE. He was appointed a Director of KBE on 21 February 2012 and was last re-elected on 29 April 2015. He is the Chairman of the Remuneration Committee and a member of the Nominating Committee, and the Audit and Risk Committee.

Mr Tan has more than 35 years of experience in the building and civil engineering construction industry in Singapore. He had been an Executive Director of KBGL since its public listing in 1995 till his retirement in 2005. During his tenure at KBGL, he was specifically in charge of its construction division. Prior to the listing of KBGL, he was instrumental in helping the construction division grow from a drainage contractor to one of the largest building and civil engineering companies in Singapore.

Mr Tan graduated from the University of Malaya in 1968 with a Bachelor of Civil Engineering. During 1969 to 1972, when he was in full time national service, Mr Tan was commissioned as an army officer and served in the Ministry of Defence. He worked in the Civil Service from 1972 till his resignation in 1979. He had served in various ministries and had been promoted from Pupil Engineer in the Ministry of National Development to Higher Executive Engineer in the Ministry of Environment.

Koh Choon Leng (Jeffrey)
Independent Director
Mr Koh Choon Leng is an Independent Director of KBE. He was appointed a Director of KBE on 28 February 2013 and was last re-elected on 29 April 2015. He is the Chairman of the Audit and Risk Committee, and a member of the Nominating Committee and the Remuneration Committee.

Mr Koh has over 30 years of professional experience in mechanical engineering, building service design, implementation, documentation and project administration. In 1987, he was appointed as the Managing Director of HPS Engineering (S) Pte. Ltd. which provides mechanical and electrical engineering consultancy services to institution, industrial and commercial building projects. He is currently an Executive Director of E+HPS Pte. Ltd., an international total turnkey design and build facilities engineering company, having presence in Singapore, Malaysia, India and China.

Mr Koh graduated from Singapore Polytechnic with a Diploma in Mechanical Engineering in 1981.

KEY MANAGEMENT

Fong Kim Seng
Chief Executive Officer

Mr Fong was appointed as the Chief Executive Officer of Koh Brothers Eco Engineering Limited ("KBE") on 1 March 2013. Prior to him joining KBE, he was the Managing Director of Tactic Engineering Pte Ltd and was responsible for the overall management, strategic planning and business development of its entire construction business. During 1995 to 2004, Mr Fong was a Director of Batulim Construction Co Pte Ltd. He graduated from Curtin University of Technology, Australia with a Bachelor of Applied Science in Construction Management and Economics. He also holds a Graduate Diploma in Business Administration from the Singapore Institute of Management.

Yong Khai Weng (Henry)
Managing Director of Oiltek Sdn. Bhd.

Mr Yong is the Managing Director of Oiltek Sdn. Bhd., a subsidiary of KBE. He oversees the group operations and expansion in the edible oil, bio-refinery and bio-energy engineering sectors. Mr Yong graduated from the University of Malaya with a Bachelor's degree in Chemical Engineering with First Class Honours in 1997. He has over 19 years of experience in the palm oil industry covering a wide horizon of areas including palm oil refining, biofuels (e.g. biodiesel and biogas), and the whole vertical downstream integration. His profession and expertise include corporate and operational management, project sales and marketing, strategy and planning, process design and management, research and process development as well as key client portfolio management. Mr Yong is also the winners of Super Outstanding Entrepreneur, Asia Success Award 2013 and Asia Honesty Entrepreneur Award 2014.

Cheong Chun Keong (Robert)
Special Project Director

Mr Cheong (Robert) was appointed as Special Project Director in July 2015. He is responsible for overseeing the overall project management and operations of the group's Water and Wastewater Treatment and Hydro-Engineering Division. Prior to joining KBE, Mr Cheong has more than 12 years of professional experience in Environmental Engineering Works with respect to Water and Wastewater Treatment Plants' design, supply, construction, installation, and testing and commissioning. He has accumulated over 18 years of practical experience in Mechanical & Electrical Engineering, Extra Low Voltage and Automation System for both local and overseas projects. His portfolio includes management of highly complex projects with major Process Mechanical & Electrical Installations interface for the Lower Seletar Water Works and Changi Water Reclamation Plant. Mr Cheong graduated with a Master of Project Management and a Graduate Diploma in Project Management from Queensland University of Technology. He holds a professional qualification in Electrical Engineering Practice, awarded by City & Guilds (UK).

Chua Thiam Siew, Johnson
Financial Controller

Mr Chua oversees the group financial management function. He was appointed Financial Controller in 2013. He has more than 25 years of audit, finance and operation experience in the public accounting, construction and hospitality sectors. Mr Chua holds a Master of Business Administration from Southern Cross University and a Master of Accounting from Curtin University of Technology (Australia). He is also an associate member of CPA Australia.

Therese Ng Chew Hwee
Company Secretary

Ms Ng is the Group Company Secretary of KBE and was appointed on 23 April 2013. She has more than 10 years of corporate secretarial experience in Singapore. She holds a Master of Science in Finance, Accounting and Management from the University of Bradford and is also an Associate of the Chartered Secretaries Institute of Singapore.

GROUP STRUCTURE

Singapore
Koh Brothers Eco Engineering Limited
Koh Eco Engineering Pte. Ltd.
Metax Eco Solutions Pte. Ltd.
WS Bioengineering Pte. Ltd.
WSB Pte. Ltd.
WS Bioengineering (China) Pte. Ltd.

Malaysia
Oiltek Sdn. Bhd.
Oiltek Nova Bioenergy Sdn. Bhd.
MetEco Solutions Sdn. Bhd.
WS Bioengineering Sdn. Bhd.

India
Metax Engineering (India) Private Limited

CORPORATE INFORMATION

Registered Office
11 Lorong Pendek
Koh Brothers Building
Singapore 348639
Tel: (65) 6845 7262
Fax: (65) 6443 2487
Website: www.kohbrotherseco.com

Board of Directors
Koh Keng Siang (Non-Executive and Non-Independent Chairman)
Tan Liang Seng (Non-Executive and Non-Independent Director)
Tan Hwa Peng (Independent Director)
Koh Choon Leng (Independent Director)

Audit and Risk Committee
Koh Choon Leng (Chairman)
Koh Keng Siang
Tan Hwa Peng

Nominating Committee
Koh Keng Siang (Chairman)
Koh Choon Leng
Tan Hwa Peng

Remuneration Committee
Tan Hwa Peng (Chairman)
Koh Choon Leng
Koh Keng Siang

Company Secretary
Therese Ng

Auditors
PricewaterhouseCoopers LLP
8 Cross Street
#17-00 PWC Building
Singapore 048424
Partner-in-charge: Yeow Chee Keong
(appointed since the financial year ended 31 December 2015)

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

Investor Relations
Cogent Communications Pte Ltd
51 Goldhill Plaza
#22-05
Singapore 308900
Contact Person: Gerald Woon
Tel: (65) 6704 9288

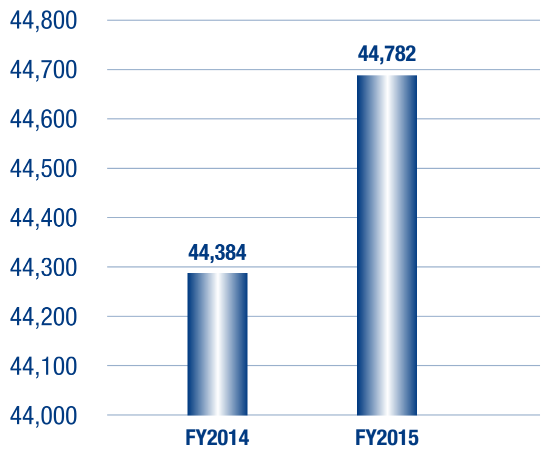
FINANCIAL HIGHLIGHTS

For the financial year ended 31 December 2015

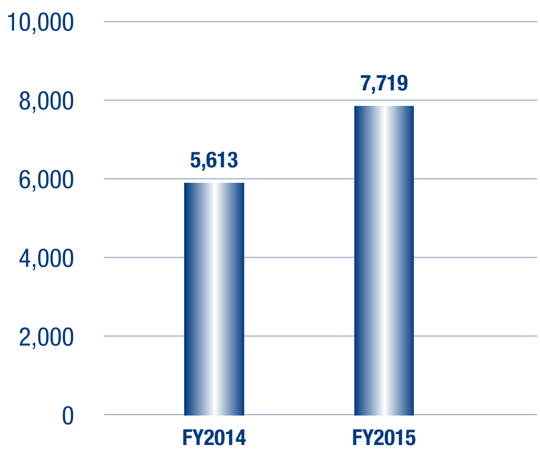
	FY2014	FY2015
Balance Sheet Highlight (S$'000)		
Shareholders' Funds	14,157	14,954
Cash and Bank Balances	10,011	16,047
Net Current Assets	4,885	6,783
Net Tangible Assets	7,300	8,097
Efficiency		
Return on Shareholders' Funds (%)	3	14
Healthy Debt Coverage		
Net Debt to Shareholders' Funds (times)	(0.58)*	(0.95)*

*This indicates the Group is in net cash position.

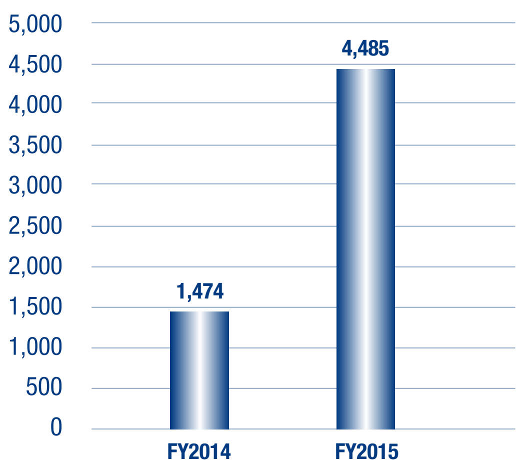
Revenue
(S$'000)



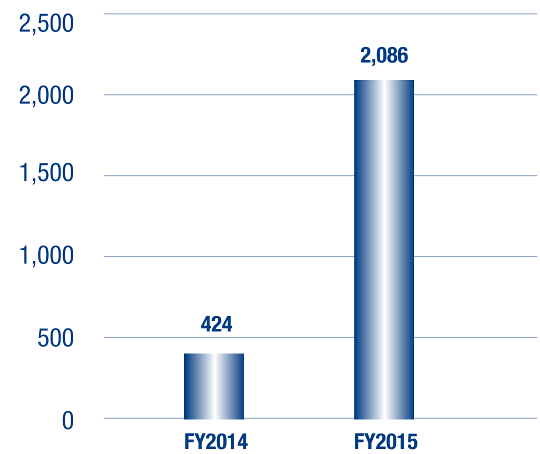
Gross Profit
(S$'000)



Profit Before Income Tax
(S$'000)



Profit Attributable to Shareholders
(S$'000)



REPORT ON CORPORATE GOVERNANCE

The Board of Directors (the "Board") of Koh Brothers Eco Engineering Limited (the "Company") is committed to ensuring that a high standard of corporate governance is practised throughout the Company and its subsidiaries (the "Group").

The Board believes that good corporate governance enhances shareholder value, corporate performance and accountability.

This report discloses the corporate governance framework and practices that the Group has adopted, with specific reference to the principles and guidelines of the Code of Corporate Governance 2012 (the "Code").

1. BOARD MATTERS

Guideline ("GL")

The Board's Conduct of Affairs

Principle 1 ***Every Company should be headed by an effective Board to lead and control the Company. The Board is collectively responsible for the success of the Company. The Board works with Management to achieve this and Management remains accountable to the Board.***

The Board comprises the following four Directors, of whom two are Non-Executive Directors and two are Independent Directors:- GL 1.1

The Board comprises the following four Directors, of whom two are Independent Directors and all of whom are Non-Executive Directors:-

Koh Keng Siang (Non-Executive and Non-Independent Chairman);
Tan Liang Seng (Non-Executive and Non-Independent Director);
Tan Hwa Peng (Independent Director); and
Koh Choon Leng (Independent Director).

The Board assumes responsibility for stewardship of the Group. Its primary objective is to protect and enhance shareholder value. The Board's role is to:-

(a) provide entrepreneurial leadership, set strategic objectives, and ensure that the necessary financial and human resources are in place for the Company to meet its objectives;
(b) establish a framework of prudent and effective controls which enables risks to be assessed and managed, including safeguard shareholders' interests and the Company's assets, approve major investment and funding decisions;
(c) review and evaluate Management's performance;
(d) identify the key stakeholder groups and recognise that their perceptions affect the Company's reputation;
(e) set the Company's values and standards (including ethical standards), and ensure that obligations to shareholders and other stakeholders are understood and met; and
(f) consider sustainability issues, e.g. environmental and social factors, as part of its strategic formulation.

Every Director exercises due diligence and is obliged to objectively discharge his duties and responsibilities at all times as a fiduciary in the interests of the Company. GL 1.2

The Board has established the following committees to assist in discharging its responsibilities and duties: GL 1.3

(a) Audit and Risk Committee ("ARC");
(b) Nominating Committee ("NC"); and
(c) Remuneration Committee ("RC").

The key terms of reference of the ARC, NC and RC are listed in the Appendix to this report.

The Board delegates the formulation of business policies and day-to-day management to the Chief Executive Officer.

The Board meets at least two (2) times a year and convenes additional meetings when warranted by circumstances. GL 1.4

REPORT ON CORPORATE GOVERNANCE

The number of Board and Board committee meetings held in FY2015, as well as the attendance of each Director at these meetings are set out below:

	BOARD	ARC	NC	RC
No. of meetings held in the financial year	5	2	1	1
Director	No. of meetings attended	No. of meetings attended	No. of meetings attended	No. of meetings attended
Koh Keng Siang	5/5	2/2	1/1	1/1
Tan Liang Seng	5/5	*2/2	*1/1	*1/1
Tan Hwa Peng	5/5	2/2	1/1	1/1
Koh Choon Leng	5/5	2/2	1/1	1/1

* *By invitation*

The Board is of the view that the contributions of each Director should not be based only on his attendance at Board and/or Board committee meetings. A Director's contributions may also extend beyond the formal environment of Board meetings, through the sharing of views, advice, experience and strategic networking relationships which would further the interests of the Group.

The Constitution of the Company also allow the Directors to consider and approve resolutions by written means.

The Company has adopted internal guidelines setting forth matters that require the Board's approval. These matters relate, *inter alia,* to: GL 1.5

(a) corporate or financial restructuring;
(b) material acquisitions and disposals of assets which are outside the ordinary course of business of the Group;
(c) dividend payments, if any;
(d) financial results announcements; and
(e) bank borrowings and provision of corporate guarantees.

The Board also approves transactions exceeding certain threshold limits, while delegating authority for transactions below those limits to the Board committees and Management via a structured Delegation of Authority (Group Limits of Authority) matrix, which is reviewed and accordingly revised when necessary.

The Delegation of Authority (Group Limits of Authority) matrix provides clear directions to Management on matters requiring the Board's specific approval which include, but are not limited to:

(a) material acquisitions and disposals of assets/investments;
(b) corporate/financial restructuring/corporate exercises;
(c) budgets/forecasts; and
(d) material financial/funding arrangements and expenditures.

Newly appointed Directors are provided with a briefing on their duties and obligations and are also given an orientation on the Group's businesses, which includes meetings with Management, to facilitate a better understanding of the Group's operations. This is to ensure that they are familiar with the Group's corporate governance practices, and structure and operations. Where appropriate, the Company will also provide first-time directors with training in areas such as accounting, legal and industry-specific knowledge. GLs 1.6 and 1.7

The Board is updated on any relevant key changes to legislation and the listing rules of the Singapore Exchange Securities Trading Limited ("SGX-ST") for companies listed on the Catalist platform, as well as changing commercial risks.

Directors are also encouraged to attend seminars, which are useful and relevant to them in discharging their duties as Directors of the Company.

Each Director has received a formal letter, setting out among other things, his duties and obligations.

REPORT ON CORPORATE GOVERNANCE

Board Composition and Guidance

Principle 2 ***There should be a strong and independent element on the Board, which is able to exercise objective judgment on corporate affairs independently, in particular, from Management and 10% shareholders. No individual or small group of individuals should be allowed to dominate the Board's decision making.***

The current Board comprises four Directors, of whom two are Non-Executive Directors and two are Independent Directors. The NC ensures that at least one third of the Board is made up of Independent Directors. GLs 2.1 and 2.2

The independence of each Director is assessed and reviewed annually by the NC based on the guidelines set out in the Code. In its deliberation as to the independence of a Director, the NC takes into account examples of relationships as set out in the Code, considers whether the Independent Directors have business relationships with the Group, and if so, whether such relationships could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent judgments. and 2.3

Each Independent Director is required to complete a Director's Independence Checklist annually to confirm his independence based on the guidelines as set out in the Code. The Independent Directors must also confirm whether they consider themselves independent despite not being party to any relationship as identified in the Code.

The NC, having considered the relevant factors, has determined that Messrs Tan Hwa Peng and Koh Choon Leng have no relationship with the Company, its related corporations, its officers, its 10% shareholders and are also independent of the executive functions of the Company.

There are no Independent Directors that have served on the Board for more than nine years. GL 2.4

Having considered the factors as stated in the Code, which includes, *inter alia*, the scope and nature of the operations of the Company, the requirements of the business and the need to avoid undue disruptions from changes to the composition of the Board and Board committees, the Board, in concurrence with the NC, is of the view that the current Board size is appropriate. GL 2.5

The Board is also of the view that the current Board size facilitates effective decision making to meet the existing needs and demands of the Group's businesses and operations.

The Board, in concurrence with the NC, is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively. Each Director has been appointed on the strength of his caliber, expertise and experience, and has brought a valuable range of experience and expertise to contribute to the development of the Group's businesses and operations. GL 2.6

Throughout the period being reported on, the Non-Executive Directors constructively challenged and helped develop proposals on strategy, reviewed the performance of Management in meeting agreed goals and objectives, monitored the reporting of performance and where necessary, met without the presence of Management. GL 2.7

Non-Executive Directors are encouraged to meet regularly without the presence of Management, when needed. GL 2.8

Chairman and Chief Executive Officer

Principle 3 ***There should be a clear division of responsibilities between the leadership of the Board and the executives responsible for managing the Company's business. No one individual should represent a considerable concentration of power.***

Mr Koh Keng Siang is the Non-Executive Chairman of the Board and Mr Fong Kim Seng is the Chief Executive Officer ("CEO") of the Group. The Company believes in a clear division of responsibilities between the Chairman and CEO to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision making. The Chairman also ensures that Board meetings are held when necessary, sets the Board agenda and ensures that all Board members are provided with complete, adequate and timely information whereas the CEO bears the overall operational responsibility for the Group's business, including the development of new products, expansion of our business, securing of contracts and overseeing the business and development strategies. The CEO, assisted by Management, oversees the daily running of the Group's operations and execution of strategies and policies adopted by the Board. GL 3.1

The Chairman, together with the rest of the Directors is responsible for the Board's proceedings. He leads the Board to ensure its effectiveness on all aspects of its role, promotes a culture of openness and debate at the Board meetings, facilitates effective communication with shareholders, encourages constructive communication and effective contribution within the Board and between the Board and Management at Board meetings. GL 3.2

Notwithstanding that the Chairman is not an Independent Director, we have not appointed a Lead Independent Director as the current Board size is small and the Board is of the view that there is no necessity for a Lead Independent Director at this juncture. Both our Independent Directors are available to shareholders when they have concerns and for which through the normal channels of the Chairman, CEO and Management has failed to resolve or is inappropriate. GL 3.3

The Independent Directors will confer among themselves, when necessary, and the Independent Directors will provide feedback to the Chairman after Board meetings as appropriate. GL 3.4

Board Membership

Principle 4 There should be a formal and transparent process for the appointment and re-appointment of directors to the Board.

The NC comprises the following members, two of whom are Independent Directors and all of whom are Non-Executive Directors: GL 4.1

Koh Keng Siang (Chairman);
Koh Choon Leng; and
Tan Hwa Peng.

Notwithstanding the fact that Mr Koh Keng Siang is not an Independent Director, taking into account his position as a member of the NC of the Board of Directors of Koh Brothers Group Limited, the Board is of the view that appointing Mr Koh as the Chairman of the NC would result in a more effective governance structure.

The Board is also of the view that the NC is appropriately sized and that the current membership is sufficient and is able to carry out its duties and responsibilities delegated by the Board.

The role of the NC includes making recommendations to the Board on the following matters: GL 4.2

- the review of board succession plans for Directors,;
- the development of a process for evaluation of the performance of the Board, its Board committees and Directors;
- the review of training and professional development programmes for the Board; and
- the appointment and re-appointment of a Director

Pursuant to Article 107 of the Company's Articles of Association, one-third of the Directors shall retire from office at every annual general meeting ("AGM"), provided always that each Director is required to retire from office at least once in every three years. A retiring Director is eligible to offer himself for re-election.

Article 117 provides that a newly appointed Director is required to retire and submit himself for re-election at the AGM following his appointment. Thereafter, he is subject to re-election at least once every three years.

Important issues that are also considered by the NC as part of the process for the appointment and re-appointment of Directors include the current composition of the Board and each Director's contributions.

The NC assesses annually and as and when circumstances require, whether or not a Director is independent based on the guidelines set out in the Code. The NC has determined that Messrs Tan Hwa Peng and Koh Choon Leng are Independent Directors. GL 4.3

The Board is of the view that Directors who have multiple board representations have devoted sufficient time and attention to the affairs of the Company. Their multiple board representations do not hinder their abilities to carry out their duties as Directors of the Company. Such multiple board representations of the Directors benefit the Company as the Directors are able to bring with them the experience and knowledge obtained from such board representations in other companies. In view of this, the Board has not determined the maximum number of listed Company board representations which any Director may hold. GL 4.4

There is no alternate Director on the Board. GL 4.5

REPORT ON CORPORATE GOVERNANCE

The process for the selection and appointment of Directors to the Board includes tapping on the networking resources of existing Directors and seeking recommendations from them on potential candidates. The NC may also engage recruitment consultants to undertake research on, or assess, candidates for new positions on the Board, or to engage also such other independent experts as the NC considers necessary to carry out its duties and responsibilities. GL 4.6

It is also the Company's policy for the purpose of self-renewal to promote suitable key Management staff to the Board in recognition of their achievements and past contributions to the Company. Upon identifying such candidates, Board members are welcome to make a proposal to the NC for its members' consideration.

In appointing and re-appointing Directors, the Board considers the range of skills and experience required in the light of:

- the geographical spread and diversity of the Group's business;
- the strategic direction and progress of the Group;
- the current composition of the Board; and
- the need for independence.

Final approval of a candidate for either an appointment or re-appointment is determined by the Board.

The following Directors are due for retirement/re-appointment at the forthcoming AGM:

- Koh Keng Siang
- Tan Hwa Peng

Each of them have offered themselves for re-election/re-appointment at the forthcoming AGM.

Key information on the Directors is set out under the "Board of Directors" section of the Annual Report. GL 4.7

Board Performance

Principle 5 There should be a formal annual assessment of the effectiveness of the Board as a whole and its Board committees and the contribution by each Director to the effectiveness of the Board.

The Board has implemented a process for assessing its effectiveness as a whole and for assessing the contribution by each Director to the effectiveness of the Board. GL 5.1

The NC reviews appraisal forms as part of the process adopted to assess the effectiveness of the Board. The results of the appraisal exercise are presented to the Board for its evaluation with a view to enhance the effectiveness of the Board.

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

The Company holds the belief that the Group's performance and that of the Board are directly related. GL 5.2

The criteria for the objective performance assessment include:

- attendance at Board meetings and committee meetings;
- maintenance of independence (for Independent Directors);
- disclosure of related party transactions; and
- areas of value added to the Group,

and are criteria used by the Board every financial year.

The Company assesses the Board's performance through comparison with industry peers, how the Board's performance has enhanced long-term shareholder value and its ability to steer the Group in the right direction as well as the support it provides to Management.

For the evaluation of an individual Director's performance for the financial year ended 31 December 2015, the NC took note of each Director's full attendance at Board and Board Committee meetings, participation in discussions at such meetings, knowledge of the Group's businesses and operations, the individual Director's expertise, contributions and his commitments to the Company. GL 5.3

REPORT ON CORPORATE GOVERNANCE

Access to Information

Principle 6 ***In order to fulfill their responsibilities, directors should be provided with complete, adequate and timely information prior to board meetings and on an on-going basis so as to enable them to make informed decisions to discharge their duties and responsibilities.***

The members of the Board have access to complete information in a timely manner and on an on-going basis in the form and quality necessary for the discharge of their duties and responsibilities. If the Board should require additional information, Management will also provide the same, when necessary, in a timely manner to enable the Board to fulfill their duties properly. GLs 6.1 and 6.2

All members of the Board have separate and independent access to Management.

Meeting papers and related materials setting out the relevant background and information are sent to the Directors prior to the Board meetings in order for them to have a comprehensive understanding of the issues to be deliberated upon to facilitate informed decision-making.

Directors have separate and independent access to the Company Secretary. The Company Secretary attends all Board and board committee meetings and is responsible for ensuring that the meeting procedures are followed and the applicable rules and regulations are complied with. Under the direction of the Chairman, the Company Secretary is responsible for ensuring an effective flow of information within the Board and its committees and between Management. The Company Secretary also facilitates orientation and assists with professional development when required. GL 6.3

The appointment and the removal of the Company Secretary is a matter taken by the Board as a whole. GL 6.4

In the event that the Directors, either individually or as a group, require independent professional advice, the Company Secretary will, upon approval by the Board, appoint a professional advisor to render such service, when necessary. The cost of the service will be borne by the Company. GL 6.5

2. REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 7 ***There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual Directors. No Director should be involved in deciding his own remuneration.***

The RC comprises the following Directors, two of whom are Independent Directors and all of whom are Non-Executive Directors: GL 7.1

Tan Hwa Peng (Chairman);
Koh Choon Leng ; and
Koh Keng Siang.

The principal responsibilities of the RC are: GL 7.2

- to recommend to the Board for endorsement a framework of remuneration for the Board and the remuneration package for key members of Management;
- to review and recommend to the Board for endorsement the terms of the service contracts of key members of Management; and
- to ensure that there is an adequate disclosure on the remuneration of Directors and key members of Management.

The RC covers all aspects of remuneration including but not limited to Directors' fees, salaries, allowances, bonuses, options and benefits-in-kind. GL 7.3

The RC members are familiar with compensation matters as they either manage their own businesses or are holding directorships in other listed companies or were part of the senior management previously. In discharging its duties, the RC has the assistance of the senior group human resources manager as it deems necessary. GL 7.4

It is also to be noted that no individual Director is involved in deciding his own remuneration.

The RC reviews the Company's obligations arising in the termination of every key management personnel's contracts of services, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

REPORT ON CORPORATE GOVERNANCE

Level and Mix of Remuneration

Principle 8 ***The level and structure of remuneration should be aligned with the long-term interest and risk policies of the Company, and should be appropriate to attract, retain and motivate (a) the directors to provide good stewardship of the Company, and (b) key management personnel to successfully manage the Company. However, companies should avoid paying more than is necessary for this purpose.***

The annual review of the key management personnel's compensation is carried out by the RC for recommendation to the Board to ensure that the remuneration of the key management personnel commensurate with their performance and that of the Group's, taking into view the current financial and commercial health and business needs of the Group. The performance of the key management personnel is reviewed periodically by the RC and the Board. In structuring the compensation framework, the RC also takes into account interests of shareholders, the risk policies of the Group, the need for the compensation to be symmetric with the risk outcomes and time horizon of risks with promoting the long-term success of the Group. GL 8.1

The remuneration package of the key management personnel comprises a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and each of their individual performances. This is to ensure that there is a link between the corporate performance of the Group and their individual performances.

The Company has an employee share option scheme but no share option scheme were issued under the year in review. GL 8.2

The Board (with the RC's concurrence and proposal) has approved the Non-Executive Directors' fees for the financial year ended 31 December 2015. The RC and the Board are of the view that the remuneration of the Directors is appropriate and not excessive taking into account factors such as effort and time spent, and the increasingly onerous responsibilities of the Directors. The Company does not have any scheme for Non-Executive Directors to hold shares in the Company. GL 8.3

The fees for Non-Executive Directors are subject to shareholders' approval being obtained at the forthcoming AGM on 27 April 2016.

The Company does not use contractual provisions to allow the Company to reclaim incentive components of remuneration from the key management personnel in exceptional circumstances of misstatement of financial results or of misconduct resulting in financial loss to the Group. GL 8.4

Disclosure on Remuneration

Principle 9 ***Every Company should provide clear disclosure of its remuneration policies, level and mix of remuneration, and the procedure for setting remuneration, in the Company's Annual Report. It should provide disclosure in relation to its remuneration policies to enable investors to understand the link between remuneration paid to directors and key management personnel, and performance.***

Having taken note of the competitive pressures in the market, the Board has on review, decided not to disclose the specific or total remuneration of the Company's Directors and key management personnel. In view of this, a breakdown of the remuneration of each Director of the Company by percentage for the financial year ended 31 December 2015 is set out as below: GLs 9.1, 9.2 and 9.3

Remuneration band	Director	Fees (%)	Salary (%)	Bonuses and other variable performance components (%)	Allowances and other benefits (%)	Total (%)
Below S$250,000/-	Koh Keng Siang	100	–	–	–	100
	Tan Liang Seng	100	–	–	–	100
	Tan Hwa Peng	100	–	–	–	100
	Koh Choon Leng	100	–	–	–	100

REPORT ON CORPORATE GOVERNANCE

The Group has three top executives (who are not Directors of the Company) and a breakdown of each of their remuneration by percentage for the financial year ended 31 December 2015 is set out as below. For the same reasons as stated above, the Board has decided not to disclose the names of the executives which correspond with the relevant percentage breakdown.

Remuneration band	Top executives	Fees (%)	Salary (%)	Bonuses and other variable performance components (%)	Allowances and other benefits (%)	Total (%)
Between S$250,000 to S$499,999	First Executive	_	80.0	18.6	1.4	100
	Second Executive	_	92.8	7.2	_	100
Below S$250,000	Third Executive	_	92.5	7.5	_	100

For the financial year ended 31 December 2015, the total remuneration paid to the Directors of the Company and the top three executives of the Group was approximately $792,000.

There was no immediate family member of a Director or the Chief Executive Officer whose remuneration exceeded S$50,000 during the financial year ended 31 December 2015. GL 9.4

The Company has an employee share option scheme but no share options were issued during the year under review. GL 9.5

The annual review of the key management personnel's compensation is carried out by the RC for recommendation to the Board to ensure that the remuneration of the key management personnel commensurate with their performance and that of the Group's, taking into view the current financial and commercial health, and business needs of the Group. GL 9.6

The remuneration package of the Directors and the key management personnel comprise of a basic salary component and a variable component which is the annual bonus, based on the performance of the Group as a whole and each of their individual performance. This is to ensure that their remuneration link to corporate and individual performance.

3. ACCOUNTABILITY AND AUDIT

GL 7.4

Accountability

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

The Board is responsible for providing a balanced and understandable assessment of the Group's performance, position and prospects when presenting interim and other price-sensitive public reports and reports to regulators (if required). GL 10.1

The Board reviews legislative and regulatory compliance reports from Management to ensure that the Group complies with the relevant requirements under the Listing Manual Section B: Rules of Catalist of the SGX-ST ("Catalist Rules"). GL 10.2

Management provides Directors, on a half-yearly basis, financial reports with adequate explanation and information on the Group's performance, position and prospects for their effective monitoring and decision-making for a balanced and informed assessment. Management will also provide Directors with the above required management accounts with such explanation and information, when requested by the Directors. GL 10.3

REPORT ON CORPORATE GOVERNANCE

Risk Management and Internal Controls

Principle 11 ***The Board is responsible for the governance of risk. The Board should ensure that Management maintains a sound system of risk management and internal controls to safeguard shareholders' interests and the Company's assets, and should determine the nature and extent of the significant risks which the Board is willing to take in achieving its strategic objectives.***

The Board will determine the Company's levels of risk tolerance and risk policies, and oversee Management in the design, implementation and monitoring of the risk management and internal control systems in its half-yearly ARC meetings. GL 11.1

The Board also acknowledges that it is responsible for the governance of risks and the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Board also acknowledges that it is responsible for the governance of risks and the overall internal control framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as a system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

Our internal auditors, KPMG Services Pte. Ltd. ("IA"), on an annual basis, prepare the internal audit plan taking into consideration the risks identified, which is approved by the ARC. The audits are conducted to assess the adequacy and the effectiveness of the Group's risk management and the internal controls system which have been put into place, including financial, operational, compliance and information technology controls. Any material non-compliance or lapse in internal controls, together with recommendation for improvement are reported to the ARC. The timely and proper implementation of all required corrective, preventive or improvement measures are closely monitored. GL 11.2

Based on the framework of risk management controls and internal controls established and maintained, the work performed by the IA and the review undertaken by the external auditors as part of their statutory audit, the Board, with the concurrence of the ARC, is of the view that the Group's risk management and internal control systems, including its financial, operational, compliance and information technology controls, are adequate and effective. The Board has received assurance from the Chief Executive Officer and Financial Controller that:- GL 11.3

(1) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
(2) the Company's risk management and internal control systems are effective in addressing the material risks faced by the Group in its current business environment.

The responsibility of overseeing the Company's risk management framework and policies is undertaken by the ARC with the assistance of the IA. Having considered the Company's business operations as well as its existing internal control and risk management systems, the Board is of the view that a separate risk committee is not required for the time being. GL 11.4

Audit and Risk Committee

Principle 12 ***The Board should establish an Audit Committee ("AC") with written terms of reference which clearly set out its authority and duties.***

The ARC comprises the following Directors, two of whom are Independent Directors and all of whom are Non-Executive Directors: GL 12.1

Koh Choon Leng (Chairman);
Koh Keng Siang; and
Tan Hwa Peng.

The Board is of the view that the members of the ARC, including the Chairman, have the requisite accounting and related financial management expertise and experience to discharge their duties. GL 12.2

The ARC is empowered to investigate any matter within its Terms of Reference. It has full access to and co-operation from Management, and unfettered discretion to invite any Director or executive officer to attend its meetings. The ARC has been given adequate resources to enable it to discharge its duties and responsibilities properly. GL 12.3

REPORT ON CORPORATE GOVERNANCE

The ARC carries out its functions in accordance with the Code and the Companies Act, and is also guided by its terms of reference which stipulate that its principal functions include, *inter alia*, reviewing the annual audit plans (internal and external), the system of internal controls and management of financial risks, the effectiveness and adequacy of the internal audit function which is outsourced to a professional services firm, regulatory compliance matters, the risk management framework, the recommendation of appointment/re-appointment/removal of external auditors and their remuneration. GL 12.4

On a half-yearly basis, the ARC also reviews the interested person transactions and the financial results announcements of the Company.

The ARC meets with the external and internal auditors at least once a year without the presence of Management. GL 12.5

The ARC has reviewed all the non-audit services provided by the external auditors and is satisfied that such services would not, in the ARC's opinion, affect the independence of the external auditors. GL 12.6

Audit services:	Auditors of the Company	S$107,467
	Other auditors	S$ -
Non-audit services:	Auditors of the Company	S$ -
	Other auditors	S$7,500

The Company has put in place a whistle-blowing arrangement whereby the staff of the Company may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters. There are arrangements in place for the independent investigation of such matters for appropriate follow-up actions to be taken. GL 12.7

The ARC held two (2) meetings during the financial year ended 31 December 2015 and performed its functions and responsibilities as set out in its terms of reference. GL 12.8

The ARC meets regularly with Management and the external auditors to review auditing and risk management matters and discuss accounting implications of any major transactions including significant financial reporting issues. It also reviews the internal audit function to ensure that an effective system of control is maintained in the Group.

The ARC is kept abreast by Management and the external auditors of new changes to the accounting standards, Catalist Rules, the Code and other regulations which could have an impact of the Group's businesses and financial statements.

No former partner or director of the Company's existing auditing corporation is a member of the ARC. GL 12.9

Rules 712 and 716 and in particular, Rule 716(1), in relation to auditing firms has been complied with.

Internal Audit

Principle 13 The Company should establish an internal audit function that is adequately resourced and independent of the activities it audits.

The Company has outsourced its internal audit function to a certified public accounting firm, KPMG Services Pte. Ltd. The IA reports to the Chairman of the ARC and has full access to the documents, records, properties and staff of the Group, including access to the ARC. GL 13.1

The Board recognises that it is responsible for maintaining a system of internal control to safeguard shareholders' investments and the Group's businesses and assets, while Management is responsible for establishing and implementing the internal control procedures in a timely and appropriate manner. The role of the IA is to assist the ARC in ensuring that the controls are effective and functioning as intended, to undertake investigations as directed by the ARC and to conduct regular in-depth audits of high risk areas. GL 13.2

The ARC is satisfied that the internal audit function has adequate resources to perform its function effectively.

The ARC is satisfied that the IA is staffed by suitably qualified and experienced professionals with the relevant experience. GL 13.3

The IA is a member of the Singapore branch of the Institute of Internal Auditors ("IIA"), an international professional association which has its headquarters in the United States. The audit work carried out is guided by the International Standards for the Professional Practice of Internal Auditing (IIA Standards) laid down in the International Professional Practices Framework issued by the IIA. GL 13.4

The IA plans its internal audit schedules in consultation with, but independent of Management. The audit plan is submitted to the ARC for approval prior to the commencement of the internal audit work. In addition, the IA may be involved in ad-hoc projects initiated by Management which require the assurance of the IA in specific areas of concerns. GL 13.5

REPORT ON CORPORATE GOVERNANCE

4. SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Shareholder Rights

Principle 14 Companies should treat all shareholders fairly and equitably, and should recognise, protect and facilitate the exercise of shareholders' rights, and continually review and update such governance arrangements.

The Company's corporate governance practices promote the fair and equitable treatment of all shareholders. To facilitate shareholders' ownership rights, the Company ensures that all material information is disclosed on a comprehensive and timely basis via SGXNET, especially information pertaining to the Group's business development and financial performance which could have a material impact on the share price of the Company. GL 14.1

Shareholders are informed of shareholders' meetings through the Company's annual reports sent to all shareholders. These notices are also published in the Business Times and posted onto the SGXNET. GL 14.2

Shareholders are also invited to attend the general meetings to put forth any questions they may have on the motions to be debated and/or other questions on the Group's businesses. All shareholders are entitled to vote in accordance with the established voting rules and procedures.

Whilst there is no limit imposed on the number of proxy votes for nominee companies, the Constitution of the Company allow each shareholder to appoint up to two proxies to attend AGMs. GL 14.3

Communication With Shareholders

Principle 15 Companies should actively engage their shareholders and put in place an investor relations policy to promote regular, effective and fair communication with shareholders.

In line with the continuous disclosure obligations under the Catalist Rules and the Companies Act, the Board informs shareholders promptly of all major developments that may have material impact on the Group. GL15.1

The Board embraces openness and transparency in the conduct of the Company's affairs, whilst safeguarding its commercial interests. Material information on the Group is being released to the public through the Company's announcements via SGXNET and disseminated to the press.

All material information on the performance and development of the Group and of the Company is disclosed in an accurate and comprehensive manner through SGXNET and press releases. The Company does not practice selective disclosure of material information. All materials on the half-yearly and full year financial results are available on SGX's website. GL 15.2

General meetings have been and are still the principal forum for dialogue with shareholders. At these meetings, shareholders are able to engage the Board and Management on the Group's business activities, financial performance and other business-related matters. The Company may also gather views or input and address shareholders' concerns at general meetings. GL 15.3

To promote a better understanding of shareholders' views, the Board actively encourages shareholders to participate during the Company's general meetings. These meetings provide excellent opportunities for the Company to obtain shareholders' views on the Group's businesses. GL 15.4

The Board will consider taking further steps to solicit and understand the view of the Company's shareholders.

The Company does not have a dividend policy at present. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash flow generated from operations, projected capital requirements for business growth and other factors as the Board deem appropriate. GL15.5

REPORT ON CORPORATE GOVERNANCE

Conduct Of Shareholder Meetings

Principle 16 Companies should encourage greater shareholder participation at general meetings of shareholders, and allow shareholders the opportunity to communicate their views on various matters affecting the Company

General meetings are the principal forum for dialogue with shareholders. The Company invites and encourages all registered shareholders to participate in the Company's general meetings. There is an open question and answer session at which shareholders may raise questions or share their views regarding the proposed resolutions and the Group's business and affairs. GL 16.1

If shareholders are unable to attend the meetings, the Constitution allow a shareholder of the Company to appoint up to two proxies to attend and vote in place of the shareholder. Voting in absentia and by electronic mail may only be possible following careful study to ensure that integrity of the information and authentication of the identity of shareholders through the web is not compromised and is also subject to legislative amendments to recognise electronic voting.

After careful consideration of the above, the Board is not in favour to make the appropriate provisions in the Constitution allow for absentia voting at its general meetings.

Separate resolutions are proposed for substantially separate issues at the general meetings. GL 16.2

The Chairman of the Board, the Directors and the external auditors were present at the Company's previous general meetings to address any shareholders' queries. GL 16.3

A copy of the minutes of each of the general meetings is available to shareholders upon request. GL 16.4

The Company will put all resolutions to vote by electronic polling and make an announcement of the detailed results showing the number of votes cast for and against each resolution and the respective percentages. GL 16.5

5. INTERESTED PERSON TRANSACTIONS

The Company has established internal control policies to ensure that transactions with interested persons are properly reviewed, approved and conducted on an arm's length basis.

For the financial year ended 31 December 2015, the Company entered into several interested person transactions ("IPT") with Koh Brothers Group of Companies pursuant to an IPT mandate granted by the shareholders at the extraordinary general meeting held by the Company on 29 April 2015. The aggregate value of such IPT amounted to S$774,000 and all transactions were entered into pursuant to the IPT mandate granted by shareholders on 29 April 2015. These IPT transactions relate mainly to general transactions and the provision of management and support services.

With the exclusion of transactions entered into pursuant to the IPT mandate (as disclosed above), there were no IPT entered into for the financial year ended 31 December 2015.

6. MATERIAL CONTRACTS

No material contracts were entered into between the Company or any of its subsidiaries involving the interest of the CEO, any Director or controlling shareholder, which are either subsisting at the end of the financial year or, if not then subsisting, entered into since the end of the previous financial year except for the related party transactions and Directors' remunerations disclosed in the financial statements.

7. RISK MANAGEMENT

Information relating to risk management policies and processes are set out in the Notes to the Financial Statements in the Annual Report.

8. DEALINGS IN SECURITIES

The Company has adopted an internal compliance code on dealings in the Company's securities.

The Company has issued share trading guidelines to all Directors, employees of executive level and above, and personal assistants pursuant to which they are not allowed to deal in the Company's securities during the period commencing one month before the announcement of the Company's half and full year financial statements, and ending on the date of the announcement of the relevant results.

In addition, they are prohibited from dealing in the Company's securities while in possession of price sensitive information and on short-term considerations.

During the financial year, there were no non-sponsor fees and S$45,000 of legal fees were paid to Morgan Lewis Stamford LLC, a related corporation of the Sponsor.

REPORT ON CORPORATE GOVERNANCE

APPENDIX – KEY TERMS OF REFERENCES

Nominating Committee

(1) To make recommendations to the Board on all board appointments and re-appointments having regard to the Director's contribution and performance (e.g. attendance, preparedness, participation, candour).

(2) To ensure that all Directors submit themselves for re-nomination and re-election at regular intervals and at least once every three years.

(3) To determine annually whether a Director is independent, bearing in mind the following:

Paragraph 2.1 of the Code of Corporate Governance defines an 'Independent" Director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement with a view to the best interests of the Company. Relationships, which would deem a Director not to be independent would include:-

(a) a Director being employed by the Company or any of its related companies for the current or any of the past three financial years;

(b) a Director who has an immediate family member who is, or has been in any of the past three financial years, employed by the Company or any of its related companies as a senior executive officer whose remuneration is determined by the RC;

(c) a Director, or an immediate family member, accepting any significant compensation from the Company or any of its subsidiaries other than compensation for board service for the current or immediate past financial year; or

(d) a Director, or an immediate family member, being a substantial shareholder of or a partner in (with 5% or more stake), or an executive officer of, or a director of any for-profit business organisation to which the Company or any of its subsidiaries made, or from which the Company or any of its subsidiaries received, significant payments in the current or immediate past financial year. Payments aggregated over the financial year in excess of S$200,000 should generally be deemed significant.

(4) An independent member shall notify the Board immediately, if, as a result of a change in circumstances, he no longer meets criteria for independence. The NC shall review the change in circumstances and make its recommendation to the Board.

(5) To decide whether a Director is able to and has adequately carried out his duties as a Director of the Company, in particular, where the Director concerned has multiple board representations. Where possible, the NC shall formulate internal guidelines that can address the competing time commitments that are faced when Directors serve on multiple boards.

(6) To assess the effectiveness of the Board as a whole and the contribution by each director to the effectiveness of the Board. In this respect, the NC shall propose an objective performance criteria which shall be approved by the Board.

Such performance criteria should:

(a) allow comparison with industry peers;

(b) address how the Board has enhanced long term shareholders' value; and

(c) consider the Company's share price performance over a five-year period vis-à-vis the Singapore Straits Times Index and a benchmark index of its industry peers.

Other performance criteria that may be used include return on assets, return on equity, return on investment, economic value added and profitability on capital employed. These performance criteria should not be changed from year to year and where circumstances deem it necessary for any of the criteria to be changed, the onus should be on the Board to justify such changes.

Audit & Risk Committee

(1) Review annually and, if necessary, propose for formal adoption and amendments to the ARC's terms of reference.

(2) Review and approve interested and related person transactions as defined in Chapter 9 of the Catalist Rules, any sale of property to interested persons, Directors' relatives and employees, and any specific undertakings given by the Company.

(3) Review with the auditors and report to the Board, findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any Singapore law, rule or regulation which has or is likely to have a material impact on the Group's operation results and/or financial position.

REPORT ON CORPORATE GOVERNANCE

(4) Query Management and the external auditors about significant risks or exposure, and evaluate steps to be taken to minimise such risks to the Company.

(5) Review the balance sheet and profit and loss account of the Company and the consolidated balance sheet and profit and loss account of the Group and submit them to the Board.

(6) Review the adequacy and effectiveness of the internal controls, including financial, operational, compliance and information technology controls, and risk management systems, in the Company's Annual Report.

(7) Review the effectiveness of the Company's material internal controls, including financial, operational and compliance control, and risk management carried out by internal/external auditors.

(8) Review with the external auditors their audit plan and audit report.

(9) Review the scope and results of the audit and its costs effectiveness and the independence and objectivity of the external auditors and its volume of non-audit services to the Group.

Remuneration Committee

(1) To recommend to the Board a framework of remuneration for the Directors and key executives.

(2) To consider the various disclosure requirements for directors' and key executives' remuneration, particularly those required by regulatory bodies such as the SGX-ST, and ensure that there is adequate disclosure in the financial statements to ensure and enhance transparency between the Company and relevant interested parties.

DIRECTORS' STATEMENT
For the financial year ended 31 December 2015

The directors present their statement to the shareholders together with the audited financial statements of the Group for the financial year ended 31 December 2015 and the balance sheet of the Company as at 31 December 2015.

In the opinion of the directors,

(a) the balance sheet of the Company and the consolidated financial statements of the Group as set out on pages 27 to 69 are drawn up so as to give a true and fair view of the financial position of the Company and of the Group as at 31 December 2015 and of the financial performance, changes in equity and cash flows of the Group for the financial year covered by the consolidated financial statements; 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.

1. DIRECTORS

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

Mr Koh Keng Siang
Mr Koh Choon Leng
Mr Tan Hwa Peng
Mr Tan Liang Seng

2. ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was to enable the directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, other than as disclosed in paragraph 3 of this statement.

3. DIRECTORS' INTERESTS IN SHARES OR DEBENTURES

According to the register of directors' shareholdings, none of the directors holding office at the end of the financial year and as at 21 January 2016 had any interest in the shares or debentures of the Company or its related corporations, except as follows:

	Holdings registered in name of director or nominee			**Holdings in which director is deemed to have an interest**		
	At 21.01.2016	**At 31.12.2015**	At 1.1.2015	**At 21.01.2016**	**At 31.12.2015**	At 1.1.2015
Immediate and ultimate holding corporation						
- Koh Brothers Group Limited (No. of ordinary shares)						
Mr Koh Keng Siang	**62,422,535**	**62,422,535**	62,422,535	**27,420,000**	**27,420,000**	27,420,000

4. SHARE OPTIONS

There were no options granted during the financial year to subscribe for unissued shares of the Company or its subsidiaries.

No shares have been issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries.

There were no unissued shares of the Company under option at the end of the financial year.

DIRECTORS' STATEMENT

For the financial year ended 31 December 2015

4. SHARE OPTIONS (CONTINUED)

Warrants

As at end of the financial year, the unissued ordinary shares in the Company under warrants were as follows:

Date of issue	Number of warrants at date of issue	Number of warrants at 31 December 2015	Subscription price	Expiry date
28 February 2013	40,000,000*	40,000,000	S$0.048	27 February 2016
28 February 2013	165,000,000*	165,000,000	S$0.053	27 February 2016

* The Company issued 40,000,000 and 165,000,000 non-listed and non-transferable warrants during the financial period ended 31 December 2013. Each warrant carries the right to subscribe for one ordinary share in the capital of the Company at an exercise price of S$0.048 and S$0.053 for each ordinary share respectively. Each warrant may be exercised at any time during the period of three years commencing on and including the date of issue of the warrants and expiring on the third anniversary of the date of issue of the warrants. No warrant has been exercised as at 31 December 2015.

As at the date of the report, no warrants were exercised at the expiry of the exercise period on 27 February 2016.

5. AUDIT AND RISK COMMITTEE

The members of the Audit and Risk Committee at the end of the financial year were as follows:

Mr Koh Choon Leng (Chairman)
Mr Tan Hwa Peng
Mr Koh Keng Siang

All members of the Audit and Risk Committee are non-executive directors. Mr Koh Choon Leng and Mr Tan Hwa Peng are independent directors.

The Audit and Risk Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act. In performing those functions, the Committee reviewed:

- the scope and the results of internal audit procedures with the internal auditor;
- the audit plan of the Company's independent auditor and any recommendations on internal accounting controls arising from the statutory audit;
- the assistance given by the Company's management to the independent auditor; and
- the balance sheet of the Company and the consolidated financial statements of the Group for the financial year ended 31 December 2015 before their submission to the Board of Directors, as well as the Independent Auditor's Report on the balance sheet of the Company and the consolidated financial statements of the Group.

The Audit and Risk Committee has recommended to the Board that the independent auditor, PricewaterhouseCoopers LLP, be nominated for re-appointment at the forthcoming Annual General Meeting of the Company.

6. INDEPENDENT AUDITOR

The independent auditor, PricewaterhouseCoopers LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors

Koh Keng Siang
Director

Tan Hwa Peng
Director

23 March 2016

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF KOH BROTHERS ECO ENGINEERING LIMITED

Report on the Financial Statements

We have audited the accompanying financial statements of Koh Brothers Eco Engineering Limited (the "Company") and its subsidiaries (the "Group"), set out on pages 27 to 69, which comprise the consolidated balance sheet of the Group and balance sheet of the Company as at 31 December 2015, and the consolidated statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the financial year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

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

Report on other Legal and Regulatory Requirements

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

PricewaterhouseCoopers LLP
Public Accountants and Chartered Accountants

Singapore, 23 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the financial year ended 31 December 2015

	Note	**2015** **S$'000**	2014 S$'000
Revenue	4	**44,782**	44,384
Cost of sales	7	**(37,063)**	(38,771)
Gross profit		**7,719**	5,613
Other income	5	**339**	256
Other gains/(losses) - net	6	**2,160**	(162)
Selling and distribution expenses	7	**(1,090)**	14
Administrative expenses	7	**(4,392)**	(4,021)
Finance expenses	9	**(94)**	(175)
Share of loss of an associated company	16	**(157)**	(51)
Profit before income tax		**4,485**	1,474
Income tax expense	10	**(1,555)**	(365)
Profit after income tax		**2,930**	1,109
Other comprehensive loss:			
Items that may be reclassified subsequently to profit or loss:			
Currency translation differences arising from consolidation		**(1,824)**	(215)
Other comprehensive loss, net of tax		**(1,824)**	(215)
Total comprehensive income		**1,106**	894
Profit attributable to:		**2,086**	424
Equity holders of the Company		**844**	685
Non-controlling interests		**2,930**	1,109
Total comprehensive income attributable to:			
Equity holders of the Company		**797**	282
Non-controlling interests		**309**	612
		1,106	894
Earnings per share attributable to the equity holders of the Company:			
- Basic earnings per share (in cent)	11	**0.55**	0.11
- Diluted earnings per share (in cent)	11	**0.55**	0.10

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

BALANCE SHEETS
As at 31 December 2015

		Group		Company	
	Note	**2015 S$'000**	2014 S$'000	**2015 S$'000**	2014 S$'000
ASSETS					
Current assets					
Cash and bank balances	12	**16,047**	10,011	**956**	2,104
Trade and other receivables	13	**15,587**	20,335	**2,627**	2,912
Inventories	14	**636**	329	**-**	-
Due from customers on construction contracts	15	**1,338**	234	**-**	82
		33,608	30,909	**3,583**	5,098
Non-current assets					
Investment in an associated company	16	**1,332**	1,489	**640**	640
Investments in subsidiaries	17	**-**	-	**16,669**	16,810
Property, plant and equipment	18	**2,931**	3,211	**1,783**	1,841
Deferred tax assets	22	**108**	463	**-**	-
Goodwill	19	**6,857**	6,857	**-**	-
		11,228	12,020	**19,092**	19,291
Total assets		**44,836**	42,929	**22,675**	24,389
LIABILITIES					
Current liabilities					
Trade and other payables	20	**23,506**	22,571	**2,945**	4,801
Current income tax liabilities	10	**745**	520	**-**	-
Due to customers on construction contracts	15	**774**	1,133	**9**	-
Borrowings	21	**1,800**	1,800	**-**	-
		26,825	26,024	**2,954**	4,801
Total liabilities		**26,825**	26,024	**2,954**	4,801
NET ASSETS		**18,011**	16,905	**19,721**	19,588
EQUITY					
Capital and reserves attributable to equity holders of the Company					
Share capital	23	**16,476**	30,003	**16,476**	30,003
Warrants reserve	24	**3,112**	3,112	**3,112**	3,112
Currency translation reserve	25	**(2,170)**	(881)	**-**	-
(Accumulated losses)/retained profits		**(2,464)**	(18,077)	**133**	(13,527)
		14,954	14,157	**19,721**	19,588
Non-controlling interests		**3,057**	2,748	**-**	-
Total equity		**18,011**	16,905	**19,721**	19,588

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For the financial year ended 31 December 2015

		← Attributable to equity holders of the Company				→		
	Note	**Share capital S$'000**	**Warrants reserve S$'000**	**Currency translation reserve S$'000**	**Accumulated losses S$'000**	**Total S$'000**	**Non-controlling interests S$'000**	**Total equity S$'000**
2015								
Beginning of financial year		30,003	3,112	(881)	(18,077)	14,157	2,748	16,905
Profit for the financial year		-	-	-	2,086	2,086	844	2,930
Other comprehensive loss for the financial year		-	-	(1,289)	-	(1,289)	(535)	(1,824)
Share capital reduction	23	(13,527)	-	-	13,527	-	-	-
End of financial year		**16,476**	**3,112**	**(2,170)**	**(2,464)**	**14,954**	**3,057**	**18,011**
2014								
Beginning of financial year		30,003	3,112	(739)	(18,501)	13,875	2,136	16,011
Profit for the financial year		-	-	-	424	424	685	1,109
Other comprehensive loss for the financial year		-	-	(142)	-	(142)	(73)	(215)
End of financial year		**30,003**	**3,112**	**(881)**	**(18,077)**	**14,157**	**2,748**	**16,905**

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the financial year ended 31 December 2015

	Note	**2015 S$'000**	2014 S$'000
Cash flows from operating activities			
Profit after income tax		**2,930**	1,109
Adjustments for:			
- Income tax expense		**1,555**	365
- Gain on disposal of subsidiaries		**(47)**	(3)
- Depreciation of property, plant and equipment		**159**	157
- Interest income		**(49)**	(54)
- Interest expense		**78**	175
- Share of loss of an associated company		**157**	51
- Unrealised translation gains		**(1,549)**	(323)
		3,234	1,477
Change in working capital			
- Due from/(to) customers on construction contracts		**(1,540)**	743
- Inventories		**(373)**	(202)
- Trade and other receivables		**5,111**	(7,978)
- Trade and other payables		**2,078**	4,753
Cash generated from/(used in) operations		**8,510**	(1,207)
Income tax paid		**(920)**	(291)
Interest paid		**(68)**	(184)
Net cash provided by/(used in) operating activities		**7,522**	(1,682)
Cash flows from investing activities			
Disposal of a subsidiary		**-**	#
Interest received		**49**	54
Purchase of property, plant and equipment		**(51)**	(78)
Net cash used in investing activities		**(2)**	(24)
Cash flows from financing activities			
Repayment of bank borrowings		**-**	(252)
Repayment of amounts owing to shareholders		**(909)**	(2,056)
Deposit pledged		**2,256**	(183)
Net cash provided by/(used in) financing activities		**1,347**	(2,491)
Net increase/(decrease) in cash and bank balances		**8,867**	(4,197)
Cash and bank balances at beginning of financial year		**6,317**	10,372
Effect of currency translation on cash and bank balances		**(575)**	142
Cash and bank balances at end of financial year	12	**14,609**	6,317

 # Amount less than S$1,000

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

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

1. GENERAL INFORMATION

Koh Brothers Eco Engineering Limited (the "Company") is listed on the Singapore Exchange and incorporated and domiciled in Singapore. The address of its registered office is 11 Lorong Pendek, Koh Brothers Building, Singapore 348639.

The principal activities of the Company are those of construction, project management and investment holding. The principal activities of its subsidiaries and associated company are disclosed in Note 31 of the financial statements.

2. SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

These financial statements have been prepared in accordance with Singapore Financial Reporting Standards ("FRS") under the historical cost convention.

The preparation of financial statements in conformity with FRS requires management to exercise its judgement in the process of applying the Group's accounting policies. It also requires the use of certain critical accounting estimates and assumptions. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 3.

Interpretations and amendments to published standards effective in 2015

On 1 January 2015, the Group adopted the new or amended FRS and Interpretations to FRS ("INT FRS") that are mandatory for application for the financial year. Changes to the Group's accounting policies have been made as required, in accordance with the transitional provisions in the respective FRS and INT FRS.

The adoption of these new or amended FRS and INT FRS did not result in substantial changes to the accounting policies of the Group and the Company and had no material effect on the amounts reported for the current or prior financial years except for the following:

FRS 108 Operating segments

The Group has adopted the above amendment to FRS 108 on 1 January 2015. The amendment is applicable for annual periods beginning on or after 1 July 2014. It sets out the required disclosures on the judgements made by management in aggregating operating segments. This includes description of the segments which have been aggregated and the economic indicators which have been assessed in determining that the aggregated segments share similar economic characteristics. The standard is further amended to require a reconciliation of segment assets to entity's assets when segment assets are reported.

The Group has included the additional required disclosures in Note 28 of the financial statements.

2.2 Revenue recognition

Sales comprise the fair value of the consideration received or receivable for the sale of goods and rendering of services, the work done on construction projects undertaken by the Group, rental and interest income in the ordinary course of the Group's activities. Sales are presented, net of goods and services tax, rebates and discounts, and after eliminating sales within the Group.

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

(a) Contracts revenue

Revenue from construction contracts is recognised as disclosed in Note 2.7 "Construction contracts".

(b) Sale of goods

Revenue is recognised when the Group has delivered the products to the customer, the customer has accepted the products and the collectability of the related receivables is reasonably assured.

(c) Rendering of services

Revenue from services is recognised on an accrual basis when services are rendered.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Revenue recognition (continued)

(d) Rental income

Rental income is recognised as disclosed in Note 2.14(b) “Leases - when the Group is the lessor”.

(e) Interest income

Interest income is recognised using the effective interest rate method.

2.3 Group accounting

(a) Subsidiaries

(i) Consolidation

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

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

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

(ii) Acquisitions

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

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

Acquisition-related costs are expensed as incurred.

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

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

The excess of (a) the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the (b) fair value of the identifiable net assets acquired is recorded as goodwill. Please refer to the Note 2.5 “Goodwill” for the subsequent accounting policy on goodwill.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (continued)

(a) Subsidiaries (continued)

(iii) Disposals

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

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

Please refer to Note 2.8 "Investments in subsidiaries and associated company" for the accounting policy on investments in subsidiaries in the separate financial statements of the Company.

(b) Transactions with non-controlling interests

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

(c) Associated company

Associated company is an entity over which the Group has significant influence, but not control, generally accompanied by a shareholding giving rise to voting rights of 20% and above but not exceeding 50%.

Investment in an associated company is accounted for in the consolidated financial statements using the equity method of accounting less impairment losses, if any.

(i) Acquisitions

Investment in an associated company is initially recognised at cost. The cost of an acquisition is measured at the fair value of the assets given, equity instruments issued or liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition. Goodwill on associated company represents the excess of the cost of acquisition of the associated company over the Group's share of the fair value of the identifiable net assets of the associated company and is included in the carrying amount of the investment.

(ii) Equity method of accounting

In applying the equity method of accounting, the Group's share of its associated company's post-acquisition profits or losses is recognised in profit or loss and its share of post-acquisition other comprehensive income is recognised in other comprehensive income. These post-acquisition movements and distributions received from the associated company are adjusted against the carrying amount of the investment. When the Group's share of losses in an associated company equals to or exceeds its interest in the associated company, the Group does not recognise further losses, unless it has legal or constructive obligations to make, or has made, payments on behalf of the associated company. If the associated company subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associated company are eliminated to the extent of the Group's interest in the associated company. Unrealised losses are also eliminated unless the transactions provide evidence of impairment of the assets transferred. The accounting policies of the associated company have been changed where necessary to ensure consistency with the accounting policies adopted by the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Group accounting (continued)

(c) Associated company (continued)

(iii) Disposals

Investment in an associated company is derecognised when the Group loses significant influence. If the retained equity interest in the former associated company is a financial asset, the retained equity interest is measured at fair value. The difference between the carrying amount of the retained interest at the date when significant influence is lost and its fair value and any proceeds on partial disposal is recognised in profit or loss.

Please refer to the Note 2.8 “Investments in subsidiaries and associated company” for the accounting policy on investment in an associated company in the separate financial statements of the Company.

2.4 Property, plant and equipment

(a) Measurement

Property, plant and equipment are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management.

(b) Depreciation

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

	Useful lives
Leasehold land and buildings	45 - 92 years
Machinery and equipment	5 - 10 years
Renovation	5 years
Motor vehicles	5 years
Office equipment and computers	3 - 10 years
Furniture and fittings	2 - 10 years

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

(c) Subsequent expenditure

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred.

(d) Disposal

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within “other gains/(losses) - net”.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Goodwill

Goodwill on acquisitions of subsidiaries and businesses on or after 1 January 2010 represents the excess of (a) the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over (b) the fair values of the identifiable net assets acquired.

Goodwill on acquisition of subsidiaries and businesses prior to 1 January 2010 and on acquisition of associated companies represents the excess of the cost of the acquisition over the fair value of the Group's share of the identifiable net assets acquired.

Goodwill on subsidiaries is recognised separately as intangible assets and carried at cost less accumulated impairment losses.

Goodwill on associated company is included in the carrying amount of the investment.

2.6 Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction of assets under construction. This includes those costs on borrowings acquired specifically for the construction of assets under construction, as well as those in relation to general borrowings used to finance the construction of assets under construction.

Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction expenditures that are financed by general borrowings.

2.7 Construction contracts

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

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

The stage of completion is measured either by reference to the professional's survey or customer's certification of value of work done to date, or by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract. Costs incurred during the financial year in connection with future activity on a contract are excluded from the costs incurred to date when determining the stage of completion of a contract. Such costs are shown as construction contract work-in-progress on the balance sheet unless it is not probable that such contract costs are recoverable from the customers, in which case, such costs are recognised as an expense immediately.

Where the stage of completion is measured by reference to the professional's survey or customer's certification of value of work done to date, at the balance sheet date, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as "due from customers on construction contracts" within "current assets". Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as "due to customers on construction contracts" within "current liabilities".

Where the stage of completion is measured by reference to the proportion of contract costs incurred to date to the estimated total costs for the contract, at the balance sheet date, the cumulative costs incurred plus recognised profits (less recognised losses) on each contract is compared against the progress billings. Where the cumulative costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented as "accrued billings on construction contracts" within "trade and other receivables". Where progress billings exceed the cumulative costs incurred plus recognised profits (less recognised losses), the balance is presented as "advance billings on construction contracts" within "trade and other payables".

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

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Investments in subsidiaries and associated company

Investments in subsidiaries and associated company are carried at cost less accumulated impairment losses in the Company's balance sheet. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

2.9 Impairment of non-financial assets

(a) Goodwill

Goodwill recognised separately as an intangible asset is tested for impairment annually and whenever there is indication that the goodwill may be impaired.

For the purpose of impairment testing of goodwill, goodwill is allocated to each of the Group's cash-generating units ("CGU") expected to benefit from synergies arising from the business combination.

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

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

An impairment loss on goodwill is recognised as an expense and is not reversed in a subsequent period.

(b) Property, plant and equipment
Investments in subsidiaries and associated company

Property, plant and equipment and investments in subsidiaries and associated company are tested for impairment whenever there is any objective evidence or indication that these assets may be impaired.

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

If the recoverable amount of the asset (or CGU) is estimated to be less than its carrying amount, the carrying amount of the asset (or CGU) is reduced to its recoverable amount.

The difference between the carrying amount and recoverable amount is recognised as an impairment loss in profit or loss.

An impairment loss for an asset other than goodwill is reversed only if, there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of this asset is increased to its revised recoverable amount, provided that this amount does not exceed the carrying amount that would have been determined (net of any accumulated amortisation or depreciation) had no impairment loss been recognised for the asset in prior years.

A reversal of impairment loss for an asset other than goodwill is recognised in profit or loss.

2.10 Financial assets

(a) Classification

The Group classifies its financial assets into loans and receivables. The classification depends on the nature of the asset and the purpose for which the assets were acquired. Management determines the classification of its financial assets at initial recognition.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. They are presented as current assets, except for those expected to be realised later than 12 months after the balance sheet date which are presented as non-current assets. Loans and receivables are presented as "trade and other receivables", "due from customers on construction contracts" and "cash and bank balances" on the balance sheet.

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Financial assets (continued)

(b) Recognition and derecognition

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

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

(c) Initial measurement

Financial assets are initially recognised at fair value plus transaction costs.

(d) Subsequent measurement

Loans and receivables are subsequently carried at amortised cost using the effective interest method.

(e) Impairment

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

Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy and default or significant delay in payments are objective evidence that these financial assets are impaired.

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

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

2.11 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the balance sheet when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

2.12 Borrowings

Borrowings are presented as current liabilities unless the Group has an unconditional right to defer settlement for at least 12 months after the balance sheet date, in which case they are presented as non-current liabilities.

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

2.13 Trade and other payables

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 Leases

(a) When the Group is the lessee:

The Group leases land from a non-related party under operating leases.

Leases where substantially all risks and rewards incidental to ownership are retained by the lessors are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessors) are recognised in profit or loss on a straight-line basis over the period of the lease.

Contingent rents are recognised as an expense in profit or loss when incurred.

(b) When the Group is the lessor:

Leases of property where the Group retains substantially all risks and rewards incidental to ownership are classified as operating leases. Rental income from operating leases (net of any incentives given to the lessees) is recognised in profit or loss on a straight-line basis over the lease term. Income from leasing of equipment is recognised on its utilisation basis.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are added to the carrying amount of the leased assets and recognised as an expense in profit or loss over the lease term on the same basis as the lease income.

Contingent rents are recognised as income in profit or loss when earned.

2.15 Inventories

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

2.16 Income taxes

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

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

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

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

Deferred income tax is measured:

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

(b) based on the tax consequence that will follow from the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Income taxes (continued)

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

The Group accounts for investment tax credits (for example, productivity and innovative credit) similar to accounting for other tax credits where deferred tax asset is recognised for unused tax credits to the extent that it is probable that future taxable profit will be available against which the unused tax credit can be utilised.

2.17 Provisions

Provisions are recognised when the Group has a present legal or constructive obligation as a result of past events, it is more likely than not that an outflow of resources will be required to settle the obligation and the amount has been reliably estimated.

2.18 Employee compensation

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

(a) Defined contribution plans

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

(b) Employee leave entitlement

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

2.19 Currency translation

(a) Functional and presentation currency

Items included in the financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates (“functional currency”). The financial statements are presented in Singapore Dollars, which is the functional currency of the Company.

(b) Transactions and balances

Transactions in a currency other than the functional currency (“foreign currency”) are translated into the functional currency using the exchange rates at the dates of the transactions. Currency exchange differences resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at the closing rates at the balance sheet date are recognised in profit or loss. However, in the consolidated financial statements, currency translation differences arising from borrowings in foreign currencies and other currency instruments designated and qualifying as net investment hedges and net investment in foreign operations, are recognised in other comprehensive income and accumulated in the currency translation reserve.

When a foreign operation is disposed of or any loan forming part of the net investment of the foreign operation is repaid, a proportionate share of the accumulated currency translation differences is reclassified to profit or loss, as part of the gain or loss on disposal.

Foreign exchange gains and losses impacting profit or loss are presented in the income statement within “other gains/(losses) - net”.

Non-monetary items measured at fair values in foreign currencies are translated using the exchange rates at the date when the fair values are determined.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

2. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Currency translation (continued)

(c) Translation of Group entities' financial statements

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

(i) assets and liabilities are translated at the closing exchange rates at the reporting date;

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

(iii) all resulting currency translation differences are recognised in other comprehensive income and accumulated in the currency translation reserve. These currency translation differences are reclassified to profit or loss on disposal or partial disposal of the entity giving rise to such reserve.

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

2.20 Segment reporting

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

2.21 Cash and bank balances

For the purpose of presentation in the consolidated statement of cash flows, cash and bank balances include cash on hand and deposits with financial institutions which are subject to an insignificant risk of change in value. For cash subjected to restriction, assessment is made on the economic substance of the restriction and whether they meet the definition of cash and bank balances.

2.22 Share capital and warrants

Ordinary shares and warrants are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares and warrants are deducted against the share capital and warrant reserve accounts.

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

Upon expiry of unexercised warrants, the balance previously recognised in the warrants reserve is transferred to retained profits directly.

2.23 Dividends to Company's shareholders

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

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS

Estimates, assumptions and judgements 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.

3.1 Critical accounting estimates and assumptions

(a) Construction contracts

The Group uses the percentage-of-completion method to account for its contract revenue. The stage of completion is measured either by reference to the professional's survey or customer's certification of value of work done to date, or by reference to the contract costs incurred to date compared to the estimated total costs for the contract. Please refer to Note 2.7 "Construction contracts" for the Group's accounting policy on construction contract work-in-progress.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

3. CRITICAL ACCOUNTING ESTIMATES, ASSUMPTIONS AND JUDGEMENTS (CONTINUED)

3.1 Critical accounting estimates and assumptions (continued)

(a) Construction contracts (continued)

Significant assumptions are required to estimate the total contract costs which affect the accuracy of revenue recognition and completeness of foreseeable losses based on the percentage-of-completion. Total contract revenue also includes estimation of the variation works that are recoverable from customers. In making these estimates, management has relied on past experience and the work of specialists. If the remaining estimated contract costs increase/decrease by 5% from management's estimates, the Group's profit before income tax will decrease/increase by approximately S$552,000 and S$560,000 respectively.

(b) Assessment on impairment of goodwill

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

The recoverable amount of the "Bio-Refinery and Bio-Energy" cash-generating unit ("CGU") has been determined based on value-in-use calculations. These calculations require the use of estimates (Note 19). Management is of the view that no impairment of the CGU was required as at 31 December 2015.

Management has performed a sensitivity analysis and noted that a reasonably possible change in the key assumptions will not result in an impairment.

4. REVENUE

	Group	
	2015 S$'000	2014 S$'000
Contract revenue	**36,459**	39,584
Sales of goods	**2,044**	3,978
Rendering of services	**6,279**	822
	44,782	44,384

5. OTHER INCOME

Rental income	**162**	166
Interest income	**49**	54
Other income	**128**	36
	339	256

6. OTHER GAINS/(LOSSES) - NET

Gain on disposal of subsidiaries (Note 17)	**47**	3
Net foreign exchange gains/(losses)	**2,113**	(165)
	2,160	(162)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

7. EXPENSES BY NATURE

	Group	
	2015 **S$'000**	2014 S$'000
Allowance for/(write-back of) impairment of trade receivables (Note 13)	**747**	(542)
Changes in inventories of finished goods	**(307)**	(202)
Commission expenses	**393**	799
Depreciation of property, plant and equipment (Note 18)	**159**	157
Employee compensation (Note 8)	**3,008**	3,725
Freight, transport and shipping expenses	**861**	1,235
Legal and professional fees	**676**	1,773
Purchases of materials and consumables	**36,383**	35,184
Rental expense	**125**	69
Other expenses	**500**	580
Total cost of sales, selling and distribution and administrative expenses	**42,545**	42,778

8. EMPLOYEE COMPENSATION

Salaries and bonuses	**2,667**	3,225
Employer's contribution to defined contribution plan	**292**	431
Other related staff costs	**49**	69
	3,008	3,725

Compensation to key management personnel, including directors' remuneration is separately disclosed in Note 27(b).

9. FINANCE EXPENSES

Bank charges	**16**	67
Interest expense:		
- Banking facilities	**75**	75
- Loan from shareholders	**3**	33
	94	175

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

10. INCOME TAX

(a) Income tax expense

	Group	
	2015 S$'000	2014 S$'000
Tax expense attributable to profit is made up of:		
- Current income tax [Note 10(b)]	**1,737**	994
- Deferred income tax	**(156)**	(23)
	1,581	971
(Over)/under provision in prior financial years		
- Current income tax [Note 10(b)]	**(496)**	(107)
- Deferred income tax	**470**	(499)
	1,555	365

The tax on the Group's profit before tax differs from the theoretical amount that would arise using the Singapore standard rate of income tax as follows:

Profit before income tax	**4,485**	1,474
Share of loss of an associated company, net of tax	**157**	51
Profit before income tax and share of loss of an associated company	**4,642**	1,525
Tax calculated at tax rate of 17% (2014: 17%)		
Effects of:	**789**	259
- Expenses not deductible for tax purposes	**170**	170
- Income not subject to tax	**(59)**	(181)
- Different tax rates of overseas operations	**446**	295
- Unrecognised deferred tax benefits	**230**	458
- Utilisation of previously unrecognised tax losses	**-**	(30)
- Others	**5**	-
Tax charge	**1,581**	971

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

10. INCOME TAX (CONTINUED)

(b) Movement in current income tax liabilities:

	Group	
	2015 **S$'000**	2014 S$'000
Beginning of financial year	**520**	(75)
Currency translation differences	**(96)**	(1)
Income tax paid	**(920)**	(291)
Tax expense [Note 10(a)]	**1,737**	994
Over provision in prior financial years [Note 10(a)]	**(496)**	(107)
End of financial year	**745**	520

(c) Unutilised tax losses and unabsorbed capital allowances

As at 31 December 2015, the Group has unutilised tax losses of approximately S$20,628,000 (2014: S$19,251,000) and unabsorbed capital allowances of approximately S$160,000 (2014: S$149,000) which can, subject to meeting certain statutory requirements by those companies with unrecognised tax losses and unabsorbed capital allowances in their respective countries of incorporation, be carried forward and utilised against future taxable profits. The deferred tax benefits on the unutilised tax losses and unabsorbed capital allowances of subsidiaries have not been recognised in the financial statements because of the uncertainty of future utilisation. The unutilised tax losses and capital allowances have no expiry date.

11. EARNINGS PER SHARE

(a) Basic earnings per share

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

	Group	
	2015	2014
Net profit attributable to equity holders of the Company (S$'000)	**2,086**	424
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**378,409**	378,409
Basic earnings per share (in cent)	**0.55**	0.11

11. EARNINGS PER SHARE (CONTINUED)

(b) Diluted earnings per share

Diluted earnings per share attributable to equity holders of the Company is calculated as follows:

	Group	
	2015	2014
Net profit attributable to equity holders of the Company (S$'000)	**2,086**	424
Weighted average number of ordinary shares outstanding for basic earnings per share ('000)	**378,409**	378,409
Adjustments for warrants ('000)	**2,536**	27,497
	380,945	405,906
Diluted earnings per share (in cent)	**0.55**	0.10

12. CASH AND BANK BALANCES

	Group		Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Cash and bank balances	**14,765**	6,270	**956**	99
Fixed deposits	**1,282**	3,741	**-**	2,005
	16,047	10,011	**956**	2,104

The carrying amounts of fixed deposits approximate their fair values, as the fixed deposits bear interest at variable rates which can be re-priced within a period of up to 12 months.

Included in the cash and bank balances and fixed deposits of the Group is an amount of S$1,438,000 (2014: S$3,694,000) pledged to banks for credit facilities granted.

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

	Group	
	2015	2014
	S$'000	S$'000
Cash and bank balances (as above)	**16,047**	10,011
Less: Restricted cash	**(1,438)**	(3,694)
Cash and bank balances per consolidated statement of cash flows	**14,609**	6,317

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

13. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Trade receivables				
- Non-related parties	**12,122**	9,092	**671**	1,314
Less: Allowance for impairment of receivables	**(980)**	(1,902)	**(168)**	(19)
Trade receivables - net	**11,142**	7,190	**503**	1,295
Retentions on construction contracts (Note 15)	**349**	666	**22**	21
Accrued billings on construction contracts	**3,610**	11,519	**-**	-
Other receivables				
- Deposits	**61**	99	**7**	10
- Prepayments	**72**	776	**4**	11
- Other receivables	**353**	85	**29**	-
- Subsidiaries	**-**	-	**2,062**	1,575
	15,587	20,335	**2,627**	2,912

Allowance for impairment of trade receivables of S$747,000 (2014: write-back of impairment of trade receivables of S$542,000) is recognised as an expense and included in "selling and distribution expenses".

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

14. INVENTORIES

	Group	
	2015	2014
	S$'000	S$'000
Finished goods	**636**	329

The cost of inventories recognised as an expense and included in "cost of sales" amounts to S$457,000 (2014: S$128,000).

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

15. DUE FROM/(TO) CUSTOMERS ON CONSTRUCTION CONTRACTS

	Group		Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Aggregate costs incurred and profits recognised (less losses recognised) to date on uncompleted construction contracts	**29,746**	161,460	**4,705**	35,828
Less: Progress billings	**(29,182)**	(162,359)	**(4,714)**	(35,746)
	564	(899)	**(9)**	82
Presented as:				
Current assets				
- Due from customers on construction contracts	**1,338**	234	**-**	82
Current liabilities				
- Due to customers on construction contracts	**(774)**	(1,133)	**(9)**	-
Retentions on construction contracts (Note 13)	**349**	666	**22**	21
Advances received on construction contracts (Note 20)	**922**	524	**41**	41

16. INVESTMENT IN AN ASSOCIATED COMPANY

Unquoted equity shares, at cost			**640**	640
Beginning of financial year	**1,489**	1,540		
Add: Share of loss	**(157)**	(51)		
End of financial year	**1,332**	1,489		

Details of the associated company are set out in Note 31. The associated company has share capital consisting solely of ordinary shares, which are held directly by the Group; the country of incorporation is also its principal place of business.

There are no contingent liabilities relating to the Group's interest in the associated company.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

16. INVESTMENT IN AN ASSOCIATED COMPANY (CONTINUED)

Summarised financial information for associated company

Set out below is the summarised financial information for Tricaftan Environmental Technology Pte. Ltd..

	2015	2014
	S$'000	S$'000
Summarised balance sheet		
Current assets	**3,638**	4,233
Current liabilities	**(1,179)**	(1,447)
Non-current assets	**876**	942
Non-current liabilities	**(5)**	(6)
Net assets	**3,330**	3,722
Summarised statement of comprehensive income		
Revenue	**4,005**	4,859
Loss after income tax	**(385)**	(128)
Other comprehensive loss	**(7)**	-
Total comprehensive loss	**(392)**	(128)

The information above reflects the amounts presented in the financial statements of the associated company (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the associated company.

Reconciliation of summarised financial information

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in associated company, is as follows:

Net assets		
At beginning of financial year	**3,722**	3,850
Loss for the year	**(385)**	(128)
Other comprehensive loss	**(7)**	-
At end of financial year	**3,330**	3,722
Interest in associated company		
Carrying value	**1,332**	1,489

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

17. INVESTMENTS IN SUBSIDIARIES

Company	2015 S$'000	2014 S$'000
Unquoted equity shares, at cost		
Beginning of financial year	**16,910**	16,910
Disposal of a subsidiary	**(141)**	-
End of financial year	**16,769**	16,910
Less: allowance for impairment	**(100)**	(100)
	16,669	16,810

Details of the subsidiaries are set out in Note 31.

Carrying value of non-controlling interests		
Oiltek Sdn. Bhd. and its subsidiary	**3,057**	2,748

Summarised financial information of subsidiaries with material non-controlling interests

Set out below are the summarised financial information for Oiltek Sdn. Bhd. and its subsidiary, which has non-controlling interests that are material to the Group. These are presented before inter-company eliminations.

There were no transactions with non-controlling interests for the financial years ended 31 December 2015 and 2014.

Oiltek Sdn. Bhd. and its subsidiary

Summarised balance sheet

Current		
Assets	**29,027**	25,529
Liabilities	**(16,502)**	(15,797)
Total current net assets	**12,525**	9,732
Non-current		
Assets	**1,229**	1,803
Total non-current net assets	**1,229**	1,803
Net assets	**13,754**	11,535

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

17. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

Summarised financial information of subsidiaries with material non-controlling interests (continued)

Oiltek Sdn. Bhd. and its subsidiary	**2015** **S$'000**	2014 S$'000
Summarised statement of comprehensive income		
Revenue	**34,614**	38,196
Profit before income tax	**6,381**	3,894
Income tax expense	**(1,648)**	(458)
Profit after tax and total comprehensive income	**4,733**	3,436
Total comprehensive loss allocated to non-controlling interests	**(17)**	(43)
Summarised cash flows		
Net cash provided by/(used in) operating activities	**7,542**	(380)
Net cash used in investing activities	**(7)**	(49)
Net cash provided by/(used in) financing activities	**36**	(221)
Net increase/(decrease) in cash and bank balances	**7,571**	(650)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

18. PROPERTY, PLANT AND EQUIPMENT

Group	Leasehold land and buildings S$'000	Machinery and equipment S$'000	Renovation S$'000	Motor vehicles S$'000	Office equipment and computers S$'000	Furniture and fittings S$'000	Total S$'000
2015							
Cost							
At 1 January 2015	4,458	91	345	288	373	177	5,732
Additions	-	-	-	27	9	15	51
Write-off	(7)	-	-	-	(9)	(3)	(19)
Currency translation differences	(176)	(3)	(11)	(22)	(31)	(14)	(257)
At 31 December 2015	4,275	88	334	293	342	175	5,507
Accumulated depreciation							
At 1 January 2015	1,476	91	284	271	257	142	2,521
Depreciation charge	86	-	12	10	34	17	159
Write-off	(7)	-	-	-	(8)	(1)	(16)
Currency translation differences	(27)	(3)	(4)	(22)	(21)	(11)	(88)
At 31 December 2015	1,528	88	292	259	262	147	2,576
Net book value at 31 December 2015	**2,747**	**-**	**42**	**34**	**80**	**28**	**2,931**
2014							
Cost							
At 1 January 2014	4,492	102	347	293	485	233	5,952
Additions	-	-	-	-	67	11	78
Disposal	-	(10)	-	-	(174)	(65)	(249)
Currency translation differences	(34)	(1)	(2)	(5)	(5)	(2)	(49)
At 31 December 2014	4,458	91	345	288	373	177	5,732
Accumulated depreciation							
At 1 January 2014	1,393	101	271	270	400	193	2,628
Depreciation charge	88	1	13	5	34	16	157
Disposal	-	(10)	-	-	(174)	(65)	(249)
Currency translation differences	(5)	(1)	-	(4)	(3)	(2)	(15)
At 31 December 2014	1,476	91	284	271	257	142	2,521
Net book value at 31 December 2014	2,982	-	61	17	116	35	3,211

As at 31 December 2015, a leasehold land and building with carrying amount of S$997,000 (2014: S$1,165,000) is pledged to a financial institution to secure banking facilities to the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold land and buildings S$'000	Machinery and equipment S$'000	Renovation S$'000	Motor vehicles S$'000	Office equipment and computers S$'000	Furniture and fittings S$'000	Total S$'000
2015							
Cost							
At 1 January 2015	3,085	66	262	115	83	56	3,667
Additions	-	-	-	27	-	-	27
At 31 December 2015	3,085	66	262	142	83	56	3,694
Accumulated depreciation							
At 1 January 2015	1,268	66	262	98	79	53	1,826
Depreciation charge	69	-	-	10	4	2	85
At 31 December 2015	1,337	66	262	108	83	55	1,911
Net book value at 31 December 2015	**1,748**	**-**	**-**	**34**	**-**	**1**	**1,783**
2014							
Cost							
At 1 January 2014 and 31 December 2014	3,085	66	262	115	83	56	3,667
Accumulated depreciation							
At 1 January 2014	1,200	64	261	92	75	52	1,744
Depreciation charge	68	2	1	6	4	1	82
At 31 December 2014	1,268	66	262	98	79	53	1,826
Net book value at 31 December 2014	1,817	-	-	17	4	3	1,841

18. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

The Group's major properties included in property, plant and equipment are as follows:

Name and location	Description	Land area (Sq ft)	Built-up area (Sq ft)	Tenure
(a) 28 Third Lok Yang Road Singapore 628016	Factory-cum-office building	27,024	22,025	48 years 8 months from 20 October 1983
(b) Lot 6 Jalan Pasaran 23/5, Kawasan Miel, Phase 10, 40300 Shah Alam, Selangor Darul Ehsan, Malaysia	Factory-cum-office building	42,637	28,614	99 years from 15 August 1997

19. GOODWILL

	Group	
	2015	2014
	S$'000	S$'000
Cost		
Beginning and end of financial year	**11,273**	11,273
Accumulated impairment		
Beginning and end of financial year	**4,416**	4,416
Net book value	**6,857**	6,857

Impairment tests for goodwill

Goodwill arising from acquisition of a subsidiary has been allocated to the cash-generating unit ("CGU") identified as the "Bio-Refinery and Bio-Energy" segment.

The Group tests CGU annually for impairment or more frequently if there are indicators that goodwill might be impaired.

The recoverable amount of the CGU is determined based on value-in-use. Cash flow projections used in the value-in-use calculations were based on financial budgets approved by management covering a one-year period.

Key assumptions used for value-in-use calculations:

	2015	2014
Gross margin [(1)]	**12%**	12%
Terminal growth rate [(2)]	**2%**	2%
Discount rate [(3)]	**13%**	13%

(1) Budgeted gross margin
(2) Weighted average growth rate used to extrapolate cash flows beyond the budget period
(3) Pre-tax discount rate applied to the pre-tax cash flow projections

These assumptions are used for the analysis of the CGU within the business segment. Management determined budgeted gross margin and terminal growth rate based on past performance and its expectations of market developments. The weighted average growth rates used are consistent with forecasts included in industry reports. The discount rates used are pre-tax and reflected specific risks relating to the relevant segment. The sensitivity analysis of the recoverable amount of the CGU is set out in Note 3.1(b).

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

20. TRADE AND OTHER PAYABLES

	Group		Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Current				
Trade payables				
- Non-related parties	**7,218**	8,304	**235**	90
- Related corporations	**1,066**	368	**453**	79
- Subsidiaries	**-**	-	**2,019**	1,404
	8,284	8,672	**2,707**	1,573
Advances received on construction contracts (Note 15)	**922**	524	**41**	41
Advance billings on construction contracts	**9,470**	7,076	**-**	-
Other payables				
- Accrued expenses	**4,253**	4,125	**197**	1,419
- Other payables	**432**	1,017	**-**	4
- Subsidiaries	**-**	-	**-**	829
- Related corporations	**-**	248	**-**	162
- Due to related parties	**145**	909	**-**	773
	23,506	22,571	**2,945**	4,801

(a) The non-trade amounts due to subsidiaries and related corporations are unsecured, interest-free and are repayable on demand.

(b) The amounts due to related parties include:

(i) loan from a shareholder of S$909,000 in the previous financial year which was unsecured and interest-bearing at a rate of 2% per annum. It was fully repaid during the financial year.

(ii) non-trade amounts due to non-controlling interest of S$145,000 in the current financial year which is unsecured, interest-free and are repayable on demand.

21. BORROWINGS

	Group	
	2015	2014
	S$'000	S$'000
Short-term bank loan (unsecured)	**1,800**	1,800

(a) Effective interest rates

Weighted average effective interest rate per annum of short-term bank loan at the balance sheet date is 3.50% (2014: 4.12%) per annum.

(b) The carrying amount of the Group's borrowings approximates their fair values.

22. DEFERRED INCOME TAX ASSETS

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets against current income tax liabilities and when the deferred income taxes relate to the same fiscal authority. The amounts, determined after appropriate offsetting, are shown on the balance sheet as follows:

	Group	
	2015	2014
	S$'000	S$'000
Deferred income tax assets		
- To be recovered within one year	**(544)**	(480)
Deferred income tax liabilities		
- To be settled within one year	**436**	17

Movement in deferred income tax account is as follows:

	2015	2014
Beginning of financial year	**(463)**	58
Currency translation differences	**40**	1
Charged/(credited) to profit or loss	**315**	(522)
End of financial year	**(108)**	(463)

Movements in deferred income tax assets and liabilities (prior to offsetting of the balances within the same tax jurisdiction) are as follows:

Deferred income tax liabilities

Group	**Accelerated tax depreciation S$'000**	**Unrealised foreign exchange gain from an overseas subsidiary S$'000**	**Total S$'000**
2015			
Beginning of financial year	**17**	**-**	**17**
Currency translation differences	**(1)**	**(28)**	**(29)**
(Credited)/charged to profit or loss	**(3)**	**451**	**448**
End of financial year	**13**	**423**	**436**
2014			
Beginning of financial year	75	-	75
Credited to profit or loss	(58)	-	(58)
End of financial year	17	-	17

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

22. DEFERRED INCOME TAX ASSETS (CONTINUED)

Deferred income tax assets

Group	**Provisions S$'000**
2015	
Beginning of financial year	**(480)**
Currency translation differences	**70**
Credited to profit or loss	**(134)**
End of financial year	**(544)**
2014	
Beginning of financial year	(17)
Currency translation differences	1
Credited to profit or loss	(464)
End of financial year	(480)

23. SHARE CAPITAL

	No. of ordinary shares		**Amount**	
	2015	2014	**2015**	2014
	'000	'000	**S$'000**	S$'000
Group and Company				
Beginning of financial year	**378,409**	378,409	**30,003**	30,003
Share capital reduction	**-**	-	**(13,527)**	-
End of financial year	**378,409**	378,409	**16,476**	30,003

All issued ordinary shares are fully paid. There is no par value for these ordinary shares.

On 19 June 2015, the Company reduced its issued and fully paid up share capital by S$13,527,000, where the full amount was applied to offset the accumulated losses of the Company.

24. WARRANTS RESERVE

	No. of warrants		**Amount**	
	2015	2014	**2015**	2014
	'000	'000	**S$'000**	S$'000
Group and Company				
Beginning and end of financial year	**205,000**	205,000	**3,112**	3,112

On 28 February 2013, the Company issued 165,000,000 and 40,000,000 non-listed and non-transferable warrants. Each carried the right to subscribe for one ordinary share in the capital of the Company at an exercise price of S$0.048 and S$0.053 for each ordinary share respectively. As at the date of the report, no warrants were exercised at the expiry of the exercise period.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

25. CURRENCY TRANSLATION RESERVE

	Group	
	2015	2014
	$'000	$'000
Beginning of financial year	**(881)**	(739)
Net currency translation differences of financial statements of foreign subsidiaries	**(1,824)**	(215)
Less: Non-controlling interests	**535**	73
End of financial year	**(2,170)**	(881)

26. OPERATING LEASE COMMITMENTS

(a) Operating lease commitments – where the Group is a lessee

The Group and Company leases land from a non-related party and office premise from a related corporation under a non-cancellable operating lease agreements. The leases have varying terms, escalation clauses and renewal rights.

The future minimum lease payable under the non-cancellable operating lease contracted for at the balance sheet date but not recognised as liabilities, are as follows:

	Group and Company	
	2015	2014
	S$'000	S$'000
Not later than one year	**135**	35
Between two and five years	**173**	140
Later than five years	**544**	438
Total	**852**	613

(b) Operating lease commitments – where the Group is a lessor

The Group and the Company have entered into tenancy agreement for subletting of office premise as a lessor under non-cancellable operating leases. The lease has term of 3 years with an option to renew the lease after that date at the prevailing market rental rate.

The future minimum lease receivables under non-cancellable operating leases contracted for at the balance sheet date but not recognised as receivables, are analysed as follows:

Not later than one year	**162**	162
Between one and five years	**149**	311
Total	**311**	473

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

27. RELATED PARTY TRANSACTIONS

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

(a) Sales and purchases of goods and services

	Group	
	2015	2014
	S$'000	S$'000
(i) Related corporations		
- Purchases of goods and services from related corporations	**(420)**	(378)
- Management and support services from a related corporation	**(203)**	(144)
- Revenue on construction contract from a related corporation	**93**	-
- Rental of office premise from a related corporation	**(58)**	–
(ii) Interest on loan from shareholders	**(3)**	(33)

(b) Key management personnel compensation

	2015	2014
Salaries and other short-term employee benefits	**747**	701
Employer's contribution to defined contribution plans	**45**	42
	792	743

Included in the above was total compensation to directors of the Company amounting to S$78,000 (2014: S$78,000).

28. SEGMENT INFORMATION

Management has determined the operating segments based on the reports reviewed by the Chief Executive Officer ("CEO") that are used to make strategic decisions.

The CEO considers the business from a business segment perspective. Management manages and monitors the business in two main business segments which are "Water and Wastewater Treatment and Hydro-Engineering" and "Bio-Refinery and Bio-Energy". The CEO assesses the performance of these business segments based on sales, segment results, segment assets and segment liabilities.

(a) Analysis by Reportable Segment

Segment revenue and expense: Segment revenue and expense are the operating revenue and expenses reported in the Group's profit or loss that are directly attributable to a segment and the relevant portion of such revenue and expense that can be allocated on a reasonable basis to a segment.

Segment assets and liabilities: Segment assets include all operating assets used by a segment and consist principally of operating receivables, inventories and plant and equipment, net of allowances and impairment that can be specifically attributable to a specific segment. Capital expenditure includes the total cost incurred to acquire plant and equipment directly attributable to the segment. Segment liabilities include all operating liabilities and consist principally of trade and other payables.

The Group's income tax expense and income tax payable are not allocated to any specific segment.

The reportable segment profit and loss has been determined using the same accounting policy of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

28. SEGMENT INFORMATION (CONTINUED)

(a) Analysis by Reportable Segment (continued)

Group (S$'000)	Water and Wastewater Treatment and Hydro-Engineering	Bio-Refinery and Bio-Energy	Total
2015			
Revenue:			
External sales	10,203	34,579	**44,782**
Inter-segment	-	20	**20**
	10,203	34,599	**44,802**
Elimination			**(20)**
			44,782
Results:			
Segment results	(1,363)	6,003	**4,640**
Share of loss of an associated company	(157)	-	**(157)**
Gain on disposal of subsidiaries	47	-	**47**
Interest income	7	42	**49**
Finance expense	(78)	(16)	**(94)**
Income tax expense			**(1,555)**
Profit after income tax			**2,930**
Other information:			
Depreciation of property, plant and equipment	101	58	**159**
Capital expenditure	43	8	**51**
Assets:			
Segment assets	6,639	29,900	**36,539**
Investment in an associated company	1,332	-	**1,332**
Goodwill	-	6,857	**6,857**
Unallocated assets			**108**
Total assets			**44,836**
Liabilities:			
Segment liabilities	9,326	14,954	**24,280**
Unallocated liabilities			**2,545**
Total liabilities			**26,825**

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

28. SEGMENT INFORMATION (CONTINUED)

(a) Analysis by Reportable Segment (continued)

Group (S$'000)	Water and Wastewater Treatment and Hydro-Engineering	Bio-Refinery and Bio-Energy	Total
2014			
Revenue:			
External sales	6,198	38,186	44,384
Results:			
Segment results	(2,588)	4,234	1,646
Share of loss of an associated company	(51)	-	(51)
Interest income	11	43	54
Finance expense	(105)	(70)	(175)
Income tax expense			(365)
Profit after income tax			1,109
Other information:			
Depreciation of property, plant and equipment	69	88	157
Capital expenditure	48	30	78
Assets:			
Segment assets	7,509	26,611	34,120
Investment in an associated company	1,489	-	1,489
Goodwill	-	6,857	6,857
Unallocated assets			463
Total assets			42,929
Liabilities:			
Segment liabilities	10,638	14,866	25,504
Unallocated liabilities			520
Total liabilities			26,024

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

28. SEGMENT INFORMATION (CONTINUED)

(b) Geographical Information

Revenue segmentation is based on the location of services rendered or goods delivered. Non-current assets and total capital expenditure are based on the location of those assets.

	Group	
	2015	2014
	S$'000	S$'000
Revenue		
Malaysia	**17,895**	27,278
Singapore	**9,718**	3,479
Indonesia	**5,918**	3,405
Rest of Asia	**7,105**	4,750
South America	**626**	29
Africa	**2,264**	3,775
Others	**1,256**	1,668
	44,782	44,384
Non-current assets		
Malaysia	**1,122**	879
Singapore	**9,998**	10,675
Others	**-**	3
	11,120	11,557

29. FINANCIAL RISK MANAGEMENT

The Group's activities expose it to credit risks, market risks (including foreign currency risks and interest rate risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise any adverse effects from the unpredictability of financial markets on the Group's financial performance.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

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

(a) Market risk

(i) Currency risk

The Group transacts business in various foreign currencies, including Malaysian Ringgit ("MYR"), Euro ("EUR"), United States Dollar ("USD"), and Indonesia Rupiah ("IND") and hence is exposed to foreign currency risks. The Group monitors the foreign currency exchange rate movements closely to ensure that its exposure is minimised.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

The Group's currency exposure is as follows:

Group	SGD S$'000	MYR S$'000	EUR S$'000	USD S$'000	IND S$'000	Others S$'000	Total S$'000
2015							
Financial assets							
Cash and cash equivalents	1,279	2,120	24	12,624	-	-	16,047
Trade and other receivables	1,876	7,824	323	5,492	-	-	15,515
Inter-company balances	12,447	1,384	911	649	-	-	15,391
Due from customers on construction contracts	1,338	-	-	-	-	-	1,338
	16,940	11,328	1,258	18,765	-	-	48,291
Financial liabilities							
Trade and other payables	(8,223)	(3,090)	(1,005)	(796)	-	-	(13,114)
Inter-company balances	(12,447)	(1,384)	(911)	(649)	-	-	(15,391)
Borrowings	(1,800)	-	-	-	-	-	(1,800)
	(22,470)	(4,474)	(1,916)	(1,445)	-	-	(30,305)
Net financial (liabilities)/assets	(5,530)	6,854	(658)	17,320	-	-	17,986
Less: Net liabilities/(assets) denominated in the respective entities' functional currency	5,530	(6,495)	-	-	-	-	(965)
Net currency exposure	**-**	**359**	**(658)**	**17,320**	**-**	**-**	**17,021**
2014							
Financial assets							
Cash and cash equivalents	2,717	5,347	158	1,784	-	5	10,011
Trade and other receivables	1,616	11,371	587	574	3,272	2,139	19,559
Inter-company balances	4,817	1,862	947	607	-	-	8,233
Due from customers on construction contracts	103	-	-	56	-	75	234
	9,253	18,580	1,692	3,021	3,272	2,219	38,037
Financial liabilities							
Trade and other payables	(6,706)	(5,343)	(2,272)	(448)	-	(202)	(14,971)
Inter-company balances	(4,885)	(1,794)	(947)	(607)	-	-	(8,233)
Borrowings	(1,800)	-	-	-	-	-	(1,800)
	(13,391)	(7,137)	(3,219)	(1,055)	-	(202)	(25,004)
Net financial (liabilities)/assets	(4,070)	11,375	(1,527)	1,966	3,272	2,017	13,033
Less: Net liabilities/(assets) denominated in the respective entities' functional currency	4,070	(10,985)	-	-	-	64	(6,851)
Net currency exposure	-	390	(1,527)	1,966	3,272	1,953	6,182

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

The Company's currency exposure is as follows:

Company	SGD S$'000	MYR S$'000	USD S$'000	Others S$'000	Total S$'000
2015					
Financial assets					
Cash and bank balances	956	-	-	-	956
Trade and other receivables	2,627	-	-	-	2,627
	3,583	-	-	-	3,583
Financial liabilities					
Trade and other payables	(2,932)	-	(11)	(2)	(2,945)
	(2,932)	-	(11)	(2)	(2,945)
Net financial assets/(liabilities)	651	-	(11)	(2)	638
Less: Net assets denominated in the Company's functional currency	(651)	-	-	-	(651)
Net currency exposure	-	-	(11)	(2)	(13)
2014					
Financial assets					
Cash and bank balances	2,103	-	-	1	2,104
Trade and other receivables	2,783	-	118	-	2,901
Due from customers on construction contracts	82	-	-	-	82
	4,968	-	118	1	5,087
Financial liabilities					
Trade and other payables	(4,168)	(566)	(11)	(15)	(4,760)
	(4,168)	(566)	(11)	(15)	(4,760)
Net financial assets/(liabilities)	800	(566)	107	(14)	327
Less: Net assets denominated in the Company's functional currency	(800)	-	-	-	(800)
Net currency exposure	-	(566)	107	(14)	(473)

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Market risk (continued)

(i) Currency risk (continued)

If the MYR and USD change against the SGD by 6% (2014: 3%) and the EUR and IND change against the SGD by 6% (2014: 5%) with all variables held constant, the effects arising from the net financial liability/asset position will be as follows:

	2015		2014	
	Increase/(decrease)			
Group	**Profit after tax S$'000**	**Other comprehensive income S$'000**	Profit after tax S$'000	Other comprehensive income S$'000
MYR against SGD				
- Strengthened	**18**	**720**	10	182
- Weakened	**(18)**	**(720)**	(10)	(182)
EUR against SGD				
- Strengthened	**(33)**	**-**	(63)	-
- Weakened	**33**	**-**	63	-
USD against SGD				
- Strengthened	**863**	**-**	49	-
- Weakened	**(863)**	**-**	(49)	-
IND against SGD				
- Strengthened	**-**	**-**	136	-
- Weakened	**-**	**-**	(136)	-

The Company's business operations are not exposed to significant foreign currency risks as it has no significant transactions denominated in foreign currencies.

(ii) Interest rate risks

Cash flow interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Fair value interest rate risk is the risk that the fair value of a financial instrument will fluctuate due to changes in market interest rates. The Group has no significant interest-bearing assets. The Group's exposure to cash flow interest rate risks arises mainly from the Group's debt obligations. The Group manages its cash flow interest rate risks by adopting a preference for fixed rate instruments over variable-rate instruments.

The Group's borrowings at variable rates on which effective hedges have not been entered into, are denominated mainly in SGD. If the SGD interest rate increase/decrease by 1% (2014: 1%) per annum with all other variables including tax rate being held constant, the profit after tax will be lower/higher by S$15,000 (2014: S$15,000) as a result of higher/lower interest expenses on these borrowings.

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in financial loss to the Group. The major classes of financial assets of the Group and of the Company are bank deposits and trade and other receivables. For trade receivables, the Group adopts the policy of dealing only with customers of appropriate credit standing and history. Cash term, advance payments, bankers' guarantees and performance bonds are required for customers of lower credit standing. For other financial assets, the Group adopts the policy of dealing only with high credit quality counterparties.

As the Group and the Company do not hold any collateral, the maximum exposure to credit risk for each class of financial instruments is the carrying amount of that class of financial instruments presented on the balance sheet. In addition, at 31 December 2015, the Company furnished banks and financial institutions guarantees for facilities extended to a subsidiary amounting to S$5,270,000 (2014: S$6,050,000) of which the amount utilised at 31 December 2015 was S$361,000 (2014: S$1,486,000).

The trade receivables of the Group comprise five debtors (2014: four debtors) accounted for approximately 66% (2014: 63%).

The credit risk for trade receivables based on the information provided to key management is as follows:

	Group		Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
By geographical areas				
Malaysia	**5,940**	4,437	**-**	-
Singapore	**1,576**	1,398	**503**	1,127
The rest of Asia and others	**3,626**	1,355	**-**	168
	11,142	7,190	**503**	1,295
By industry sectors				
Water and Wastewater Treatment and Hydro-Engineering	**1,583**	1,575	**503**	1,295
Bio-Refinery and Bio-Energy	**9,559**	5,615	**-**	-
	11,142	7,190	**503**	1,295

(i) Financial assets that are neither past due nor impaired

Bank deposits that are neither past due nor impaired are mainly deposits with banks with high credit-ratings assigned by international credit-rating agencies. Trade receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group.

(ii) Financial assets that are past due and/or impaired

There is no other class of financial assets that is past due and/or impaired except for trade receivables.

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

Past due 0 to 3 months	**2,689**	2,535	**5**	-
Past due 3 to 6 months	**624**	597	**12**	-
Past due over 6 months	**6,027**	1,890	**-**	168
	9,340	5,022	**17**	168

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Credit risk (continued)

(ii) Financial assets that are past due and/or impaired (continued)

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

	Group		Company	
	2015	2014	**2015**	2014
	S$'000	S$'000	**S$'000**	S$'000
Past due over 6 months	**980**	1,902	**168**	19
Less: Allowance for impairment	**(980)**	(1,902)	**(168)**	(19)
	-	-	**-**	-
Beginning of financial year	**1,902**	2,621	**19**	19
Allowance written-off	**(1,285)**	-	**(19)**	-
Allowances/(write-back of allowance) made to profit or loss	**747**	(542)	**168**	-
Currency translation difference	**(384)**	(177)	**-**	-
End of financial year	**980**	1,902	**168**	19

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

(c) Liquidity risk

Prudent liquidity risk management includes maintaining sufficient cash and marketable securities and the availability of funding through an adequate amount of committed credit facilities. At the balance sheet date, assets held by the Group and the Company for managing liquidity risk included cash and short-term deposits as disclosed in Note 12.

The table below analyses non-derivative financial liabilities of the Group and the Company into relevant maturity groupings based on the remaining period from the balance sheet date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows. Balances due within 12 months equal their carrying amounts as the impact of discounting is not significant.

	Group			Company		
	Less than 1 year S$'000	**1 - 5 years S$'000**	**Total S$'000**	**Less than 1 year S$'000**	**1 - 5 years S$'000**	**Total S$'000**
2015						
Trade and other payables	**13,114**	**-**	**13,114**	**2,904**	**-**	**2,904**
Bank loans	**1,805**	**-**	**1,805**	**-**	**-**	**-**
2014						
Trade and other payables	14,971	-	14,971	4,760	-	4,760
Bank loans	1,819	-	1,819	-	-	-

The Group and the Company manage the liquidity risk by maintaining sufficient cash to enable them to meet their normal operating commitments and having an adequate amount of committed credit facilities.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

29. FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Capital risk

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

The gearing ratio is calculated as net debt divided by shareholders funds. Net debt is calculated as borrowings less cash and bank balances.

The Group and the Company is in a net cash position as at 31 December 2015 and 31 December 2014.

The Group and Company are in compliance with all externally imposed requirements for the financial years ended 31 December 2015 and 31 December 2014 respectively.

(e) Fair value measurements

The carrying amounts of cash and bank balances, trade and other current receivables and payables, approximate their respective fair values due to the relative short term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to the financial statements. The Group does not hold financial assets or liabilities carried at fair value or at valuation.

(f) Financial instruments by category

The aggregate carrying amounts of loans and receivables and financial liabilities at amortised cost are as follows:

	Group	
	2015	2014
	S$'000	S$'000
Loan and receivables	**32,900**	29,804
Financial liabilities at amortised cost	**14,914**	16,771

30. IMMEDIATE AND ULTIMATE HOLDING CORPORATION

The Company's immediate and ultimate holding corporation is Koh Brothers Group Limited, incorporated in Singapore.

NOTES TO THE FINANCIAL STATEMENTS
For the financial year ended 31 December 2015

31. GROUP COMPANIES

The subsidiaries and associated company at 31 December 2015 and 31 December 2014 are as follows:

Name	Country of incorporation	Principal activities	Effective equity interest held by the Group 2015 %	2014 %
SUBSIDIARIES				
Held by the Company				
Metax Eco Solutions Pte. Ltd. [(1)]	Singapore	Environmental engineering services	**100**	100
Koh Eco Engineering Pte. Ltd. [(1)]	Singapore	Industrial and mechanical engineering works and building construction	**100**	100
WS Bioengineering Pte. Ltd. [(1)]	Singapore	Construction and project management	**100**	100
Metax Engineering (India) Private Limited [(3)]	India	In process of disposal	**-**	100
Held by subsidiaries				
MetEco Solutions Sdn. Bhd. [(2)]	Malaysia	Construction and project management	**100**	100
WS Bioengineering China Pte. Ltd. [(1)]	Singapore	Engineering, construction and management service	**100**	100
WSB Pte. Ltd. [(1)]	Singapore	Engineering, and construction service	**100**	100
Koh Brothers Eco (China) Pte. Ltd.	Singapore	Gazetted to be struck-off	**-**	100
WS Bioengineering Sdn. Bhd. [(2)]	Malaysia	Management services	**100**	100
Oiltek Sdn. Bhd. [(2)]	Malaysia	Specialist engineers and commission agent	**80.04**	80.04
Oiltek-Nova Bioenergy Sdn. Bhd. [(2)]	Malaysia	Specialist engineers and commission agent	**52.03**	52.03
ASSOCIATED COMPANY				
Held by the Company				
Tricaftan Environmental Technology Pte. Ltd. [(4)]	Singapore	Construction and project management	**40**	40

(1) Audited by PricewaterhouseCoopers LLP, Singapore.
(2) Audited by PricewaterhouseCoopers, Malaysia.
(3) Unaudited management account has been reviewed for the purpose of preparing the consolidated financial statements of the Group.
(4) Audited by Reanda Adept Public Accounting Corporation, Singapore.
(5) In accordance to Rule 716(1) of the Catalist Rules, the Board of Directors and the Audit and Risk Committee of the Company confirmed that they are satisfied that the appointment of the different auditors for its subsidiaries and associated company would not compromise the standard and effectiveness of the audit of the Group.

NOTES TO THE FINANCIAL STATEMENTS

For the financial year ended 31 December 2015

32. EVENTS OCCURRING AFTER BALANCE SHEET DATE

On 7 January 2016, the ultimate holding corporation announced the proposed restructuring of the construction division by transferring Koh Brothers Building & Civil Engineering Contractor (Pte) Ltd. ("KBCE") to the Group for S$19,011,000. The consideration will be fully satisfied through the allotment and issuance of 369,145,631 new shares of the Company to the ultimate holding corporation. The financial effect of this transaction cannot be estimated as the restructuring is still in progress at the time these financial statements have been authorised for issue.

33. NEW OR REVISED ACCOUNTING STANDARDS AND INTERPRETATIONS

The Group has not early adopted any mandatory standards, amendments and interpretations to existing standards that have been published but are only effective for the Group's accounting periods beginning on or after 1 January 2016. The Group is assessing the impact of the relevant new or revised accounting standards and interpretations.

34. AUTHORISATION OF FINANCIAL STATEMENTS

These financial statements were authorised for issue in accordance with a resolution of the Board of Directors of Koh Brothers Eco Engineering Limited on 23 March 2016.

STATISTICS OF SHAREHOLDINGS
As at 24 March 2016

SHARE CAPITAL AND VOTING RIGHTS

Issued and fully paid-up capital	:	S$16,476,326.00
Number of issued shares	:	378,408,576
Class of shares	:	Ordinary shares with equal voting rights
Treasury shares	:	Nil (There were no treasury shares)

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	Number of shareholders	%	Number of shares	%
1-99	1	0.20	30	0.00
100-1000	21	4.15	20,000	0.01
1,001 - 10,000	127	25.10	727,500	0.19
10,001 - 1,000,000	332	65.61	40,328,600	10.66
1,000,001 and above	25	4.94	337,332,446	89.14
Total	**506**	**100.00**	**378,408,576**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	Number of shares held	%
1	Koh Brothers Group Limited	155,000,000	40.96
2	DBS Nominees Pte Ltd	53,572,557	14.16
3	CIMB Securities (Singapore) Pte Ltd	38,269,000	10.11
4	Morgan Stanley Asia (S) Securities Pte Ltd	15,000,000	3.96
5	DBS Vickers Securities (S) Pte Ltd	13,463,000	3.56
6	Tan Jin Beng Winston	11,000,000	2.91
7	Raffles Nominees (Pte) Ltd	7,477,539	1.98
8	Lie Tjeng Lien @ Rosalina Ali	5,305,000	1.40
9	Tan Sian Gwan	4,750,000	1.26
10	OCBC Securities Private Ltd	3,368,500	0.89
11	Ng Guat Hua	3,233,000	0.85
12	Tan Hun Tee	2,917,000	0.77
13	Chew Lee Choo	2,911,000	0.77
14	Lim Tian Lye	2,730,500	0.72
15	Ng Poh Wah	2,683,000	0.71
16	Welly Widjaja Chandra @ Chang Poa Wei	2,516,250	0.67
17	United Overseas Bank Nominees Pte Ltd	2,249,000	0.59
18	Tan Tock Han	1,930,000	0.51
19	Kng Chin Kait	1,695,000	0.45
20	Lee Foong Kwan	1,571,000	0.42
	Total	**331,641,346**	**87.65**

STATISTICS OF SHAREHOLDINGS
As at 24 March 2016

SUBSTANTIAL SHAREHOLDERS

	Direct interest		Deemed interest	
Name	Number of shares	% of total issued shares	Number of shares	% of total issued shares
Koh Brothers Group Limited	155,000,000	40.96	-	-
Tan Tze Wen	52,942,557	13.99	-	-
Sunny Ong Keng Hua	24,800,000	6.50	-	-

RULE 723 OF THE LISTING MANUAL

Based on information available to the Company as of 24 March 2016, approximately 36.12% of the issued ordinary shares of the Company is held by the public and therefore, the Company has complied with Rule 723 of the Listing Manual issued by the Singapore Exchange Securities Trading Limited.

CATALIST SPONSOR FEES

The continuing sponsor of the Company is Stamford Corporate Services Pte Ltd. There were no non-sponsor fees paid to the Sponsor and S$45,000 of legal fees were paid to Morgan Lewis Stamford LLC, a related corporation of the Sponsor.

NOTICE OF ANNUAL GENERAL MEETING

KOH BROTHERS ECO ENGINEERING LIMITED
(Unique Entity Number: 197500111H)
(Incorporated in Singapore)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Koh Brothers Eco Engineering Limited (the "Company") will be held at Oxford Hotel, 218 Queen Street, Singapore 188549 on Wednesday, 27 April 2016 at 10.30 a.m. for the following purposes:

ORDINARY BUSINESS

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

2. To re-elect Mr Koh Keng Siang, who is retiring by rotation pursuant to Article 107 of the Company's Constitution and who being eligible, will offer himself for re-election. **(Resolution 2)**

3. To re-appoint Mr Tan Hwa Peng as a Director. **(Resolution 3)**

4. To approve the sum of S$78,000 as Directors' fees for the year ended 31 December 2015. (FY2014: S$78,000). **(Resolution 4)**

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

SPECIAL BUSINESS

To consider and, if thought fit, to pass with or without any modification, the following resolution as Ordinary Resolution:

6. Renewal of Share Issue Mandate **(Resolution 6)**

That authority be and is hereby given to the Directors of the Company to:

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

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

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

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

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

(ii) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under paragraph (1) above, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjusting for:-

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

(bb) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and

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

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

NOTICE OF ANNUAL GENERAL MEETING

(4) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution 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 the earlier.

BY ORDER OF THE BOARD
Therese Ng
Company Secretary
12 April 2016

EXPLANATORY NOTES:

Resolution 2: Mr Koh Keng Siang will, upon re-election as a Director of the Company, remain as the Non-Executive Chairman of the Board of Directors, and the Chairman of the Nominating Committee, and a member of the Remuneration Committee and the Audit and Risk Committee. He is considered non-executive and non-independent for the purposes of Rule 704(7) of the Rules of Catalist.

Resolution 3: This Resolution is to re-appoint Mr Tan Hwa Peng who is above 70 years old and who pursuant to the resolution passed at the Annual General Meeting held on 29 April 2015 in accordance with Section 153(6) of the Companies Act, Cap. 50 (which was then in force) was appointed to hold office as director until this Annual General Meeting. If passed, this Resolution will approve and authorise the re-appointment of Mr Tan in office from the date of this Annual General Meeting onwards without limitation in tenure, as was the case under the repealed Section 153(6) of the Companies Act, Cap. 50. Mr Tan Hwa Peng will, upon re-appointment as a Director of the Company, remain as the Chairman of the Remuneration Committee, and a member of the Audit and Risk Committee and the Nominating Committee. He is considered independent for the purposes of Rule 704(7) of the Rules of Catalist.

Resolution 5: This Resolution is to empower the Directors to issue shares in the capital of the Company and to make or grant the instruments (such as warrants or debentures) convertible into shares, and to issue shares in pursuance of such instruments, up to a number not exceeding 100 per cent of the total number of issued shares (excluding treasury shares) in the capital of the Company, with a sub-limit of 50 per cent for issued other than on a pro-rata basis to shareholders. For the purpose of determining the aggregate number of shares that may be issued, the percentage of issued shares shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Resolution is passed, after adjustment for (i) new shares arising from the conversion or exercise of any convertible securities at the time this Resolution is passed; (ii) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Rules of Catalist; and (iii) any subsequent bonus issue, consolidation or subdivision of shares. Such authority will, unless previously revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

NOTICE OF ANNUAL GENERAL MEETING

Notes:

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

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

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Cap. 50.

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

3. The instrument appointing a proxy or proxies must be lodged at the registered office of the Company at 11 Lorong Pendek, Koh Brothers Building, Singapore 348639 (Attention: The Company Secretary) not less than 48 hours before the time appointed for the Annual General Meeting.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing, administration and analysis by the Company (or its agents or service providers) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes, and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over 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 or service providers), 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 or service providers) 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.

KOH BROTHERS ECO ENGINEERING LIMITED

(Unique Entity Number: 197500111H)
(Incorporated in Singapore)

PROXY FORM

IMPORTANT

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Annual General Meeting.
2. For investors who have used their CPF monies to buy shares in of **KOH BROTHERS ECO ENGINEERING LIMITED**, this form of proxy is not valid for use and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies.
3. 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 12 April 2016.

I / We, ______________________________ (Name), ____________________ (NRIC/Passport/Co Reg No.)

of ____ (Address)

being a member/members of Koh Brothers Eco Engineering Limited (the "**Company**") hereby appoint(s):

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings (%)
and/or (delete where appropriate)			

as my/our proxy/proxies to attend, speak and vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held on Wednesday, 27 April 2016 at Oxford Hotel, 218 Queen Street, Singapore 188549 at 10.30 a.m. and at any adjournment thereof.

(Voting will be conducted by poll. Please indicate with a "✓" in the spaces whether you wish your vote(s) to be cast for or against the Resolutions as set out in the Notice of the Meeting. In the absence of specific directions, the proxy/proxies will vote or abstain as he/they may think fit, as he/they will on any other matter arising at the Meeting.)

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1	To receive and adopt the Directors' Statement, Audited Financial Statements and Auditors' Report		
2	To re-elect Mr Koh Keng Siang as Director		
3	To re-appoint Mr Tan Hwa Peng as Director		
4	To approve the sum of S$78,000 as Directors' fees		
5	To re-appoint PricewaterhouseCoopers LLP as Auditors and to authorise the Directors to fix their remuneration		
6	To approve the proposed renewal of the Shares Issue Mandate		

Dated this ____________ day of ________________ 2016.

Total number of shares held

____
Signature(s)/Common Seal of Member(s)

(Please read notes overleaf before completing this Form.)

Notes:

1. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all shares held by the member.

2. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

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

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

3. A proxy need not be a member of the Company.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 11 Lorong Pendek, Koh Brothers Building, Singapore 348639 (Attn: The Company Secretary) not less than 48 hours before the time appointed for the Annual General Meeting.

5. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting in person at the Annual General Meeting if he finds that he is able to do so. In such event, the relevant instrument appointing a proxy or proxies will be deemed to be revoked.

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 an instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument of proxy, failing which the instrument may be treated as invalid.

7. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting in accordance with its Constitution and Section 179 of the Companies Act, Chapter 50.

8. 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 (including any related attachment) appointing a proxy or proxies. In addition, in the case of members whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are shown to have shares entered against their names in the Depository Register 72 hours before the time appointed for holding the Annual General Meeting as certified by the Central Depository (Pte) Limited to the Company.

11 Lorong Pendek
Koh Brothers Building
Singapore 348639
Tel: (65) 6845 7262
Fax: (65) 6443 2487
Website: www.kohbrotherseco.com
Unique Entity Number: 197500111H