



三德有限公司
SAN TEH LTD
ANNUAL REPORT 2015

Redefining Value



CONTENTS

1	Corporate Profile
2	Chairman's Statement
6	Financial Highlights
7	List of Subsidiaries
7	List of Associates
8	Board of Directors
10	Key Management
11	Corporate Information
12	Financial Contents

We are incorporated in Singapore in 1979 and are engaged in property development and investment, hotel and PVC pipes and fitting businesses. Our shares are listed on the main board of the Singapore Exchange Securities Trading Limited.

We own two investment properties in China. Our San Teh Commercial Plaza, which is located at Shanghai Anting, comprises a commercial building, a shopping mall and a Small Office/ Home Office ("SOHO") apartment, with a total lettable area of approximately 45,515 sqm. We are in the process of converting our Nantong hotel building into a hotel cum shopping mall with an expected total lettable area of 21,998 sqm. The conversion project would be completed in 2016.

We are engaged in property development in Fujian Anxi and Yunnan Heqing.

We own and operate a 191-room resort hotel overseeing the Lake Tai Hu in Suzhou.

We have a factory in Nantong of Jiangsu to manufacture U-PVC and PP-R pipes and fittings for use in the building, sewage, water supply and telecommunications sectors.



Shanghai, Shanghai San Teh Xing Real Estate Co., Ltd
上海, 上海三德兴房地产有限公司



Fujian, San Teh Xing Real Estate (Fujian) Co., Ltd
福建, 三德兴置业(福建)有限公司



Jiangsu, Suzhou San Teh Hotel Co., Ltd
江苏, 苏州三德大酒店有限公司



Jiangsu, SanTeh Pipes & Fittings Industry (Nantong) Co., Ltd
江苏, 三德管业(南通)有限公司



“Our immediate task at hand is to secure more tenants and increase the revenue of our properties at Anting and Nantong, while actively pursuing the re-development potential of our Suzhou hotel. We will also be vigilant for any investment opportunities.”

Kao Chuan Chi

Executive Chairman

Dear Shareholders,

The slowdown in the economy and the turmoil in stock markets adversely affected consumers' sentiments in China in 2015. The oversupply situation in many segments of the Chinese economy, including hotels and properties, further dampened the sentiments. In 2015, revenue of the Group decreased by \$20.9 million from \$41.1 million in 2014 to \$20.2 million mainly because of lower revenue recorded in the hotel and property operation. Net loss increased from \$3.9 million in 2014 to \$6.9 million in 2015 due mainly to the unrealised loss on investment securities of \$4.5 million following the substantial decline in global stock markets.

PERFORMANCE REVIEW

Hotel and Property Operation

Hotel and property operation reported a decrease in revenue of \$17.2 million from \$22.1 million in 2014 to \$4.9 million in 2015. The decrease is mainly caused by a reduction in revenue from the build-and-transfer project at Anxi which was completed in 2014. Subsequent to the completion, the Group will continue to receive interest income from the project based on the outstanding contract sum during the installment payment period. The total contract sum receivable is approximately \$50.0 million which is to be received over three years in six installments after the project completion. To date, two installments have fallen due and been received on schedule.

Loss of the operation increased by \$0.5 million to \$3.5 million in 2015 mainly because of the higher depreciation and amortisation charges and operating expenses at San Teh Commercial Plaza at Shanghai Anting ("Plaza") after it commenced full-year operation.

PVC Pipes and Fittings Operation

Revenue of the PVC pipes and fittings operation decreased from \$19.0 million in 2014 to \$15.2 million in 2015 owing to lower sales quantity at the Nantong plant and the close down of our Midu plant in the previous year. As the Midu plant was loss making, the close down had relieved the operation from the losses at the Midu plant, thereby enabling it to report a profit of \$0.9 million in 2015 as compared to a loss of \$0.4 million in 2014 despite the lower turnover.

Others

The Group reported an exchange gain of \$1.3 million in 2015 due mainly to the strengthening of the US dollar and Renminbi against the Singapore dollar. On the other hand, following the substantial decline in global stock markets, the Group suffered a \$4.5 million unrealised loss on its investment securities.

BUSINESS REVIEW

Hotel and Property Operation

During 2015, the hotel space of the Plaza was let out to a business hotel operator, whereas the office space was let out from February to a single tenant. On the shopping mall, the Group has embarked on an exercise to reposition and re-launch the mall with a new theme which focuses on family outing experience, ranging from shopping, eatery, entertainment, leisure to learning. The objective of the exercise is to enhance the mall's appeal, upgrade the quality of the mall's tenant mix and improve its rental yield. To make way for the re-launch, only those tenancy agreements whose business is congruent with the planned theme are retained. This sifting process was completed by end of 2015 and the retained tenancy agreements represented approximately 10% occupancy rate of the mall. Preparatory and design work for the re-launch are now underway and marketing for new tenants is expected to commence in the second quarter of the year. The official re-launch of the mall is targeted to take place in December 2016.

Regarding our Nantong hotel, after the change in the operating model, the 6th to 24th floors of the hotel building are let out to the same party as the Plaza who operated it as a business hotel. Due to the challenging business conditions, the operator suspended the operation in January 2016 with the intention to re-launch it under an international hotel chain franchise to tap the potential of the deluxe hotel segment in Nantong. The operator has approached us for re-negotiation of the lease agreement. The conversion work to convert the ground to fifth floors of the building into shopping and eatery space for letting is expected to complete in April.

With its huge land area of approximately 67,000 sqm and its good location, we believe that the Suzhou hotel has strong potential for re-development and growth. We have reviewed several re-development options and are now focused on evaluating one which involves redeveloping the hotel into a cluster with boutique hotel, wellness center for recuperation as well as health management center that offers health screening and Traditional Chinese Medicine treatments.

Our property development project at Dali Heqing is on hold pending the Court's decision over the legal actions between the Group and the main contractor on the performance of contract.

PVC Pipes and Fittings Operation

With the weakening economy and the slowdown in construction activity in China, the Group expects its PVC pipes and fittings operation to continue to face a challenging business environment in this year.

DIVIDENDS

The Directors are pleased to recommend a first and final dividend of 0.3 (2014: 0.8) cent per ordinary share for 2015. The first and final dividend, if approved by the Shareholders at the coming Annual General Meeting, will be paid on 25 May 2016.

FOR THE YEAR AHEAD

Our immediate task at hand is to secure more tenants and increase the revenue of our properties at Anting and Nantong, while actively pursuing the re-development potential of our Suzhou hotel. We will also be vigilant for any investment opportunities.

ACKNOWLEDGEMENT AND APPRECIATION

I would like to thank our shareholders and business associates for their continued confidence and support in the challenging conditions. Last but not least, I would like to express my appreciation to our staff, management and Board of Directors for their commitment and contributions.

Kao Chuan Chi

Executive Chairman

March 2016





各位股东：

2015年中国经济放缓及动荡股市对消费者造成负面影响。许多行业(包括酒店和房地产业)出现供大于求的情况更加剧此严峻局势。集团2015年营业额从2014年的4,110万元减少2,090万元至2,020万元，主要因为酒店与房地产业务的营业额下降。净亏损从2014年390万元增至2015年的690万元，主要由于全球股市大幅下滑导致证券投资报有450万元未变现亏损。

业绩回顾

酒店与房地产业务

酒店与房地产业务营业额从2014年2,210万元减少1,720万元至2015年的490万元，主要由于安溪BT项目于2014年完工使得该业务营业额相应减少。完工后，集团将从未收回项目款项继续收取利息。总项目款项约5,000万元，在工程完工后于3年期间分6期收回。至今，到期的2期款项已按时收回。

该业务亏损增加50万元至2015年的350万元，主要由于位于上海安亭的三德商务广场(“广场”)在开始全年运作后，折旧和摊销费用及营业费用相应增加的关系。

PVC管材与管件业务

由于南通厂销量减少及去年关闭了弥渡厂，PVC管材与管件业务营业额从2014年1,900万元减至2015年的1,520万元。在持续亏损的弥渡厂被关闭后，即使营业额下降，该业务2015年仍报90万元营业利润，而2014年则报40万元营业亏损。

其他

2015年集团报130万元的汇兑收益主要由于美金和人民币兑新币升值。另一方面，由于全球股市大幅下滑，集团证券投资蒙受450万元未变现亏损。

业务回顾

酒店与房地产业务

2015年，广场的酒店部分已经出租给一酒店业者，而办公楼部分从2月份开始整体出租给一租户。至于购物商场，集团将给予它重新定位，并将以集购物、美食、娱乐、休闲及学习为一体着重家庭游体验的新主题重新推出。此目的是为了提高商场的吸引力、优化商场租户组合和提高租金回报率。为了重新推出购物商场，只有那些与我们主题一致的租户会被保留。该筛选的过程已经在2015年底完成，被保留的租户占购物商场约10%。重新推出商场的准备和设计工作已在进行中，预计在来临的第二季开始招商。购物商场预期在2016年12月正式重新推出。

在改变南通酒店经营模式后，酒店大楼的第6至24层已出租给租我们广场的同一家酒店业者用于经营商务酒店。由于营运状况不佳，该业者于2016年1月停业，并打算加盟国际连锁酒店后重新营业以挖掘南通高端酒店客源。该业者已向我们提出重新洽谈租赁合同。将大楼底层至第5层改造为购物商场和餐饮空间以供出租的工程预计在4月份完工。

我们相信坐拥约67,000平方米广阔土地和地点优越的苏州酒店深具重新开发及增长的潜力。我们审阅几份重新开发的方案后，目前专研把酒店重新发展为集精品酒店、进行理疗的养生中心及提供体检与中医治疗的健康管理中心的大健康项目。

大理鹤庆房地产开发项目目前仍暂时搁置以待法院对集团与主承包商诉讼的判决。

PVC管材与管件业务

随着中国经济和建筑活动放缓，集团预期PVC管材与管件业务在今年将继续面对具挑战性的经营环境。

股息

董事们建议派发每股0.3分一次过股息(2014年为0.8分)。一次过股息如在来临的股东大会表决通过将于2016年5月25日支付。

展望

我们当务之急是为安亭和南通的物业招徕更多租户以增加租金收入并积极探求苏州酒店重新开发的潜力。与此同时我们也将密切留意任何投资机会。

致谢

我要感谢我们的股东和商业伙伴在这富有挑战性的情况下不懈的信任与支持。最后我也要感谢我们的员工，管理层和董事局的辛劳和贡献。

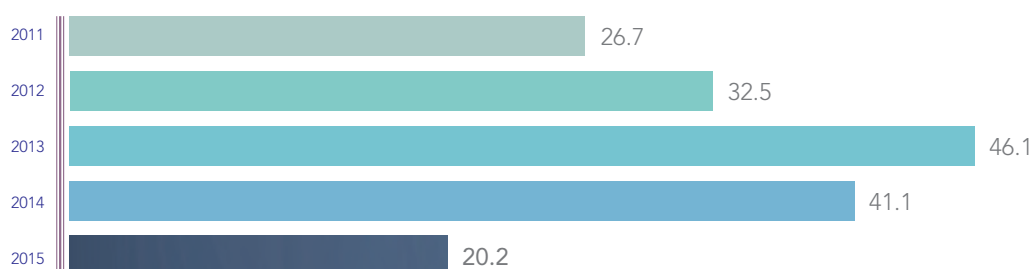
执行主席

高铨志

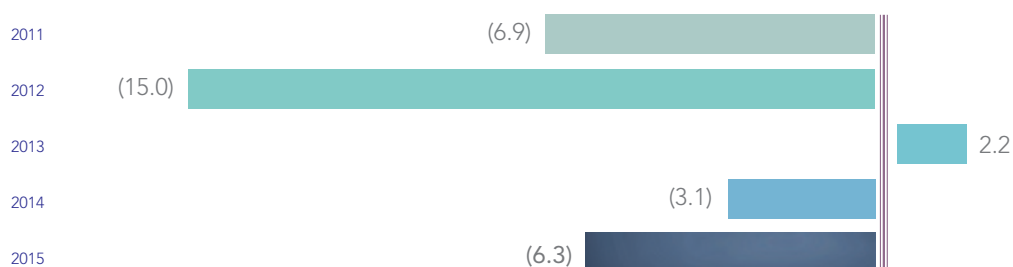
2016年3月



Revenue (S\$ million)



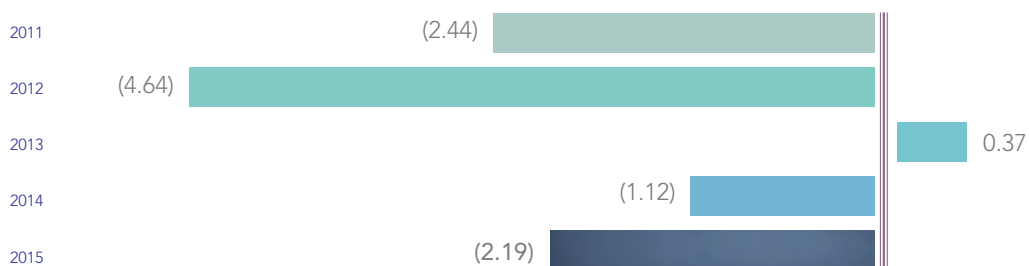
(Loss)/Profit Before Tax (S\$ million)



Shareholder's Interest (S\$ million)



(Loss)/Earnings Per Share (Cents)



FY2011 to FY2015 figures are based on continuing operations.

LIST OF SUBSIDIARIES AS AT 31 DECEMBER 2015

NAME OF COMPANY	ADDRESS	TEL & FAX NO.	% HELD	COUNTRY OF INCORPORATION
Shanghai San Teh Xing Real Estate Co., Ltd	No. 5533 Cao'an Road Anting Town Jiading District Shanghai The People's Republic of China 201805	Tel: 86-215-956-0880 Fax: 86-215-956-0881	100	China
Nantong Santeh Hotel Co., Ltd	No. 1 Duan Jia Ba Road Nantong Jiangsu Province The People's Republic of China 226006	Tel: 86-513-8512-3899 Fax: 86-513-8559-1499	100	China
SanTeh Pipes & Fittings Industry (Nantong) Co., Ltd	No. 9 Guangzhou Road Nantong Economic & Technological Development Zone Nantong Jiangsu Province The People's Republic of China 226009	Tel: 86-513-8598-9666 Fax: 86-513-8598-9665	100	China
Suzhou San Teh Hotel Co., Ltd	No. 3888 Huantaihu Road Xukou Town Wuzhong District Suzhou Jiangsu Province The People's Republic of China 215164	Tel: 86-512-6598-8188 Fax: 86-512-6598-8099	100	China
San Teh Xing (Xiamen) Trade Co., Ltd	#06 Tong Ji Building No. 99 Huli Road Xiamen Fujian Province The People's Republic of China 361006	Tel: 86-592-568-2491 Fax: 86-592-568-2493	100	China
SanTeh Pipes & Fittings Industry (Dali) Co., Ltd	No. 21 Shuanglong Road Lanyuanjinzhen Heqing Dali Yunnan Province The People's Republic of China 671500	Tel: 86-872-413-3912 Fax: 86-872-413-3601	100	China
Yunnan San Teh Industrial Co., Ltd	C-2-202 Jinse Junyuan Shizha Lijiaoqiao Panlong District Kunming Yunnan Province The People's Republic of China 650000	Tel: 86-871-3139-887 Fax: 86-871-3139-887	100	China
San Teh Xing Real Estate (Fujian) Co., Ltd	Yuantan Anzhi Xiaoqu Anxi Fujian Province The People's Republic of China 362400	Tel: 86-595-2323-3988 Fax: 86-595-2327-3799	75	China
Dali San Teh Xing Real Estate Co., Ltd	No. 12 Shuanglong Road Lanyuanjinzhen Heqing Dali Yunnan Province The People's Republic of China 671500	Tel: 86-872-413-3912 Fax: 86-872-413-3601	95	China
Fujian San Teh Xing Industrial Co., Ltd	No. 223 Zhanghao Road #02-207 Huli District Xiamen Fujian Province The People's Republic of China 361000	Tel: 86-592-568-2491 Fax: 86-592-568-2493	100	China

LIST OF ASSOCIATES AS AT 31 DECEMBER 2015

NAME OF COMPANY	ADDRESS	TEL & FAX NO.	% HELD	COUNTRY OF INCORPORATION
Dali San Teh Coal Industry Co., Ltd	Jindunxiang Hedicon Ganhaizi Heqing Dali Yunnan Province The People's Republic of China 671500	Tel: 86-872-413-3912 Fax: 86-872-413-3601	38	China
Dali San Teh Construction & Installation Engineering Co., Ltd	No. 21 Shuanglong Road Lanyuanjinzhen Heqing Dali Yunnan Province The People's Republic of China 671500	Tel: 86-872-413-3557 Fax: 86-872-413-3601	45	China





MR KAO CHUAN CHI

Mr. Kao Chuan Chi joined the Group in 1998 and held several managerial positions before he was appointed as the Executive Director of San Teh Ltd on 1 March 2006. He resigned on 31 December 2007 to pursue studies in overseas and rejoined the Company on 13 July 2009 after graduating with a MBA Post Graduate Diploma from HTMi Hotel and Tourism Management Institute Switzerland. Mr. Kao was appointed as Executive Chairman cum Chief Executive Officer of the Company on 1 September 2014. He is also a member of the Nominating Committee. He is responsible for the overall management, day-to-day operations, strategic direction and business development of the Group.



MR KAO CHUAN TRONG

Mr. Kao Chuan Trong joined the Group in 2002 after graduating from the University of Oregon with a degree in Management. He was appointed as an Executive Director of the Company on 31 December 2007. Mr. Kao is the Chairman and Deputy Chairman of several subsidiary companies of the Group. He was appointed as Managing Director of the Company on 1 March 2011. He currently oversees the operation of the Group.



MRS KAO CHING FONG NEE PAN

Mrs. Kao Ching Fong nee Pan joined San Teh Ltd in 1983 with several years of experience in accounting. She is the Executive Director responsible for the finance and administration of the Group.

**MR GUI KIM YOUNG
@ GUI KIM GAN**

Mr. Gui Kim Young @ Gui Kim Gan is a Non-executive and an Independent Director of the Company since 1998. He is a practising member of the Institute of Singapore Chartered Accountants and is a Director of a public accounting corporation. Mr. Gui chairs both the Audit and the Remuneration Committees. He is also a member of the Nominating Committee. Mr. Gui holds a degree in Bachelor of Commerce from the then Nanyang University.



MR CHUANG WEN FU

Mr. Chuang Wen Fu joined San Teh Ltd in 1982 and retired as its Managing Director in 1999. He has been a Director of the Company since 1982. Mr. Chuang is a Non-executive and an Independent Director of the Company. He chairs the Nominating Committee and is a member of the Audit Committee and the Remuneration Committee. Mr. Chuang holds a diploma in Science (Survey Engineering) from Tamkang University in Taiwan. He is the Executive Chairman of Memtech International Ltd, a company listed on the SGX.



MR KO CHUAN AUN

Mr. Ko Chuan Aun is a Non-executive and an Independent Director of the Company since 16 August 2010. He is a member of the Audit Committee and Remuneration Committee. Mr. Ko is currently the President and Executive Director of KOP Limited. Prior to that, he was the Chief Executive Officer of Scorpio East Holdings Ltd. He has more than 15 years of working experience with the then Trade Development Board of Singapore ("TDB") (now known as International Enterprise Singapore or IE Singapore). His last appointment with the then TDB was Head of China Operations. In the past 25 years, Mr. Ko has been very actively involved in business investments in the PRC market. In year 2001, he was appointed as the Steering Committee Member of the Network China. Between the years 2003 to 2005, he served as the Chairman of the Tourism Sub-committee under the Singapore-Sichuan Trade & Investment Committee. Mr. Ko also holds chairmanships and directorships in various private and public companies. He is an Independent Director of Koon Holdings Ltd, KSH Holdings Ltd, Super Group Ltd and Lian Beng Group Ltd. Mr. Ko holds a diploma in Export Marketing, which is equivalent to Danish Niels Brock International Business Degree Programme.





DAI YU FENG

General Manager, SanTeh Pipes & Fittings Industry (Nantong) Co., Ltd

Mr. Dai is responsible for the Group's PVC pipes and fittings operation. He was in marketing field for several years before joining the Group in 2003. He holds a degree in Bachelor of Arts majoring in Economics from the CSU Fullerton University of California.

LIM WEE TZIANG

Group Finance Manager, San Teh Ltd

Mr. Lim joined the finance division of the Group in 2001. He started his career in public accounting and has work experience in the finance division of a public listed company in Singapore. Mr. Lim is a non-practising member of the Institute of Singapore Chartered Accountants. He holds a degree in Bachelor of Commerce from University of Otago.

CHANG YEN CHUN

Deputy General Manager, Dali San Teh Xing Real Estate Co., Ltd

Mr. Chang is responsible for the administration department of the company. He joined the Group in 2008 as Assistant to General Manager and was promoted to the current position in 2013. Mr. Chang holds a degree in Bachelor of Management from Yuan Pei University.

KAO MING HUNG

Deputy General Manager, Shanghai San Teh Xing Real Estate Co., Ltd

Mr. Kao is responsible for the sales and marketing department of the company. Mr. Kao has extensive marketing experience after working for more than 10 years in senior marketing positions at companies in USA.

BOARD OF DIRECTORS

Kao Chuan Chi (Executive Chairman)
Kao Chuan Trong
Kao Ching Fong nee Pan
Gui Kim Young @ Gui Kim Gan
Chuang Wen Fu
Ko Chuan Aun

AUDIT COMMITTEE

Gui Kim Young @ Gui Kim Gan (Chairman)
Chuang Wen Fu
Ko Chuan Aun

NOMINATING COMMITTEE

Chuang Wen Fu (Chairman)
Gui Kim Young @ Gui Kim Gan
Kao Chuan Chi

REMUNERATION COMMITTEE

Gui Kim Young @ Gui Kim Gan (Chairman)
Chuang Wen Fu
Ko Chuan Aun

REGISTERED OFFICE

701 Sims Drive #06-01
LHK Building
Singapore 387383
Tel: 6749 6386
Fax: 6742 9398
Company Registration No.: 197901039W

REGISTRAR AND SHARE TRANSFER OFFICE

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

COMPANY SECRETARY

Lim Wee Tziang

AUDITORS

Ernst & Young LLP
Public Accountants and
Chartered Accountants
One Raffles Quay
North Tower Level 18
Singapore 048583
Partner-in-charge: Simon Yeo
Appointed with effect from financial year ended
31 December 2015

PRINCIPAL BANKERS

RHB Bank Berhad
Geylang Branch
537 Geylang Road
Singapore 389492

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

United Overseas Bank Limited
1 Raffles Place
OUB Centre
Singapore 048616

Credit Suisse AG
1 Raffles Link
#05-02
Singapore 039393



FINANCIAL CONTENTS

13	Directors' Statement
16	Independent Auditor's Report
17	Consolidated Income Statement
18	Consolidated Statement of Comprehensive Income
19	Statements of Financial Position
20	Statements of Changes in Equity
22	Consolidated Statement of Cash Flows
24	Notes to the Financial Statements
77	Portfolio of Properties
79	Corporate Governance Report
89	Statistics of Shareholdings
91	Notice of Annual General Meeting
	Proxy Form

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of San Teh Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2015.

Opinion of the directors

In the opinion of the directors,

- (i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Kao Chuan Chi (Executive Chairman)
Kao Chuan Trong
Kao Ching Fong nee Pan
Gui Kim Young @ Gui Kim Gan
Chuang Wen Fu
Ko Chuan Aun

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

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

Name of Directors	Direct interest			Deemed interest		
	At 1.1.2015	At 31.12.2015	At 21.1.2016	At 1.1.2015	At 31.12.2015	At 21.1.2016
San Teh Ltd						
<i>Ordinary shares</i>						
Kao Ching Fong nee Pan	31,422,176	32,422,176	32,422,176	136,195,691	80,427,527	80,427,527
Kao Chuan Chi	15,393,508	—	—	—	95,821,036	95,821,036
Kao Chuan Trong	14,643,200	—	—	—	95,070,728	95,070,728
Gui Kim Young @ Gui Kim Gan	1,000,000	1,100,000	1,100,000	1,900,000	1,900,000	1,900,000
Chuang Wen Fu	6,146,944	6,146,944	6,146,944	—	—	—

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Mrs. Kao Ching Fong nee Pan, Mr. Kao Chuan Chi and Mr. Kao Chuan Trong are deemed to have interests in all the related corporations of the Company.

Directors' contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director of the Company has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Audit committee

The members of the Audit Committee ("AC") at the end of the financial year are:

Gui Kim Young @ Gui Kim Gan (Chairman)
Chuang Wen Fu
Ko Chuan Aun

All members of the AC are non-executive directors and are independent.

The AC carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50. Those functions include the reviews of the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;
- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor;
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services if any provided by the external auditor;
- Recommended to the board of directors the external auditor to be nominated, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC convened four meetings during the year with full attendance from all members. The AC has also met with the external auditor, without the presence of the Company's management, at least once a year.

The AC has full access to management and is given the resources required for it to discharge its functions properly. It has full authority and the discretion to invite any director or executive officer to attend its meetings. The external and internal auditors have unrestricted access to the AC.

The AC is satisfied with the independence and objectivity of the external auditors and has recommended to the board of directors that the auditors, Ernst & Young LLP be nominated for re-appointment as auditors at the forthcoming Annual General Meeting of the Company.

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

Auditors

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

On behalf of the board of directors:

Kao Chuan Chi
Director

Kao Chuan Trong
Director

Singapore
18 March 2016



INDEPENDENT AUDITOR'S REPORT

To the Members of San Teh Ltd

Report on the financial statements

We have audited the accompanying financial statements of San Teh Ltd (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 17 to 76, which comprise the statements of financial position of the Group and of the Company as at 31 December 2015, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the financial statements

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

Auditor's responsibility

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

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

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

Opinion

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

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
18 March 2016

CONSOLIDATED INCOME STATEMENT

For the Financial Year Ended 31 December 2015

	Note	2015 \$'000	2014 \$'000
Revenue	4	20,168	41,091
Cost of sales		(18,482)	(36,782)
Gross profit		1,686	4,309
(Loss)/income from investments	5	(3,030)	2,130
Other operating income	6	3,800	1,157
Administrative expenses		(8,405)	(9,904)
Distribution costs		(490)	(1,396)
Other operating expenses		(969)	(767)
Foreign exchange gains		1,303	1,495
Share of results of associates		(146)	(168)
Loss before income tax	7	(6,251)	(3,144)
Income tax expense	8	(676)	(751)
Loss for the year		(6,927)	(3,895)
Attributable to:			
Owners of the Company		(7,501)	(3,849)
Non-controlling interests		574	(46)
Loss for the year		(6,927)	(3,895)
Loss per share (cents):			
Basic	9	(2.19)	(1.12)
Diluted	9	(2.19)	(1.12)

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



CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the Financial Year Ended 31 December 2015

	2015 \$'000	2014 \$'000
Loss for the year	(6,927)	(3,895)
Other comprehensive income:		
Items that may be reclassified subsequently to income statement:		
Currency translation differences	1,729	4,889
Net fair value (losses)/gains on available-for-sale financial assets	(3,542)	174
Net fair value changes on available-for-sale financial assets reclassified to profit or loss	3,918	–
Other comprehensive income for the year, net of tax	2,105	5,063
Total comprehensive (loss)/income for the year	(4,822)	1,168
Attributable to:		
Owners of the Company	(5,478)	979
Non-controlling interests	656	189
Total comprehensive (loss)/income for the year	(4,822)	1,168

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

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

	Note	Group		Company	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
ASSETS					
Non-current assets					
Property, plant and equipment	10	22,768	37,184	1,513	1,622
Property under development	11	34,751	77,913	–	–
Investment properties	12	73,685	58,292	941	969
Investment in subsidiaries	13	–	–	161,719	161,721
Investment in associates	14	1,590	1,715	–	–
Other investments	15	1,132	1,119	41	41
Land use rights	16	10,249	10,419	–	–
Deferred tax assets	17	337	572	–	–
Investment securities	18	4,562	9,351	4,562	9,351
Trade and other receivables	20	14,904	–	8,776	8,837
		163,978	196,565	177,552	182,541
Current assets					
Inventories	21	4,038	5,114	–	–
Prepayments		449	552	22	21
Trade and other receivables	20	26,325	11,522	29,512	28,224
Investment securities	18	11,385	7,967	8,348	7,967
Cash and cash equivalents	19	33,884	40,014	12,888	15,735
		76,081	65,169	50,770	51,947
Total assets		240,059	261,734	228,322	234,488
LIABILITIES AND EQUITY					
Current liabilities					
Trade and other payables	22	19,559	33,714	737	680
Income tax payable		1,042	1,063	14	27
		20,601	34,777	751	707
Net current assets		55,480	30,392	50,019	51,240
Non-current liabilities					
Provision for retirement benefits	23	409	350	409	350
Total liabilities		21,010	35,127	1,160	1,057
Net assets		219,049	226,607	227,162	233,431
Equity attributable to owners of the Company					
Share capital	24(a)	71,856	71,856	71,856	71,856
Treasury shares	24(b)	(1,929)	(1,929)	(1,929)	(1,929)
Other reserves	25	15,650	13,532	(66)	(442)
Retained earnings		125,268	135,600	157,301	163,946
		210,845	219,059	227,162	233,431
Non-controlling interests		8,204	7,548	–	–
Total equity		219,049	226,607	227,162	233,431
Total equity and liabilities		240,059	261,734	228,322	234,488

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2015

Attributable to owners of the Company										
Note	Share capital \$'000	Treasury shares \$'000	Fair value adjustment reserve \$'000	Foreign currency translation reserve \$'000	Statutory reserve \$'000	Capital reserve \$'000	Retained earnings \$'000	Equity attributable to owners of the Company, total \$'000	Non-controlling interests \$'000	Total equity \$'000
Group										
Balance at 1 January 2014	71,856	(1,799)	(616)	8,328	878	48	142,251	220,946	7,174	228,120
Net loss for the year	-	-	-	-	-	-	(3,849)	(3,849)	(46)	(3,895)
Other comprehensive income for the year:										
- Currency translation differences	-	-	-	4,654	-	-	-	4,654	235	4,889
- Net fair value gains on available-for-sale financial assets	-	-	174	-	-	-	-	174	-	174
Total comprehensive income/(loss) for the year	-	-	174	4,654	-	-	(3,849)	979	189	1,168
Purchase of treasury shares 24(b)	-	(130)	-	-	-	-	-	(130)	-	(130)
Transfer to statutory reserve	-	-	-	-	66	-	(66)	-	-	-
Contribution from non-controlling interests	-	-	-	-	-	-	-	-	185	185
Dividends paid 26	-	-	-	-	-	-	(2,736)	(2,736)	-	(2,736)
Balance at 31 December 2014 and 1 January 2015	71,856	(1,929)	(442)	12,982	944	48	135,600	219,059	7,548	226,607
Net (loss)/profit for the year	-	-	-	-	-	-	(7,501)	(7,501)	574	(6,927)
Other comprehensive income/(loss) for the year:										
- Currency translation differences	-	-	-	1,647	-	-	-	1,647	82	1,729
- Net fair value losses on available-for-sale financial assets	-	-	(3,542)	-	-	-	-	(3,542)	-	(3,542)
- Net fair value changes of available-for-sale financial assets reclassified to profit or loss	-	-	3,918	-	-	-	-	3,918	-	3,918
Total comprehensive income/(loss) for the year	-	-	376	1,647	-	-	(7,501)	(5,478)	656	(4,822)
Transfer to statutory reserve	-	-	-	-	95	-	(95)	-	-	-
Dividends paid 26	-	-	-	-	-	-	(2,736)	(2,736)	-	(2,736)
Balance at 31 December 2015	71,856	(1,929)	(66)	14,629	1,039	48	125,268	210,845	8,204	219,049

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

STATEMENTS OF CHANGES IN EQUITY

For the Financial Year Ended 31 December 2015

		Attributable to owners of the Company				
	Note	Share capital \$'000	Treasury shares \$'000	Fair value adjustment reserve \$'000	Retained earnings \$'000	Total equity \$'000
Company						
Balance at 1 January 2014		71,856	(1,799)	(616)	167,074	236,515
Net loss for the year		–	–	–	(392)	(392)
Other comprehensive income for the year:						
- Net fair value gains on available-for-sale financial assets		–	–	174	–	174
Total comprehensive income/(loss) for the year		–	–	174	(392)	(218)
Purchase of treasury shares	24(b)	–	(130)	–	–	(130)
Dividends paid	26	–	–	–	(2,736)	(2,736)
Balance at 31 December 2014 and 1 January 2015		71,856	(1,929)	(442)	163,946	233,431
Net loss for the year		–	–	–	(3,909)	(3,909)
Other comprehensive (loss)/income for the year:						
- Net fair value losses on available-for-sale financial assets		–	–	(3,542)	–	(3,542)
- Net fair value changes of available-for-sale financial assets reclassified to profit or loss		–	–	3,918	–	3,918
Total comprehensive income/(loss) for the year		–	–	376	(3,909)	(3,533)
Dividends paid	26	–	–	–	(2,736)	(2,736)
Balance at 31 December 2015		71,856	(1,929)	(66)	157,301	227,162

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

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2015

	Note	2015 \$'000	2014 \$'000
Operating activities			
Loss before income tax		(6,251)	(3,144)
Adjustments for:			
Amortisation of land use rights	16	341	215
Depreciation of property, plant and equipment	10	2,619	3,122
Depreciation of investment properties	12	1,516	328
(Reversal of)/allowance for impairment loss on property, plant and equipment	10	(30)	438
Dividend income from investment securities	5	(461)	(484)
Loss on disposal of property, plant and equipment	7	111	100
Loss on disposal of land use rights	7	–	20
Gain on disposal of investment securities	5	(3)	(161)
Property, plant and equipment written off	7	55	1
Impairment loss on inventories	21	11	307
Impairment loss on trade receivables	20	263	3
Trade receivables written off	7	16	–
Impairment loss on other receivables	20	333	1,157
Impairment loss on available-for-sale investment securities	5	3,918	–
Provision for retirement benefits	23	59	58
Share of results of associates		146	168
Effects of exchange rate changes on consolidation of subsidiaries		(1,612)	(1,311)
Net fair value losses/(gains) on held for trading investment securities	5	594	(326)
Interest income	5	(1,018)	(1,159)
Total adjustments		6,858	2,476
Operating cash flows before changes in working capital		607	(668)
Trade and other receivables and prepayments		14,485	(2,966)
Inventories		1,065	1,357
Trade and other payables		(16,491)	12,648
Cash (used in)/generated from operations		(334)	10,371
Income taxes paid		(467)	(780)
Net cash (used in)/generated from operating activities		(801)	9,591

CONSOLIDATED STATEMENT OF CASH FLOWS

For the Financial Year Ended 31 December 2015

	Note	2015 \$'000	2014 \$'000
Investing activities			
Investment in an associate		–	(635)
Purchase of investment securities		(4,007)	(1,906)
Interest received		1,031	1,373
Increase in property under development	11	(646)	(32,307)
Purchase of property, plant and equipment		(471)	(117)
Increase in investment properties		(1,412)	–
Increase in land use rights	16	(50)	–
Proceeds from disposal of property, plant and equipment		52	2,379
Proceeds from disposal of investment securities		1,250	8,667
Proceeds from disposal of land use rights		–	221
Dividend received from investment securities		454	420
Net cash used in investing activities		(3,799)	(21,905)
Financing activities			
Contribution from non-controlling interests		–	185
Dividends paid	26	(2,736)	(2,736)
Purchase of treasury shares	24(b)	–	(130)
Net cash used in financing activities		(2,736)	(2,681)
Net decrease in cash and cash equivalents		(7,336)	(14,995)
Cash and cash equivalents at beginning of the financial year		40,014	53,487
Effects of exchange rate changes on cash and cash equivalents		1,206	1,522
Cash and cash equivalents at end of the financial year	19	33,884	40,014

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

1. Corporate information

San Teh Ltd (the “Company”) is a limited liability company incorporated and domiciled in the Republic of Singapore. The Company is listed on the Singapore Exchange Securities Trading Limited (“SGX-ST”).

The registered office and principal place of business of the Company is located at 701 Sims Drive, #06-01 LHK Building, Singapore 387383.

The principal activity of the Company is investment holding.

The principal activities of the significant subsidiaries are disclosed in Note 13.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

The financial statements are presented in Singapore Dollars (SGD or \$) and all values in the tables are rounded to the nearest thousand (\$'000), except when otherwise indicated.

2.2 Changes in accounting policies

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

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

2.3 Standards issued but not yet effective

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 16 and FRS 41 <i>Agriculture - Bearer Plants</i>	1 January 2016
Amendments to FRS 27 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to FRS 16 and FRS 38 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to FRS 111 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 <i>Non-current Assets Held for Sale and Discontinued Operations</i>	1 January 2016
(b) Amendments to FRS 107 <i>Financial Instruments: Disclosures</i>	1 January 2016
(c) Amendments to FRS 19 <i>Employee Benefits</i>	1 January 2016
Amendments to FRS 1 <i>Disclosure Initiative</i>	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
FRS 115 <i>Revenue from Contracts with Customers</i>	1 January 2017
FRS 109 <i>Financial Instruments</i>	1 January 2018
Amendments to FRS 110 and FRS 28 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be determined

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

FRS 115 *Revenue from Contracts with Customers*

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

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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

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

FRS 109 *Financial Instruments*

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

The Group currently measures one of its investments in unquoted equity securities at cost. Under FRS 109, the Group will be required to measure the investment at fair value. Any difference between the previous carrying amount and the fair value would be recognised in the opening retained earnings when the Group apply FRS 109.

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

2.4 Basis of consolidation and business combinations

(a) *Basis of consolidation*

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

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

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

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

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

- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss; and
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

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

(b) Business combinations and goodwill

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

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

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

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

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

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

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

2.5 Transactions with non-controlling interests

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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

2.6 Foreign currency

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

(a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss.

(b) Consolidated financial statements

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

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

2.7 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses.

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

Freehold property	:	50 years
Leasehold buildings	:	5 to 40 years
Plant and machinery	:	5 to 30 years
Motor vehicles	:	5 to 10 years
Furniture, fittings and equipment	:	5 to 20 years

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The carrying values of property, plant and equipment are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

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

2.8 *Investment properties*

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

Investment properties are initially measured at cost, including transaction costs and subsequently carried at cost less accumulated depreciation and any accumulated impairment loss. Depreciation on investment properties is calculated using the straight-line method so as to allocate their depreciable amounts over their estimated useful lives of 35 to 50 years.

The residual values, estimated useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at the end of each reporting period.

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

2.9 *Land use rights*

Land use rights are measured at cost upon initial recognition. Subsequent to initial recognition, these assets are measured at cost less accumulated amortisation. Land use rights are amortised over the relevant terms of between 33 to 50 years.

2.10 *Impairment of non-financial assets*

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

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

Impairment losses of continuing operations are recognised in profit or loss, except for assets that are previously revalued where the revaluation was taken to other comprehensive income. In this case, the impairment is also recognised in other comprehensive income up to the amount of any previous revaluation.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.11 *Subsidiaries*

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

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



NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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

2.12 Joint ventures and associates

An associate is an entity over which the Group has the power to participate in the financial and operating policy decisions of the investee but does not have control or joint control of those policies.

The Group accounts for its investments in associates and joint ventures using the equity method from the date on which it becomes an associate or joint venture.

On acquisition of the investment, any excess of the cost of the investment over the Group's share of the net fair value of the investee's identifiable assets and liabilities is accounted as goodwill and is included in the carrying amount of the investment. Any excess of the Group's share of the net fair value of the investee's identifiable assets and liabilities over the cost of the investment is included as income in the determination of the entity's share of the associate or joint venture's profit or loss in the period in which the investment is acquired.

Under the equity method, the investment in associates or joint ventures are carried in the balance sheet at cost plus post-acquisition changes in the Group's share of net assets of the associates or joint ventures. The profit or loss reflects the share of results of the operations of the associates or joint ventures. Distributions received from joint ventures or associates reduce the carrying amount of the investment. Where there has been a change recognised in other comprehensive income by the associates or joint venture, the Group recognises its share of such changes in other comprehensive income. Unrealised gains and losses resulting from transactions between the Group and associate or joint venture are eliminated to the extent of the interest in the associates or joint ventures.

When the Group's share of losses in an associate or joint venture equals or exceeds its interest in the associate or joint venture, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the associate or joint venture.

After application of the equity method, the Group determines whether it is necessary to recognise an additional impairment loss on the Group's investment in associate or joint ventures. The Group determines at the end of each reporting period whether there is any objective evidence that the investment in the associate or joint venture is impaired. If this is the case, the Group calculates the amount of impairment as the difference between the recoverable amount of the associate or joint venture and its carrying value and recognises the amount in profit or loss.

The financial statements of the associates and joint ventures are prepared as the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

2.13 Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

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

2.13 Financial assets (cont'd)

(i) Financial assets at fair value through profit or loss (cont'd)

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial assets are recognised in profit or loss. Net gains or net losses on financial assets at fair value through profit or loss include exchange differences, interest and dividend income.

Derivatives embedded in host contracts are accounted for as separate derivatives and recorded at fair value if their economic characteristics and risks are not closely related to those of the host contracts and the host contracts are not measured at fair value with changes in fair value recognised in profit or loss. These embedded derivatives are measured at fair value with changes in fair value recognised in profit or loss. Reassessment only occurs if there is a change in the terms of the contract that significantly modifies the cash flows that would otherwise be required.

(ii) Loans and receivables

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

(iii) Available-for-sale financial assets

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

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

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

De-recognition

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

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

2.14 Impairment of financial assets

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

(a) *Financial assets carried at amortised cost*

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

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

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

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

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

(b) *Available-for-sale financial assets*

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

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

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

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

2.15 Cash and cash equivalents

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

2.16 Property under development

Property under development includes properties being constructed or developed for future use as residential and shop units. The property is carried at cost less any accumulated impairment losses until construction or development is completed, at which time the property will be transferred and be accounted for as inventories and investment properties. Cost capitalised include cost of land and other directly related development expenditure. Property under development is not depreciated.

2.17 Construction contracts

The Group principally operates fixed price contracts. 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 end of the reporting period (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

When the outcome of a construction contract cannot be estimated reliably (principally during early stages of a contract), contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable and contract costs are recognised as expense in the period in which they are incurred.

An expected loss on the construction contract is recognised as an expense immediately when it is probable that total contract costs will exceed total contract revenue.

In applying the percentage of completion method, revenue recognised corresponds to the total contract revenue multiplied by the actual completion rate based on the proportion of total contract costs incurred to date to the estimated costs to complete.

The stage of completion of a contract may be determined in a variety of ways. The entity uses the method that measures reliably the work performed. Depending on the nature of the contract, other acceptable methods include surveys of work performed and completion of a physical proportion of the contract work.

2.18 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs comprise direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method.

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

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

2.19 Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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

2.20 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

2.21 Borrowing costs

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

2.22 Employee benefits

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. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed. The Group has no further payment obligations once the contributions have been paid.

(b) *Employee leave entitlements*

Employee entitlements to annual leave are recognised when they accrue to employees. The estimated liability for annual leave is recognised for services rendered by employees up to the end of the reporting period.

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

2.23 Leases

(a) *As lessee*

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

(b) *As lessor*

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

2.24 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty.

(a) *Construction contracts*

Revenue from construction contracts is accounted for by the stage of completion method as described in Note 2.17.

(b) *Sale of goods*

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

(c) *Hotel revenue*

Hotel room revenue is recognised based on room occupancy while other hotel revenue are recognised when the goods are delivered or when the services are rendered to customers.

(d) *Interest income*

Interest income is recognised using the effective interest method.

(e) *Dividend income*

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

(f) *Rental income*

Rental income from operating leases (net of any incentives given to the lessees) is recognised on a straight line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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

2.25 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

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

2.25 Taxes (cont'd)

(b) *Deferred tax (cont'd)*

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

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

(c) *Sales tax*

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

- Where the sales tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- Receivables and payables that are stated with the amount of sales tax included.

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

2.26 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 30, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 Share capital

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

2.28 Treasury shares

The Group's own equity instruments, which are reacquired (treasury shares) are recognised at cost and deducted from equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Group's own equity instruments. Any difference between the carrying amount of treasury shares and the consideration received, if reissued, is recognised directly in equity. Voting rights related to treasury shares are nullified for the Group and no dividends are allocated to them respectively.

2.29 Contingencies

A contingent liability is:

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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

2.29 Contingencies (cont'd)

- (b) a present obligation that arises from past events but is not recognised because:
 - (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
 - (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

3. Significant accounting judgements and estimates

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

3.1 Judgements made in applying accounting policies

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

Income taxes

The Group is subject to income taxes in numerous jurisdictions. Significant judgement is required in determining the capital allowances and deductibility of certain expenses during the estimation of the provision for income taxes. There are certain transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for anticipated tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

3.2 Key sources of estimation uncertainty

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

(a) *Useful lives of property, plant and equipment*

The cost of property, plant and equipment is depreciated on a straight-line basis over their estimated economic useful lives. The Group reviews the useful lives of the property, plant and equipment at the end of each reporting period in accordance with the accounting policy disclosed in Note 2.7. Significant judgement is required in determining the useful lives of property, plant and equipment. In determining the useful lives, the Group considered the expected usage, maintenance and repair costs, technical or commercial obsolescence to the use of property, plant and equipment. Any changes to these judgements could impact the economic useful lives of these property, plant and equipment, and therefore future depreciation charges could be revised. A reduction in the estimated useful lives of property, plant and equipment would increase the recorded depreciation and decrease the carrying amount of property, plant and equipment. The carrying amount of property, plant and equipment at the end of the financial year is disclosed in Note 10.

3. Significant accounting judgements and estimates (cont'd)

3.2 Key sources of estimation uncertainty (cont'd)

(b) Impairment of trade and other receivables

The Group assesses at the end of each reporting period whether there is any objective evidence that a financial asset is impaired. Factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments are objective evidence of impairment. In determining whether there is objective evidence of impairment, the Group considers whether there is observable data indicating that there have been significant changes in the debtor's payment ability or whether there have been significant changes with adverse effect in the technological, market, economic or legal environment in which the debtor operates in.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's trade and other receivables at the end of the reporting period is disclosed in Note 20 to the financial statements.

(c) Impairment of non-financial assets

The Group assesses at the end of each reporting period whether there is any objective evidence that a non-financial asset is impaired. Non-financial assets are tested for impairment when there are indicators that the carrying amount may not be recoverable. In determining of the recoverable amount of the non-financial assets, the management is required to make various assumptions in the underlying cash flow forecasts.

4. Revenue

	Group	
	2015	2014
	\$'000	\$'000
Sale of goods	15,243	19,028
Hotel revenue	1,902	5,450
Construction revenue	–	14,336
Rental income	3,023	2,277
	<u>20,168</u>	<u>41,091</u>

5. (Loss)/income from investments

		Group	
	Note	2015	2014
		\$'000	\$'000
Interest income from loans and receivables – bank deposits		768	607
Other interest income		250	552
Dividend income from investment securities		461	484
Net fair value (losses)/gains on held for trading investment securities		(594)	326
Impairment loss on available-for-sale investment securities	7	(3,918)	–
Gain on disposal of investment securities		3	161
		<u>(3,030)</u>	<u>2,130</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

6. Other operating income

	Group	
	2015	2014
	\$'000	\$'000
Reversal of impairment loss on property, plant and equipment (Note 10)	30	–
Incentive and allowance income	22	14
Rental income	208	257
Compensation income	8	9
Project interest income	3,332	–
Sundry income	200	877
	<u>3,800</u>	<u>1,157</u>

7. Loss before income tax

Loss before income tax has been arrived at after charging/(crediting):

		Group	
	Note	2015	2014
		\$'000	\$'000
Audit fees			
- Auditors of the Company		210	210
- Other auditors		15	15
Total audit fees		225	225
Cost of inventories recognised as an expense	21	10,458	15,780
Depreciation of property, plant and equipment	10	2,619	3,122
Depreciation of investment properties	12	1,516	328
Amortisation of land use rights (included in "Other operating expenses")	16	341	215
Employee benefits expense	28	3,812	4,655
Loss on disposal of property, plant and equipment		111	100
Loss on disposal of land use rights		–	20
Property, plant and equipment written off		55	1
(Reversal of)/allowance for impairment loss on property, plant and equipment	10	(30)	438
Impairment loss on inventories	21	11	307
Impairment loss on trade receivables	20	263	3
Trade receivables written off		16	–
Impairment loss on other receivables	20	333	1,157
Impairment loss on available-for-sale investment securities		<u>3,918</u>	<u>–</u>

There were no non-audit fees paid to the auditors of the Group for the financial years ended 31 December 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

8. Income tax expense

Major components of income tax expense

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

	Group	
	2015	2014
	\$'000	\$'000
<i>Consolidated income statement:</i>		
Current tax expense	527	866
Overseas withholding tax	37	38
Over provision of current tax expense in respect of previous financial years	(132)	(9)
Deferred tax income relating to the origination and reversal of temporary differences (Note 17)	244	(144)
Income tax expense recognised in profit or loss	676	751

Relationship between tax expense and accounting profit

The reconciliation between tax expense and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2015 and 2014 are as follows:

	Group	
	2015	2014
	\$'000	\$'000
Loss before income tax	(6,251)	(3,144)
Income tax using statutory tax rate of 17% (2014: 17%)	(1,063)	(535)
Adjustments:		
Non-deductible expenses	1,323	1,435
Non-taxable items	(500)	(1,160)
Tax-exempt income	(15)	(27)
Over provision in respect of previous financial years	(132)	(9)
Unrecognised deferred tax benefits from unutilised tax losses and capital allowances	1,510	1,512
Differences in tax rates of entities in other jurisdictions	(484)	(475)
Utilisation of tax losses carried forward	–	(28)
Withholding tax expense	37	38
Income tax expense for the financial year	676	751

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

8. Income tax expense (cont'd)

	Group	
	Unutilised tax losses and capital allowances	
	2015	2014
	\$'000	\$'000
Balance at beginning of year	17,595	14,450
Addition	6,040	6,049
Utilisation	–	(111)
Expired	(2,149)	(2,793)
Balance at end of year	21,486	17,595
Deferred tax benefits not recognised on the above	5,372	4,399

Subject to the agreement by local authorities, certain subsidiaries in the Group have the above unutilised tax losses and capital allowances available for offsetting against future taxable income. The deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable income will be available against which the Group can utilise the benefits. The tax losses in The People's Republic of China ("PRC") has expiry of 5 years.

9. Loss per share

Basic loss per share is calculated by dividing loss, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted loss per share is equivalent to basic loss per share as the Group does not have any potential dilutive ordinary shares as at the end of the financial year.

	Group	
	2015	2014
	\$'000	\$'000
Loss for the year, net of tax, attributable to owners of the Company used in the computation of basic and diluted earnings per share	(7,501)	(3,849)
	Group	
	2015	2014
Weighted average number of ordinary shares used to compute basic earnings per share	342,024,763	342,105,544*
Loss per share (cents)		
- Basic	(2.19)	(1.12)
- Diluted	(2.19)	(1.12)

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions in financial year 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

10. Property, plant and equipment

	Freehold property \$'000	Leasehold buildings \$'000	Plant and machinery \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Total \$'000
Group						
Cost:						
At 1 January 2014	1,361	35,806	24,022	2,181	25,565	88,935
Currency translation differences	–	1,100	746	47	790	2,683
Additions	–	–	52	172	77	301
Disposals/write-offs	–	(2,562)	(762)	(182)	(59)	(3,565)
Transfer from property under development (Note 11)	–	366	–	–	–	366
At 31 December 2014 and 1 January 2015	1,361	34,710	24,058	2,218	26,373	88,720
Currency translation differences	–	397	279	18	304	998
Additions	–	191	63	31	186	471
Disposals/write-offs	–	–	(1,029)	(94)	(11,406)	(12,529)
Transfer to investment properties (Note 12)	–	(16,690)	(6,879)	–	(337)	(23,906)
At 31 December 2015	1,361	18,608	16,492	2,173	15,120	53,754
Accumulated depreciation:						
At 1 January 2014	374	9,259	16,799	869	20,307	47,608
Currency translation differences	–	285	522	19	627	1,453
Depreciation charge for the year	27	926	789	274	1,106	3,122
Disposals/write-offs	–	(310)	(599)	(128)	(48)	(1,085)
At 31 December 2014 and 1 January 2015	401	10,160	17,511	1,034	21,992	51,098
Currency translation differences	–	116	204	8	253	581
Depreciation charge for the year	27	910	717	247	718	2,619
Disposals/write-offs	–	–	(886)	(72)	(11,353)	(12,311)
Transfer to investment properties (Note 12)	–	(6,051)	(5,195)	–	(164)	(11,410)
At 31 December 2015	428	5,135	12,351	1,217	11,446	30,577
Accumulated impairment losses:						
At 1 January 2014	–	–	–	–	–	–
Addition (Note 7)	–	5	255	3	175	438
At 31 December 2014 and 1 January 2015	–	5	255	3	175	438
Currency translation differences	–	–	1	–	–	1
Reversal (Note 7)	–	–	(24)	–	(6)	(30)
At 31 December 2015	–	5	232	3	169	409
Net carrying amount:						
At 31 December 2015	933	13,468	3,909	953	3,505	22,768
At 31 December 2014	960	24,545	6,292	1,181	4,206	37,184

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

10. Property, plant and equipment (cont'd)

	Freehold property \$'000	Leasehold building \$'000	Motor vehicles \$'000	Furniture, fittings and equipment \$'000	Total \$'000
Company					
Cost:					
At 1 January 2014	1,361	452	679	155	2,647
Disposals/write-offs	–	–	–	(1)	(1)
At 31 December 2014 and 1 January 2015	1,361	452	679	154	2,646
Additions	–	–	–	2	2
At 31 December 2015	1,361	452	679	156	2,648
Accumulated depreciation:					
At 1 January 2014	374	151	249	142	916
Depreciation charge for the year	27	12	67	3	109
Disposals/write-offs	–	–	–	(1)	(1)
At 31 December 2014 and 1 January 2015	401	163	316	144	1,024
Depreciation charge for the year	27	12	68	4	111
At 31 December 2015	428	175	384	148	1,135
Net carrying amount:					
At 31 December 2015	933	277	295	8	1,513
At 31 December 2014	960	289	363	10	1,622

During the previous financial year, the Group recognised an impairment loss of approximately \$438,000 after carrying out a review of the recoverable amount of the property, plant and equipment of subsidiaries within the PVC pipes and fittings and hotel and property segment. The impairment loss was included in the line item “administrative expenses”. The recoverable amount of the property, plant and equipment was based on the amount it can be sold, minus any transaction costs.

During the current financial year, the Group reversed the impairment loss of approximately \$30,000 to profit or loss as the property, plant and equipment were written-off subsequent to the financial year end. The reversal of impairment loss was included in the line item “other operating income”.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

11. Property under development

	Group	
	2015 \$'000	2014 \$'000
Cost of leasehold land	26,729	28,575
Development costs	7,631	47,557
Currency translation differences	391	1,781
	<u>34,751</u>	<u>77,913</u>
At 1 January	77,913	107,236
Additions	646	32,307
Currency translation differences	904	3,336
Transfer to property, plant and equipment (Note 10)	–	(366)
Transfer to investment properties (Note 12)	–	(57,808)
Transfer to land use rights (Note 16)	–	(6,792)
Transfer to trade receivables	(44,712)	–
At 31 December	<u>34,751</u>	<u>77,913</u>

Description and location	% owned	Site area/gross floor area (square metre)	Percentage of completion as at 31.12.2015/ expected year of completion
Residential and shop units along Huanglongtan, Xipianqu, Yunhe Town, Heqing Dali, Yunnan Province, The People's Republic of China	95%	36,553/108,229	14%/2017
Residential, commercial and hotel project along Zhaoxia Road, Xipianqu, Yunhe Town, Heqing Dali, Yunnan Province, The People's Republic of China	95%	113,665/249,411	Nil%/2020

During the current financial year, the Group has reclassified the properties and land of build-and-transfer project at Anxi of approximately \$44,712,000 to trade receivables after the completion of the project.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

12. Investment properties

	Group \$'000
Cost:	
At 1 January 2014	1,361
Transfer from property under development (Note 11)	57,808
Reversal of interest capitalisation	(184)
At 31 December 2014 and 1 January 2015	58,985
Additions	3,746
Transfer from property, plant and equipment (Note 10)	23,906
Currency translation differences	671
At 31 December 2015	87,308
Accumulated depreciation:	
At 1 January 2014	365
Depreciation charge (Note 7)	328
At 31 December 2014 and 1 January 2015	693
Depreciation charge (Note 7)	1,516
Transfer from property, plant and equipment (Note 10)	11,410
Currency translation differences	4
At 31 December 2015	13,623
Net carrying amount:	
At 31 December 2015	73,685
At 31 December 2014	58,292
	Company \$'000
Cost:	
At 1 January 2014, 31 December 2014, 1 January 2015 and 31 December 2015	1,361
Accumulated depreciation:	
At 1 January 2014	365
Depreciation charge	27
At 31 December 2014 and 1 January 2015	392
Depreciation charge	28
At 31 December 2015	420
Net carrying amount:	
At 31 December 2015	941
At 31 December 2014	969

12. Investment properties (cont'd)

Description	Tenure	Fair value	
		2015 \$'000	2014 \$'000
<i>Held by the Company</i>			
Commercial property at 701 Sims Drive, #05-01 LHK Building Singapore 387383	Freehold	2,103	2,039
<i>Held by the subsidiaries</i>			
Commercial property at No. 5533 Cao'an Road, Jiading District Anting Town, Shanghai The People's Republic of China	Leasehold	377,204	227,961
Commercial property at No. 1 Duan Jia Ba Road, Nantong Jiangsu Province The People's Republic of China	Leasehold	150,022	–

The Group has no restrictions on the realisability of its investment properties and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

The property rental income from the Group's and the Company's investment properties all of which are leased out under operating leases, amounted to approximately \$3,053,000 (2014: \$2,330,000) and \$53,000 (2014: \$53,000) respectively. Direct operating expenses (including repairs and maintenance) of the Group and the Company arising from the rental-generating investment property amounted to approximately \$2,551,000 (2014: \$661,000) and \$44,000 (2014: \$43,000) respectively.

Impairment of assets

The Group assesses at each reporting date whether there is an indication that an asset may be impaired. If any indication exists, or when an annual impairment testing for an asset is required, the Group makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or group of assets.

(a) Commercial property held by the Company

The fair value is determined by directors based on comparable market transactions that consider the sales of similar properties that have been transacted in the open market.

Sensitivity to changes in comparable market price

As at the financial year end, a possible change to the comparable market price used for fair value will result in changes in the differences between recoverable amount and carrying amount ("difference") as follows:

	Comparable market price	
	5% increase \$'000	5% decrease \$'000
Increase/(decrease) in difference	105	(105)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

12. Investment properties (cont'd)

Impairment of assets (cont'd)

(b) *Commercial property held by subsidiary - Shanghai San Teh Xing Real Estate Co., Ltd*

The recoverable amount of the investment property was based on its value in use calculation using cash flow projections based on management's forecasting covering 34.68 years which is the remaining useful life of the land use right. The pre-tax discount rate used was 7%.

The calculations of value-in-use for the investment property are most sensitive to the following assumptions:

Lease income - The forecasted lease income was either based on existing tenancy agreements or based on the market rates of the comparable properties in the neighbourhood.

Growth rate - The market rent was estimated based on the term rent as a starting point and an annual growth rate of 2.0% per annum thereafter. It was based on the management's research on the comparable properties nearby from past experience.

Discount rate - Discount rate was developed based on management research on the rental evidences of the similar properties nearby.

Sensitivity to changes in assumption

As at the financial year end, a possible change to the following estimates used in management's assessment (holding other assumptions unchanged) will result in changes in the differences between recoverable amount and carrying amount ("difference") as follows:

	Discount rate		Lease income	
	1% increase	1% decrease	5% increase	5% decrease
	\$'000	\$'000	\$'000	\$'000
(Decrease)/increase in difference	(9,411)	11,425	4,127	(4,127)

(c) *Commercial property held by subsidiary - Nantong Santeh Hotel Co., Ltd*

The recoverable amount of the investment property was based on its value in use calculation using cash flow projections based on management's forecasting covering 27.58 years which is the remaining useful life of the land use right. The pre-tax discount rate used was 7%.

The calculations of value-in-use for the investment property are most sensitive to the following assumptions:

Lease income - The forecasted lease income was either based on existing tenancy agreements or based on the market rates of the comparable properties in the neighbourhood. Following the change in the operating model, the 6th to 24th floors of the Nantong hotel building are let out to a third party who operated it as a business hotel. Due to the challenging business conditions, the operator requested and was granted an extension of the rent free period for six months to 31 December 2015.

Growth rate - The market rent was estimated based on the term rent as a starting point and an annual growth rate of 2.0% per annum thereafter. It was based on the management's research on the comparable properties nearby from past experience.

Discount rate - Discount rate was developed based on management research on the rental evidences of the similar properties nearby.

12. Investment properties (cont'd)

Impairment of assets (cont'd)

(c) Commercial property held by subsidiary - Nantong Sante Hotel Co., Ltd (cont'd)

Sensitivity to changes in assumption

As at the financial year end, a possible change to the following estimates used in management's assessment (holding other assumptions unchanged) will result in changes in the differences between recoverable amount and carrying amount ("difference") as follows:

	Discount rate		Lease income	
	1% increase	1% decrease	5% increase	5% decrease
	\$'000	\$'000	\$'000	\$'000
(Decrease)/increase in difference	(3,255)	3,827	1,643	(1,643)

13. Investment in subsidiaries

(a) Cost of investment in subsidiaries is as follows:

	Note	Company	
		2015	2014
		\$'000	\$'000
Unquoted equity investments, at cost		162,688	162,688
Less: impairment losses		(969)	(967)
		161,719	161,721

Below is an analysis of movement in accumulated impairment losses:

Balance at beginning of year	967	–
Impairment losses recognised in profit or loss	2	967
Balance at end of year	969	967

(b) Loans receivable from subsidiaries are as follows:

Long-term loans receivable		11,607	10,815
Less: Current portion	20	(2,831)	(1,978)
Non-current portion of long-term loans receivable	20	8,776	8,837

The unsecured long-term loans receivable is denominated in United States dollars ("USD"). These loans bear interest rates ranging from 0% to 3.6% (2014: 0% to 3.6%) per annum and are repayable in various instalments up to December 2022 (2014: December 2017).

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

13. Investment in subsidiaries (cont'd)

(c) Details of significant subsidiaries are as follows:

	Name	Principal activities (Principal place of business)	Proportion of ownership interest	
			2015 %	2014 %
(1)	Suzhou San Teh Hotel Co., Ltd	Hotel operations (Suzhou, The People's Republic of China)	100.00	100.00
(1)	Nantong Santeh Hotel Co., Ltd	Property investment (Nantong, The People's Republic of China)	100.00	100.00
(1)	San Teh Pipes & Fittings Industry (Nantong) Co., Ltd	Manufacturing and sale of PVC pipes and fittings (Nantong, The People's Republic of China)	100.00	100.00
(1)	Shanghai San Teh Xing Real Estate Co., Ltd	Property development and investment (Shanghai, The People's Republic of China)	100.00	100.00
(2)	San Teh Xing Real Estate (Fujian) Co., Ltd	Property development (Fujian, The People's Republic of China)	75.00	75.00
(2)	Dali San Teh Xing Real Estate Co., Ltd	Property development (Dali, The People's Republic of China)	95.00	95.00
(1)	Audited by Jiangsu Zhongruihua Certified Public Accountants Co., Ltd, The People's Republic of China.			
(2)	Audited by Xiamen Yihuaxin Certified Public Accountants, Co., Ltd, The People's Republic of China.			

13. Investment in subsidiaries (cont'd)

- (d) Interest in subsidiaries with material non-controlling interest

The Group has the following subsidiaries that have non-controlling interest that are material to the Group.

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/(loss) allocated to non-controlling interest during the reporting period \$'000	Accumulated non-controlling interest at the end of reporting period \$'000	Dividends paid to non-controlling interest \$'000
31 December 2015:					
San Teh Xing Real Estate (Fujian) Co., Ltd	The People's Republic of China	25%	590	6,359	–
Dali San Teh Xing Real Estate Co., Ltd	The People's Republic of China	5%	(16)	1,845	–
31 December 2014:					
San Teh Xing Real Estate (Fujian) Co., Ltd	The People's Republic of China	25%	(10)	5,709	–
Dali San Teh Xing Real Estate Co., Ltd	The People's Republic of China	5%	(36)	1,839	–

Significant restrictions:

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests are:

Cash and cash equivalents of \$1,569,000 (2014: \$2,828,000) held in PRC are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

13. Investment in subsidiaries (cont'd)

- (e) Summarised financial information about subsidiaries with material non-controlling interest

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

Summarised statement of financial position

	San Teh Xing Real Estate (Fujian) Co., Ltd		Dali San Teh Xing Real Estate Co., Ltd	
	As at 31 December 2015 \$'000	As at 31 December 2014 \$'000	As at 31 December 2015 \$'000	As at 31 December 2014 \$'000
Current				
Assets	16,550	1,353	3,347	4,391
Liabilities	6,357	23,292	1,874	1,826
Net current assets/(liabilities)	10,193	(21,939)	1,473	2,565
Non-current				
Assets	15,244	44,775	35,418	34,216
Liabilities	–	–	–	–
Net non-current assets	15,244	44,775	35,418	34,216
Net assets	25,437	22,836	36,891	36,781

Summarised statement of comprehensive income

	San Teh Xing Real Estate (Fujian) Co., Ltd		Dali San Teh Xing Real Estate Co., Ltd	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Revenue	–	14,336	–	–
Profit/(loss) before income tax	2,861	188	(318)	(737)
Income tax expense	499	226	–	–
Profit/(loss) after tax	2,362	(38)	(318)	(737)
Other comprehensive income	239	688	430	1,263
Total comprehensive income	2,601	650	112	526

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

13. Investment in subsidiaries (cont'd)

(e) Summarised financial information about subsidiaries with material non-controlling interest (cont'd)

Other summarised information

	San Teh Xing Real Estate (Fujian) Co., Ltd		Dali San Teh Xing Real Estate Co., Ltd	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Net cash flows from/(used in) operations	695	11,435	(412)	(1,514)

14. Investment in associates

The Group's material investments in associates are summarised below:

	Group	
	2015	2014
	\$'000	\$'000
Dali San Teh Coal Industry Co., Ltd	463	604
Dali San Teh Construction & Installation Engineering Co., Ltd	1,127	1,111
	1,590	1,715

(a) Details of associates are as follows:

Name	Principal activities (Country of incorporation)	Proportion of ownership interest	
		2015	2014
		%	%
(1) (2) Dali San Teh Coal Industry Co., Ltd	Provision of coal processing services (Dali, The People's Republic of China)	38.00	38.00
(1) (2) Dali San Teh Construction & Installation Engineering Co., Ltd	Provision of general construction and engineering works (Dali, The People's Republic of China)	45.00	45.00

(1) The associates are audited by other firm of auditors.

(2) These associates are not significant as defined under Rule 718 in the Listing Manual of SGX-ST.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

14. Investment in associates (cont'd)

The summarised financial information in respect of Dali San Teh Coal Industry Co., Ltd and Dali San Teh Construction & Installation Engineering Co., Ltd, based on its FRS financial statements and a reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised statement of financial position

	Dali San Teh Coal Industry Co., Ltd		Dali San Teh Construction & Installation Engineering Co., Ltd	
	As at 31 December 2015	As at 31 December 2014	As at 31 December 2015	As at 31 December 2014
	\$'000	\$'000	\$'000	\$'000
Current assets	343	228	2,558	2,473
Non-current assets	1,941	2,372	–	–
Total assets	2,284	2,600	2,558	2,473
Current liabilities	1,181	1,126	54	3
Total liabilities	1,181	1,126	54	3
Net assets	1,103	1,474	2,504	2,470
Net assets	1,103	1,474	2,504	2,470
Proportion of the Group's ownership	38%	38%	45%	45%
Group's share of net assets	419	560	1,127	1,112

Summarised statement of comprehensive income

	Dali San Teh Coal Industry Co., Ltd		Dali San Teh Construction & Installation Engineering Co., Ltd	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Revenue	–	–	–	–
(Loss)/profit after tax	(392)	(242)	6	(168)
Other comprehensive income	22	43	29	120
Total comprehensive (loss)/income	(370)	(199)	35	(48)

15. Other investments

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Transferable club memberships, at cost	131	131	131	131
Less: Accumulated impairment losses	(90)	(90)	(90)	(90)
	41	41	41	41
Unquoted equity investment, at cost	1,091	1,078	–	–
Total	1,132	1,119	41	41

16. Land use rights

	\$'000
Group	
Cost:	
At 1 January 2014	5,697
Currency translation differences	177
Disposal	(253)
Transfer from property under development (Note 11)	6,792
At 31 December 2014 and 1 January 2015	12,413
Currency translation differences	144
Additions	50
At 31 December 2015	12,607
Accumulated amortisation:	
At 1 January 2014	1,738
Currency translation differences	53
Amortisation charge	215
Disposal	(12)
At 31 December 2014 and 1 January 2015	1,994
Currency translation differences	23
Amortisation charge	341
At 31 December 2015	2,358
Net carrying amount:	
At 31 December 2015	10,249
At 31 December 2014	10,419

The Group has land use rights over 6 plots (2014: 6 plots) of state-owned land in PRC. The land use rights are not transferable and are amortised over its tenure period of between 33 to 48 years. The remaining tenure of the land use rights ranges from 28 to 35 years (2014: 29 to 36 years).

The amortisation of land use rights is included in the "other operating expenses" line items in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

17. Deferred tax assets

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

	Tax losses \$'000	Others \$'000	Total \$'000
Group			
At 1 January 2014	(36)	(373)	(409)
Debited/(credited) to profit or loss during the financial year (Note 8)	35	(179)	(144)
Currency translation differences	1	(20)	(19)
At 31 December 2014 and 1 January 2015	–	(572)	(572)
Debited to profit or loss during the financial year (Note 8)	–	244	244
Currency translation differences	–	(9)	(9)
At 31 December 2015	–	(337)	(337)

On 22 February 2008, the State Administration of Taxation of China issued a circular Caishui [2008] No.001, which imposes withholding tax on distribution of dividends from post 1 January 2008 profits to foreign investors. Accordingly, no deferred tax liabilities arose from undistributed profits of the Company's PRC subsidiaries accumulated up till 31 December 2007. However, provision for deferred tax liabilities is required on profits accumulated from 1 January 2008 onwards.

Unrecognised temporary differences relating to investments in subsidiaries

As at 31 December 2015, no deferred tax liability has been recognised for withholding tax that would be payable on certain undistributed earnings of the PRC subsidiaries as the Group has determined that the portion of the undistributed earnings of its PRC subsidiaries will not be distributed in the foreseeable future. Such temporary difference for which no deferred tax has been recognised aggregate to approximately \$5,495,000 (2014: \$2,924,000) and the deferred tax liability is estimated at approximately \$275,000 (2014: \$146,000), subject to certain conditions been fulfilled.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

18. Investment securities

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<i>Current:</i>				
Held-to-maturity investments:				
- Other instruments (unquoted)	3,037	–	–	–
Held for trading investments:				
- Equity instruments (quoted)	1,827	1,324	1,827	1,324
- Debt instruments (unquoted)	6,521	6,643	6,521	6,643
	11,385	7,967	8,348	7,967
<i>Non-current:</i>				
Available-for-sale financial assets:				
- Equity instruments (quoted)	3,625	7,119	3,625	7,119
- Other instruments (unquoted)	937	2,232	937	2,232
	4,562	9,351	4,562	9,351
	15,947	17,318	12,910	17,318

19. Cash and cash equivalents

		Group		Company	
	Note	2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000
Cash and bank balances		8,265	17,250	3,246	604
Fixed deposits		9,642	15,131	9,642	15,131
Short-term deposits		15,977	7,633	–	–
Cash and cash equivalents	20	33,884	40,014	12,888	15,735

Fixed deposits of the Group and the Company bear interest rates ranging from 0.43% to 0.95% (2014: 0.04% to 3.30%) per annum and are placed for tenures ranging from 33 to 183 days (2014: 21 to 365 days).

Short-term deposits of the Group bear interest rates ranging from 3.70% to 3.80% (2014: 4.50% to 4.85%) per annum and are placed for tenures ranging from 61 to 95 days (2014: 28 to 92 days).

Cash and cash equivalents that are not denominated in the functional currencies of the respective entities are:

		Group		Company	
		2015	2014	2015	2014
		\$'000	\$'000	\$'000	\$'000
Hong Kong dollar		5	2,768	5	2,768
United States dollar		11,069	10,127	10,215	8,138

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

20. Trade and other receivables

	Note	Group		Company	
		2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade and other receivables - Current					
Trade receivables		22,713	8,177	1	5
Less: Allowance for impairment loss on trade receivables		(639)	(375)	–	–
		22,074	7,802	1	5
Other receivables					
Subsidiaries					
- Current portion of long-term loans	13	–	–	2,831	1,978
- Non-trade amounts		–	–	26,628	26,119
Associate		1,165	1,045	–	–
Non-related parties		1,596	1,309	11	12
Less: Allowance for impairment loss on other receivables		(1,503)	(1,157)	–	–
Deposits		2,366	2,402	3	3
Interest receivables		627	121	38	107
		26,325	11,522	29,512	28,224
Trade and other receivables – Non current					
Trade receivables		14,904	–	–	–
Other receivables					
Subsidiaries					
- Non-current portion of long-term loans	13	–	–	8,776	8,837
		14,904	–	8,776	8,837
Total trade and other receivables (current and non-current)		41,229	11,522	38,288	37,061
Cash and cash equivalents	19	33,884	40,014	12,888	15,735
Total loans and receivables		75,113	51,536	51,176	52,796

Trade receivables

Trade receivables are non-interest bearing and have average credit period of 40 days (2014: 40 days). The Group has a credit policy in place which establishes credit limits for customers and monitors their balances on an on-going basis. Credit evaluations are performed on all customers requiring credit over a certain amount. If a customer is independently rated, these ratings are used. Otherwise, the credit quality of the customer is assessed after taking into account of its financial position and the Group's past experiences with the customer. Of the trade receivables balance at the end of the financial year, approximately \$1,402,000 (2014: \$710,000) is due from a non-related party which is also the Group's largest customer.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the end of the reporting period. The concentration of credit risk is limited due to the customer base being large and unrelated. Accordingly, the directors believe that there is no further credit provision required in excess of the allowances for impairment.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

20. Trade and other receivables (cont'd)

Trade receivables (cont'd)

The aging analysis of trade receivables at the end of the reporting period is:

	Gross 2015 \$'000	Impairment losses, individually assessed 2015 \$'000	Gross 2014 \$'000	Impairment losses, individually assessed 2014 \$'000
Group				
Not past due	32,034	–	4,101	–
Past due 1 - 30 days	311	–	619	–
Past due 31 - 60 days	566	–	568	–
Past due 61 - 90 days	313	–	525	–
Past due 91 - 120 days	571	–	186	–
Past due more than 120 days	3,822	639	2,178	375
	<u>37,617</u>	<u>639</u>	<u>8,177</u>	<u>375</u>

Based on historical default rates, the Group believes that no impairment allowance is necessary in respect of trade receivables not past due or past due up to 120 days. These unsecured receivables are mainly arising from customers that have good repayment records with the Group. 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/or have defaulted on repayments. These receivables are not secured by any collateral or credit enhancements. Included in trade receivables is an amount of approximately \$3,183,000 (2014: \$1,803,000) that is past due for more than 120 days for which the Group has not provided for any impairment allowance as the directors are of the opinion that there is no significant change in the credit quality of these receivables and these receivables are still considered recoverable. The Group does not hold any collateral over these balances.

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

	Group	
	Individually impaired	
	2015	2014
	\$'000	\$'000
Trade receivables – nominal amount	639	375
Less: Allowance for impairment loss on trade receivables	(639)	(375)
	<u>–</u>	<u>–</u>
	Group	
	2015	2014
	\$'000	\$'000
Movement in allowance accounts:		
Balance at beginning of year	375	360
Currency translation differences	4	12
Allowance recognised in profit or loss (Note 7)	263	3
Allowance written off	(3)	–
Balance at end of year	<u>639</u>	<u>375</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

20. Trade and other receivables (cont'd)

Other receivables

The Group's other receivables that are impaired at the end of the reporting period and the movement of the allowance accounts used to record the impairment are as follows:

	Group Individually impaired	
	2015	2014
	\$'000	\$'000
Other receivables – nominal amount	1,503	1,157
Less: Allowance for impairment loss on other receivables	(1,503)	(1,157)
	–	–

	Group	
	2015	2014
	\$'000	\$'000
Movement in allowance accounts:		
Balance at beginning of year	1,157	–
Allowance recognised in profit or loss (Note 7)	333	1,157
Currency translation differences	13	–
Balance at end of year	1,503	1,157

Except for the current portion of long-term loans due from subsidiaries, the current portion of other receivables is unsecured, interest-free and repayable on demand.

Trade and other receivables that are not denominated in the functional currencies of the respective entities are:

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
United States dollar	14	83	538	440
Renminbi	–	–	26,141	25,800

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

21. Inventories

	Note	Group	
		2015 \$'000	2014 \$'000
<i>Statement of financial position:</i>			
Raw materials and consumables (at cost)		1,517	1,686
Work-in-progress (at cost)		38	51
Finished goods (at cost or net realisable value)		2,483	3,377
		<u>4,038</u>	<u>5,114</u>
<i>Income statement:</i>			
Inventories recognised as an expense in cost of sales	7	10,458	15,780
Impairment loss on inventories	7	11	307
		<u>10,469</u>	<u>16,087</u>

22. Trade and other payables

	Group		Company	
	2015 \$'000	2014 \$'000	2015 \$'000	2014 \$'000
Trade payables				
- Non-related parties	6,298	8,014	-	-
Other accrued operating expenses	977	1,041	364	340
Other payables:				
- Related party	1,107	1,096	-	-
- Directors	1,930	1,899	-	-
- Non-related parties:				
• Payable for purchase of property, plant and equipment	140	155	-	-
• Payable for property under development	34	36	-	-
• Payables for investment properties	4,241	4,488	-	-
• Sundry payables	1,520	11,416	345	322
Deposits received	3,312	5,569	28	18
	<u>19,559</u>	<u>33,714</u>	<u>737</u>	<u>680</u>

Trade payables are normally settled on 30 to 60 days (2014: 30 to 60 days) terms. No interest is charged on trade payables. The Group has financial risk management policies in place to ensure that all payables are within credit timeframe.

Other payables are unsecured, interest-free and are repayable on demand.

Trade and other payables that are not denominated in the functional currencies of the respective entities are:

	Group and Company	
	2015 \$'000	2014 \$'000
United States dollar	345	321
Renminbi	<u>14</u>	<u>13</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

23. Provision for retirement benefits

	Note	Group and Company	
		2015	2014
		\$'000	\$'000
Balance at beginning of year		350	990
Provision recognised in profit or loss	28	59	58
Less: payment during the year		–	(698)
Balance at end of year		409	350

24. Share capital and treasury shares

(a) Share capital

	Group and Company			
	2015		2014	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Issued and fully paid ordinary shares :				
At 1 January and 31 December	347,439	71,856	347,439	71,856

The holders of ordinary shares (except for treasury shares) are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares, with no par value, rank equally with regard to the Company's residual assets.

(b) Treasury shares

	Group and Company			
	2015		2014	
	No. of shares '000	\$'000	No. of shares '000	\$'000
At 1 January	5,414	1,929	4,982	1,799
Acquired during the financial year	–	–	432	130
At 31 December	5,414	1,929	5,414	1,929

Treasury shares relate to ordinary shares of the Company that is held by the Company.

The Company acquired 432,000 shares in the Company through purchases on the Singapore Exchange during the previous financial year. The total amount paid to acquire the shares was \$130,000 and this was presented as a component within shareholders' equity.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

25. Other reserves

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Fair value adjustment reserve	(66)	(442)	(66)	(442)
Capital reserve	48	48	–	–
Foreign currency translation reserve	14,629	12,982	–	–
Statutory reserve	1,039	944	–	–
	15,650	13,532	(66)	(442)

Foreign currency translation reserve comprises exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency, and includes the exchange differences on monetary items which form part of the Group's net investment in foreign operations.

Statutory reserve ("SR") is set aside in compliance with the regulations of the country of registration of those subsidiaries registered in PRC. At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SR until the cumulative total of the SR reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SR may be used to offset any accumulated losses or increase the registered capital of the subsidiary.

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are disposed of or impaired.

26. Dividends

	Group and Company	
	2015	2014
	\$'000	\$'000
Paid during the financial year:		
First and final exempt (one-tier) dividend paid of 0.8 (2014: 0.8) cent per ordinary shares in respect of the previous financial year	2,736	2,736
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- First and final exempt (one-tier) dividend of 0.3 (2014: 0.8) cent per share	1,026	2,736

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

27. Related party transactions

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

During the financial year, the following transactions took place between group entities and related parties:

	Group	
	2015	2014
	\$'000	\$'000
Repayment of non-trade advances obtained from director	–	5,413
Non-trade advances obtained from director	–	1,896

During the previous financial year, one of the subsidiary obtained non-trade advances for their working capital purposes from director.

Key management personnel compensation

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

	Group	
	2015	2014
	\$'000	\$'000
Salaries and other short-term employee benefits	1,360	1,489
Employer's contributions to defined contribution plans	47	49
Retirement benefits	59	58
	1,466	1,596

The remuneration of key management personnel is determined by the Remuneration Committee having regard to the performance of individuals and market trends. Directors' remuneration is disclosed in Note 28.

28. Employee benefits expense

		Group	
	Note	2015	2014
		\$'000	\$'000
Salaries and other short-term employee benefits		3,361	4,248
Employer's contributions to defined contribution plans		409	476
Retirement benefits	23	59	58
		3,829	4,782
Less: Employee benefits expenses capitalised in property under development		(17)	(127)
		3,812	4,655

Included in employee benefits expense is remuneration (including retirement benefits) to directors of the Company amounting to approximately \$1,107,000 (2014: \$1,229,000) for the financial year.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

29. Commitments

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
<i>Capital commitments</i>				
Estimated amounts committed for future capital expenditure authorised and contracted for but not provided for in the financial statements	19,958	19,032	–	–
Capital contributions towards investment in subsidiaries not due yet	9,842	9,729	9,842	9,729
	29,800	28,761	9,842	9,729

Operating lease commitments – the Group as lessor

The Group leases out office premises, commercial building and shopping mall to non-related parties under non-cancellable operating leases. The leases have remaining lease terms of between 2.5 to 10 years.

Future minimum lease receivables under the non-cancellable operating lease contracted for at the end of the reporting period but not recognised as receivables, are as follows:

	Group		Company	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
Not later than 1 financial year	2,656	4,526	61	22
Later than 1 financial year but not later than 5 financial years	14,204	22,140	89	–
Later than 5 financial year	10,346	14,187	–	–
	27,206	40,853	150	22

30. Segment information

Segment information is presented in respect of the Group's operating and geographical segments. These segments are based on the Group's management and internal reporting structure.

The Group is currently organised into three reportable operating segments - investment holding, hotel and property, PVC pipes and fittings.

Principal activities of the operating segments are as follows:

Investment holding	-	investment holding and administrative activities.
Hotel and property	-	operations of hotels and property development and investment.
PVC pipes and fittings	-	manufacturing and sale of PVC pipes and fittings.

Management monitors the operating results of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on segment profit or loss and is measured in the same way as operating profit or loss in the consolidated financial statements.

Transfer prices between operating segments are on an arm's length basis in a manner similar to transactions with third parties.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

30. Segment information (cont'd)

Segment information for the financial years ended 31 December 2015 and 31 December 2014 are as follows:

Operating segments

	Investment holding \$'000	Hotel and property \$'000	PVC pipes and fittings \$'000	Others \$'000	Elimination \$'000	Total \$'000
Group						
2015						
Revenue						
External sales	–	4,925	15,243	–	–	20,168
Intersegment sales (Note A)	–	2	–	–	(2)	–
Total sales	–	4,927	15,243	–	(2)	20,168
Results						
Segment results	(4,433)	(3,509)	900	(81)	–	(7,123)
Interest income	632	34	43	469	(160)	1,018
Interest expense	–	(160)	–	–	160	–
Share of results of associates	(146)	–	–	–	–	(146)
(Loss)/profit before income tax	(3,947)	(3,635)	943	388	–	(6,251)
Income tax expense	(53)	(499)	(23)	(101)	–	(676)
(Loss)/profit for the year	(4,000)	(4,134)	920	287	–	(6,927)
Assets						
Segment assets (Note A)	235,187	188,830	26,249	22,705	(234,839)	238,132
Investment in associates	1,590	–	–	–	–	1,590
Deferred tax assets	–	337	–	–	–	337
Total assets	236,777	189,167	26,249	22,705	(234,839)	240,059
Liabilities						
Segment liabilities (Note A)	2,259	62,606	923	5,846	(51,666)	19,968
Income tax payable	25	899	18	100	–	1,042
Total liabilities	2,284	63,505	941	5,946	(51,666)	21,010
Other segment information						
Additions to property, plant and equipment	2	381	88	–	–	471
Additions to property under development	–	646	–	–	–	646
Additions to investment properties	–	3,746	–	–	–	3,746
Depreciation and amortisation	153	3,839	430	54	–	4,476
Foreign exchange (gains)/losses	(1,938)	635	–	–	–	(1,303)

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

30. Segment information (cont'd)

Operating segments (cont'd)

	Investment holding \$'000	Hotel and property \$'000	PVC pipes and fittings \$'000	Others \$'000	Elimination \$'000	Total \$'000
Group						
2014						
Revenue						
External sales	–	22,063	19,028	–	–	41,091
Intersegment sales (Note A)	–	13	66	2,661	(2,740)	–
Total sales	–	22,076	19,094	2,661	(2,740)	41,091
Results						
Segment results	(706)	(3,000)	(379)	(50)	–	(4,135)
Interest income	460	27	60	650	(38)	1,159
Interest expense	–	(38)	–	–	38	–
Share of results of associates	(168)	–	–	–	–	(168)
(Loss)/profit before income tax	(414)	(3,011)	(319)	600	–	(3,144)
Income tax expense	(88)	(226)	(300)	(137)	–	(751)
(Loss)/profit for the year	(502)	(3,237)	(619)	463	–	(3,895)
Assets						
Segment assets (Note A)	241,216	202,562	25,903	22,174	(232,408)	259,447
Investment in associates	1,715	–	–	–	–	1,715
Deferred tax assets	–	572	–	–	–	572
Total assets	242,931	203,134	25,903	22,174	(232,408)	261,734
Liabilities						
Segment liabilities (Note A)	2,127	73,856	1,570	5,740	(49,229)	34,064
Income tax payable	33	790	92	148	–	1,063
Total liabilities	2,160	74,646	1,662	5,888	(49,229)	35,127
Other segment information						
Additions to property, plant and equipment	–	274	27	–	–	301
Additions to property under development	–	32,307	–	–	–	32,307
Depreciation and amortisation	152	2,917	543	53	–	3,665
Foreign exchange gains	(1,405)	(75)	–	(15)	–	(1,495)

Note A: Segment assets and segment liabilities include balances with companies in the Group. Inter-segment revenues, segment assets and segment liabilities are eliminated on consolidation.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

30. Segment information (cont'd)

Geographical information

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

	Revenue		Non-current assets	
	2015	2014	2015	2014
	\$'000	\$'000	\$'000	\$'000
The People's Republic of China	20,168	41,091	140,090	182,295
Singapore	–	–	7,057	11,983
	20,168	41,091	147,147	194,278

Non-current assets information presented above consist of property, plant and equipment, property under development, investment properties, land use rights, investment securities and other investments as presented in the consolidated statements of financial position.

Revenue of approximately \$2,300,000 (2014: \$1,746,000) is derived from a single external customer, arising from the PVC pipes and fittings segment.

31. Fair value of assets and liabilities

(a) Fair value hierarchy

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

31. Fair value of assets and liabilities (cont'd)

(b) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets and liabilities measured at fair value at the end of the reporting period:

		Fair value measurements at the end of the reporting period using			
Note		Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
		\$'000	\$'000	\$'000	\$'000
Group and Company					
2015					
<i>Assets measured at fair value</i>					
<i>Financial assets:</i>					
Held for trading investments	18				
- Debt instruments (unquoted)		–	6,521	–	6,521
- Equity instruments (quoted)		1,827	–	–	1,827
Available-for-sale financial assets	18				
- Equity instruments (quoted)		3,625	–	–	3,625
- Other instruments (unquoted)		–	937	–	937
		5,452	7,458	–	12,910

		Fair value measurements at the end of the reporting period using			
Note		Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
		\$'000	\$'000	\$'000	\$'000
Group and Company					
2014					
<i>Assets measured at fair value</i>					
<i>Financial assets:</i>					
Held for trading investments	18				
- Debt instruments (unquoted)		–	6,643	–	6,643
- Equity instruments (quoted)		1,324	–	–	1,324
Available-for-sale financial assets	18				
- Equity instruments (quoted)		7,119	–	–	7,119
- Other instruments (unquoted)		–	2,232	–	2,232
		8,443	8,875	–	17,318

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

31. Fair value of assets and liabilities (cont'd)

(c) Level 2 fair value measurements

The following is a description of the valuation techniques and inputs used in the fair value measurement for assets and liabilities that are categorised within level 2 of the fair value hierarchy.

Determination of fair value

Debt and other instruments (unquoted) (Note 18): These investments are valued using valuation models which use observable data.

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

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

Fair value measurements at the end of the reporting period using				
Note	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
Group 2015				
Assets:				
- Investment properties	12	–	–	529,329
		–	–	529,329

Fair value measurements at the end of the reporting period using				
Note	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000	Total \$'000
Group 2014				
Assets:				
- Investment properties	12	–	–	230,000
		–	–	230,000

Determination of fair value

The fair value as disclosed in the table above is estimated by market comparable approach.

31. Fair value of assets and liabilities (cont'd)

- (e) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value*

Current trade and other receivables and payables (Notes 20 and 22), Non-current trade and other receivables at fixed rate (Note 20), Held to maturity investment at fixed rate (Note 18) and Cash and cash equivalents (Note 19)

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

32. Financial risk management objectives and policies

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Executive Officer. The audit committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken except for the use as hedging instruments where appropriate and cost-efficient. The Group and the Company do not apply hedge accounting.

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

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

(a) Credit risk

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.



NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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

(a) Credit risk (cont'd)

Credit risk concentration profile

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

	Group			
	2015		2014	
	\$'000	% of total	\$'000	% of total
By industry sectors:				
Hotel and property	31,465	85	2,499	32
PVC pipes and fittings	5,511	15	5,298	68
Others	2	–	5	–
	36,978	100	7,802	100

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Cash and cash equivalents, investment securities and derivatives that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 20 (Trade and other receivables).

(b) Liquidity risk

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

The Group monitors its operating cash flows and finances its operations using a combination of borrowings and internal working capital. Adequate credit lines are maintained to ensure that necessary liquidity is available when required.

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

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial assets and liabilities at the date of statement of financial position based on contractual undiscounted repayment obligations.

	One year or less \$'000	One to five years \$'000	Total \$'000
Group			
2015			
<i>Financial assets:</i>			
Trade and other receivables	26,325	14,904	41,229
Cash and cash equivalents	33,884	–	33,884
Investment securities	11,385	4,562	15,947
Total undiscounted financial assets	71,594	19,466	91,060
<i>Financial liabilities:</i>			
Trade and other payables	19,559	–	19,559
Total undiscounted financial liabilities	19,559	–	19,559
Total net undiscounted financial assets	52,035	19,466	71,501
Group			
2014			
<i>Financial assets:</i>			
Trade and other receivables	11,522	–	11,522
Cash and cash equivalents	40,014	–	40,014
Investment securities	7,967	9,351	17,318
Total undiscounted financial assets	59,503	9,351	68,854
<i>Financial liabilities:</i>			
Trade and other payables	33,714	–	33,714
Total undiscounted financial liabilities	33,714	–	33,714
Total net undiscounted financial assets	25,789	9,351	35,140

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

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

(b) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)

	One year or less \$'000	One to five years \$'000	Total \$'000
Company			
2015			
<i>Financial assets:</i>			
Trade and other receivables	29,512	8,776	38,288
Cash and cash equivalents	12,888	–	12,888
Investment securities	8,348	4,562	12,910
Total undiscounted financial assets	50,748	13,338	64,086
<i>Financial liabilities:</i>			
Trade and other payables	737	–	737
Total undiscounted financial liabilities	737	–	737
Total net undiscounted financial assets	50,011	13,338	63,349
Company			
2014			
<i>Financial assets:</i>			
Trade and other receivables	28,224	8,837	37,061
Cash and cash equivalents	15,735	–	15,735
Investment securities	7,967	9,351	17,318
Total undiscounted financial assets	51,926	18,188	70,114
<i>Financial liabilities:</i>			
Trade and other payables	680	–	680
Total undiscounted financial liabilities	680	–	680
Total net undiscounted financial assets	51,246	18,188	69,434

(c) Foreign currency risk

The Group's sales and purchases are mainly denominated in the respective functional currencies of Group entities, primarily Renminbi ("RMB") and SGD. Accordingly, the Group has no further transactional currency exposure arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the date of statement of financial position, such foreign currency balances (mainly in USD) amount to \$11,069,000 and \$10,215,000 (2014: \$10,127,000 and \$8,138,000) for the Group and the Company respectively.

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

(c) Foreign currency risk (cont'd)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit net of tax to a reasonably possible change in the USD, RMB and other exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Profit net of tax Group	
		2015 \$'000	2014 \$'000
USD/SGD	- strengthened 10% (2014: 10%)	1,117	1,054
	- weakened 10% (2014: 10%)	(1,117)	(1,054)
RMB/SGD	- strengthened 10% (2014: 10%)	2,613	2,579
	- weakened 10% (2014: 10%)	(2,613)	(2,579)
HKD/SGD	- strengthened 10% (2014: 10%)	66	277
	- weakened 10% (2014: 10%)	(66)	(277)

(d) Market price risk

Market price risk is that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity instruments. This instrument is quoted on the Hong Kong Exchanges and Clearing Ltd in Hong Kong, SGX-ST in Singapore and New York Stock Exchange in United States of America and is classified as held for trading or available-for-sale financial assets. The Group does not have exposure to commodity price risk.

Sensitivity analysis for equity price risk

At the end of the reporting period, if the share price had been 10% (2014: 10%) higher/lower with all other variables held constant, the Group's other comprehensive income would have been \$363,000 (2014: \$712,000) higher/lower, arising as a result of an increase/decrease in the fair value of equity instruments classified as available-for-sale and the Group's profit before tax would have been \$183,000 (2014: \$132,000) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity instruments.

33. Capital management

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2015 and 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

For the Financial Year Ended 31 December 2015

33. Capital management (cont'd)

The Group monitors capital using a gearing ratio, which is net debt divided by total capital plus net debt. The Group's policy is to maintain a healthy gearing ratio. The Group includes within net debt, loans and borrowings, trade and other payables, other current liabilities less cash and cash equivalents. Capital includes equity attributable to the owners of the parent less statutory reserve fund and fair value adjustment reserve.

	Note	Group	
		2015 \$'000	2014 \$'000
Trade and other payables	22	19,559	33,714
Less: Cash and cash equivalents	19	(33,884)	(40,014)
Net cash		(14,325)	(6,300)
Equity attributable to the owners of the parent		210,845	219,059
Less: Statutory reserve fund	25	(1,039)	(944)
Fair value adjustment reserve	25	66	442
Total capital		209,872	218,557
Capital and net debt		195,547	212,257

The Group is in net cash position.

34. Events occurring after the reporting period

Since the beginning of 2016, the operator of the Nantong hotel has suspended its operations and is pending re-negotiations of the lease agreement to operate it under an international hotel chain franchise to tap the potential of the deluxe hotel market segment.

35. Authorisation of financial statements for issue

The financial statements for the financial year ended 31 December 2015 were authorised for issue in accordance with a resolution of the directors on 18 March 2016.

The properties of the Group are as follows:

Location	Type of premises	Site Area (in sqm)	Build up Area (in sqm)	Tenure	Years
701 Sims Drive #05/06-01 LHK Building Singapore 387383	Administrative offices	–	594	Freehold	–
Unit Nos. 6A, 6B, 6C, 6D, 6E & 6F Huli East Avenue, Huli District 6th Floor, Tong Ji Building, Xiamen The People's Republic of China	Administrative offices	–	2,290	Leasehold	50 years from 1991
Unit No. 12B03 Blk D, Yuxiu Centre, Xiamen The People's Republic of China	Condominium	11	152	Leasehold	70 years from 1998
No. 1 Duan Jia Ba Road Nantong, Jiangsu Province The People's Republic of China	26-storey hotel building	6,183	28,661	Leasehold	50 years from 1993
Ching Nian Road Nantong, Jiangsu Province The People's Republic of China	A parcel of land	2,087	–	Leasehold	50 years from 1993
C-105 Duan Jia Ba Road Nantong, Jiangsu Province The People's Republic of China	21 units of 1-storey staff quarters	–	1,623	Leasehold	70 years from 1993
No. 9 Guangzhou Road, Nantong Economic & Technological Development Zone Fuming Port, Nantong Jiangsu Province The People's Republic of China	Factory and office building	28,347	17,741	Leasehold	50 years from 1993
	Storage area	22,906	–	Leasehold	50 years from 1993
No. 3888 Huantaihu Road Xukou Town, Wuzhong District Suzhou, Jiangsu Province The People's Republic of China	3-storey and 6-storey resort hotel buildings	66,667	23,645	Leasehold	50 years from 1997
	4-storey staff quarter	–	2,322	Leasehold	50 years from 1997



PORTFOLIO OF PROPERTIES

31 December 2015

Location	Type of premises	Site Area (in sqm)	Build up Area (in sqm)	Tenure	Years
Unit Nos. 101, 102, 201 & 202 No. 24 Jinguiyi Estate Anting Town, Jiading District, Shanghai The People's Republic of China	Four 1-storey office and staff hostel	–	360	Leasehold	70 years from 1994
Unit Nos. 101, 102, 201 & 202 No. 19 Jinguiyi Estate Anting Town, Jiading District, Shanghai The People's Republic of China	Four 1-storey office and staff hostel	–	362	Leasehold	70 years from 1994
No. 5533 Cao'an Road Anting Town, Jiading District, Shanghai The People's Republic of China	Commercial building, SOHO apartment and shopping mall	16,461	58,514	Leasehold	40 – 50 years from 2010
C-2-202, 203 Jinse Junyuan Shizha Lijiaoqiao, Panlong District Kunming, Yunnan Province The People's Republic of China	Two 2-storey quarters and parking lot	–	308	Leasehold	70 years from 2009
Nos. 12 & 21 Shuanglong Road Lanyuanjinzhen Heqing, Dali, Yunnan Province The People's Republic of China	Bungalows	453	599	Leasehold	64 years from 2012
Huanglongtan, Xipianqu, Yunhe Town Heqing, Dali, Yunnan Province The People's Republic of China	A parcel of land	36,553	–	Leasehold	40 – 70 years from 2013
Zhaoxia Road, Xipianqu, Yunhe Town Heqing, Dali, Yunnan Province The People's Republic of China	A parcel of land	113,665	–	Leasehold	40 – 70 years from 2013
Yuantan Anzhi Xiaoqu Anxi, Fujian Province The People's Republic of China	Residential apartments	24,190	76,991	Leasehold	70 years from 2012

The Board of Directors of San Teh Ltd recognises the importance of and is committed to setting and maintaining high standards of corporate governance to protect shareholders' interest and enhance shareholders' value and corporate transparency. This report discusses the Company's corporate governance processes and activities with reference to the Code of Corporate Governance (the "Code").

The Company has generally adhered to the principles and guidelines of the Code. Where there are deviations from the Code, appropriate explanations are provided in the report.

BOARD MATTERS

Principle 1: Board's Conduct of its Affairs

The Board is entrusted with the responsibility of the overall management of the Company. The principal functions of the Board are:

- (1) Approving policies, strategies and financial objectives of the Company and monitoring the performance of management;
- (2) Overseeing the processes for evaluating the adequacy of internal controls, risk management, financial reporting and compliance;
- (3) Approving annual budgets, funding requirements, expansion programmes, capital investment, major acquisitions and divestment proposals;
- (4) Approving announcements including approval and release of financial results and annual reports; and
- (5) Approving the recommended framework of remuneration for the Board and key executives as may be recommended by the Remuneration Committee ("RC").

All directors exercise due diligence and independent judgement, and make decisions objectively in the best interests of the Group. This is a performance criteria for the assessment of the directors.

To assist in the execution of its responsibilities, the Board is supported by three sub-committees, namely a Nominating Committee ("NC"), a RC and an Audit Committee ("AC"). Each Committee has its own defined terms of reference and operating procedures.

The Board meets at least four times a year and additional meetings are held whenever necessary. The provisions in the Company's Constitution allow a Board meeting to be conducted by way of tele-conference and video-conference.

The Board met five (5) times in 2015 to review the Group's business operations and financial performance and approve major transactions. Matters that require the Board's approval include:

- (1) Annual budget and business plan of the Group;
- (2) Major acquisitions and divestment proposals;
- (3) Declaration of interim dividends and proposal of final dividends;
- (4) Announcements of the Group's quarterly and full year financial results and annual reports;
- (5) Issuance of shares;
- (6) Corporate or financial restructurings; and
- (7) Interested person transactions.



The attendances of the directors at the meetings of the Board and Board Committees during the year are disclosed as follows:

Period covering January to December 2015

	Board Meeting		Audit Committee		Nominating Committee		Remuneration Committee	
	Held	Attended	Held	Attended	Held	Attended	Held	Attended
Kao Chuan Chi	5	5	4	4*	1	1	1	1*
Kao Chuan Trong	5	5	4	4*	1	1*	1	1*
Kao Ching Fong nee Pan	5	5	4	4*	1	1*	1	1*
Gui Kim Young @ Gui Kim Gan	5	5	4	4	1	1	1	1
Chuang Wen Fu	5	5	4	4	1	1	1	1
Ko Chuan Aun	5	5	4	4	1	1*	1	1

* Attendance by invitation of the respective Committees

Apart from formal meetings, the directors also held informal meetings and discussions with management from time to time. The Board is free to request for further clarifications and information from management on all matters within their purview.

The NC reviews and makes recommendations on the training and professional development programs for the directors to the Board.

On a periodic basis, the Board is briefed on recent changes to the accounting standards and regulatory updates. The Chief Executive Officer ("CEO") updates the Board at each meeting on the business and strategic developments of the Group.

As part of the Company's continuing education for directors, the Company Secretary circulates to the Board articles, reports and press releases relevant to the Group's business to keep directors updated on current industry trends and issues. New releases issued by the SGX-ST and the Accounting and Corporate Regulatory Authority which are relevant to directors are also circulated to the Board.

The Company would conduct briefings and orientation programmes to familiarise newly appointed directors with the various businesses, operations and processes of the Group.

Principle 2: Board Composition and Guidance

The Board comprises six members, three of whom are independent directors:

Executive Directors

Kao Chuan Chi	(Chairman of the Board and CEO)
Kao Chuan Trong	(Managing Director)
Kao Ching Fong nee Pan	(Executive Director)

Non-Executive Directors

Gui Kim Young @ Gui Kim Gan	(Lead Independent Director)
Chuang Wen Fu	(Independent Director)
Ko Chuan Aun	(Independent Director)

Name of Directors	Date of Appointment	Date of Last Re-election or Re-appointment
Kao Ching Fong nee Pan	18 November 1980	30 April 2014
Chuang Wen Fu	1 June 1982	30 April 2015
Gui Kim Young @ Gui Kim Gan	4 February 1998	30 April 2015
Kao Chuan Trong	31 December 2007	29 April 2011
Kao Chuan Chi	13 July 2009	30 April 2013
Ko Chuan Aun	16 August 2010	30 April 2014

The NC recommends all appointments and retirements of directors. In addition, the NC also reviews annually the independence of each director. The Board is of the view that the current Board comprises persons who as a group, provide core competencies necessary to meet the Group's requirements and the current board size is adequate, taking into account the nature and scope of the Group's operations. The directors' qualifications and other appointments are presented in pages 8 and 9 of this Annual Report.

When necessary, the independent directors meet without the presence of management to discuss and review any matters regarding the Group.

Principle 3: Chairman and CEO

Both the roles of Chairman and CEO of the Group were assumed by Mr. Kao Chuan Chi. Mr. Kao's executive responsibilities include developing the Group's business, overseeing the workings of the Board to ensure that procedures are introduced to comply with the Code.

Although the roles and responsibilities of the Chairman and CEO are vested in Mr. Kao, the Board is of the opinion that the present Group structure and business scope do not warrant a split of the two roles. As Chairman, he ensures that independent directors are able to speak freely and major decisions are made in consultation with the Board. The Board comprises six members, three of whom are independent directors. The Board believes that there are adequate measures in place against an uneven concentration of power and authority in one individual.

The Board has appointed Mr. Gui Kim Young @ Gui Kim Gan as the lead independent director. Mr. Gui is also a member of the NC. Shareholders with concerns may contact him directly when contact through the normal channels via the Chairman and CEO or Group Finance Manager ("CFO") has failed to provide satisfactory resolution, or when such contact may be inappropriate.

Principle 4: Board Membership

The NC comprises three members, the majority of whom, including the chairman are independent directors:

Chuang Wen Fu (Chairman)
Gui Kim Young @ Gui Kim Gan
Kao Chuan Chi

The principal functions of the NC are to:

- (1) Make recommendations to the Board on all board appointments;
- (2) Provide nominations for the re-appointment of directors having regard to their contribution and performance;
- (3) Assess the independence of the directors annually;
- (4) Assess whether or not a director is able to and has been adequately carrying out his duties as a director;
- (5) Review the appropriateness of the size and succession plans of the Board;
- (6) Evaluate the effectiveness and performance of the Board and the contribution by each individual director to the effectiveness of the Board; and
- (7) Review and recommend to the Board, training and professional development programmes for the directors.



Pursuant to the existing Constitution, one-third of the directors shall retire from office at each Annual General Meeting (“AGM”) with the exception of the Executive Chairman and Managing Director, who shall not be required to retire from office of a director. The retiring directors are eligible to offer themselves for re-election.

The NC is responsible for re-appointment of directors. In its deliberations on the re-appointment of existing directors, the NC takes into consideration the director's contribution and performance. The assessment criteria include attendance record, preparedness, intensity of participation and candour at meetings of the Board and board committees as well as the quality of intervention and special contribution.

The NC is tasked to review the qualification and experience of a new director before making recommendation to the Board for his appointment. Upon appointment of a new director, the Company shall provide a formal letter of appointment to the director setting out the director's duties and responsibilities. The NC will be in consultation with the Board to determine the selection criteria in order to identify the candidates. The Company has established the following process of selecting and appointing new director when the need arises:

- (1) The NC will review annually the size of the Board and to determine that the composition of the Board has a balance and diversity of skills, experience and knowledge;
- (2) External help such as recruitment firms may be considered as a source for potential candidates and the controlling shareholders and management may provide recommendations;
- (3) The NC will assess the suitability of the potential candidates based on their criteria; and
- (4) The NC will make recommendations to the Board for approval.

The NC has reviewed the independence of each director for FY2015 in accordance with the Code's definition of independence and is satisfied that half of the Board comprises independent directors.

In carrying out the assessment of the independence of the independent directors, the NC considered the following attributes and contributions of all the independent directors and found that the length of tenure does not have any impact on their independence:

- (1) The independent directors provide their objective and constructive views to the Board and management;
- (2) The independent directors always speak up and offer practical solutions to issues and work towards adding value to the Group for the benefit of all shareholders especially committed to upholding the interest of those non-controlling shareholders; and
- (3) The independent directors evaluate and assess the information provided to the Board in an independent and constructive manner and render such advice as may be necessary to assist management to implement plans and policies adopted by the Group.

The NC believes that the independent directors' experience and knowledge of the Group's business, combined with their external business and professional experience, enable them to provide effective solutions and make constructive contributions to management discussions.

In addition, all the independent directors have made written confirmations of their independence in accordance with the Code.

Accordingly, the NC is of the view that Mr. Gui Kim Young @ Gui Kim Gan and Mr. Chuang Wen Fu are considered independent notwithstanding that both Mr. Gui and Mr. Chuang have served on the Board for more than nine years from the dates of their respective appointment. The Board has accepted the NC's view and affirmed the independence of the independent directors.

For directors who have board representations in other public listed companies, the NC has reviewed the work and other commitments of such directors and assessed their ability to discharge their Board responsibilities. The NC is satisfied that some of the directors despite having multiple directorships, have committed and are able to commit sufficient time, effort and attention to the affairs of the Group. The NC is of the view that fixing a number for such board representation is not meaningful in the context of the Group. The Board has accepted and affirmed the view of the NC.

Principle 5: Board Performance

The NC acknowledges the importance of a formal assessment of the Board's performance and had established and adopted an assessment system and review process to evaluate the Board. The NC conducted a formal assessment of the Board's performance as a whole for FY2015 to assess the effectiveness of the Board. It also assessed whether each director continued to contribute effectively and demonstrate commitment to the role, including commitment of time for board and committee meetings, and any other duties.

Principle 6: Access to Information

To enable the Board to fulfill its responsibility, management strives to provide board members with adequate information for board meetings and on a timely basis. Directors are given separate and independent access to the Group's senior management and Company Secretary to address any enquiries.

The Company Secretary attends all board meetings and assists the Chairman in the development of agenda including providing the Board with Board papers and related materials. He also ensures that board procedures are followed and applicable rules and regulations are complied with and is responsible for recording of the proceeding. The appointment and removal of the Company Secretary is decided by the Board.

A director or as a group, may seek professional advice in furtherance of their duties and the costs will be borne by the Company.

The directors are also informed on a regular basis as and when there are significant matters.

REMUNERATION MATTERS

Principle 7: Procedures for Developing Remuneration Policies

Principle 8: Level and Mix of Remuneration

Principle 9: Disclosure on Remuneration

The RC comprises the following three members, all of whom are independent directors:

Gui Kim Young @ Gui Kim Gan (Chairman)
Chuang Wen Fu
Ko Chuan Aun

The primary functions of the RC are:

- (1) To review and recommend to the Board a framework of remuneration and specific remuneration packages for each director and the CEO;
- (2) To review the remuneration of senior management, and employees who are related to the directors, CEO and substantial shareholders;
- (3) To recommend to the Board the Executive's and Employees' Share Option Schemes or any long term incentive scheme; and
- (4) Review the Group's obligations in the event of termination of executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.

The RC's review covers all aspects of remuneration, including salaries, fees, allowances, bonuses and benefits in kind for the individual directors and key management personnel. The RC's recommendations are submitted for endorsement by the entire Board.

Each member of the RC refrains from voting on any resolutions in respect of the assessment of his remuneration. No director will be involved in determining his own remuneration.



CORPORATE GOVERNANCE REPORT

The remuneration of the executive directors is based on service agreements. The independent directors are paid a director's fee for their efforts and time spent, responsibilities and contribution to the Board. Directors' fees are subject to approval by the shareholders at the AGM.

The RC has full authority to engage any external professional advice on matters relating to remuneration as and when the need arises.

A breakdown, showing the level and mix of each individual director's remuneration paid or payable for the financial year ended 31 December 2015 is as follows:

Directors' remuneration

	Remuneration Band S\$	Salary %	Directors' Fees* %	Bonus %	Other Benefits %	Total Remuneration %
Executive Directors						
Kao Chuan Chi	Between 250,000 and 499,999	95	Nil	5	Nil	100
Kao Chuan Trong	Between 250,000 and 499,999	96	Nil	4	Nil	100
Kao Ching Fong nee Pan	Between 250,000 and 499,999	95	Nil	4	1	100
Non-Executive Directors						
Gui Kim Young @ Gui Kim Gan	Below 250,000	Nil	100	Nil	Nil	100
Chuang Wen Fu	Below 250,000	Nil	100	Nil	Nil	100
Ko Chuan Aun	Below 250,000	Nil	100	Nil	Nil	100

* These fees are subject to approval by shareholders on a collective basis at the forthcoming AGM on 29 April 2016.

The Group confirms that there are only four key management personnel.

Disclosure of the top four executives' remuneration (who are not directors or the CEO) in bands of S\$250,000 is as follows:

	Salary %	Bonus %	Other Benefits %	Total Remuneration %
Below S\$250,000				
Dai Yu Feng	73	18	9	100
Chang Yen Chun	82	7	11	100
Lim Wee Tziang	96	4	Nil	100
Kao Ming Hung	68	6	26	100

Although the disclosure is not in compliance with the recommendation in the Code, the Board is of the view that given the confidentiality and competitive reasons, it will not be in the interest of the Company to disclose the actual remuneration of the directors and the total remuneration paid to the top four executives (who are not directors or the CEO).

There is no employee of the Group who is an immediate family member of a director whose remuneration exceeds S\$50,000 for the financial year ended 31 December 2015.

The Company does not have any share option scheme.

ACCOUNTABILITY AND AUDIT

Principle 10: Accountability

In presenting the annual financial statements and announcements of financial results to shareholders, it is the aim of the Board to provide shareholders with a balanced and understandable assessment of the Company's and Group's performance, position and prospects. Management currently provides the Board with appropriately detailed management accounts of the Group's performance, position and prospects on a regular basis.

Principle 11: Risk Management and Internal Controls

The Board acknowledges that it is responsible for the overall internal control and risk management systems. In designing these controls, the directors consider the risks to which the business is exposed, the likelihood of the risks occurring, and the cost of implementing the controls.

The AC, together with the Board and the CFO, reviewed the effectiveness of the Group's internal control and risk management systems put in place to provide reasonable assurance that assets are safeguarded, proper accounting records are maintained and financial information are reliable.

The Group conducted risk management review exercise to identify and prioritise the top risks affecting the Group. The exercise, which covered strategic, operational, financial and compliance risks, also deliberated on the existing and required internal controls to address the identified top risks. The Group has established a risk management framework for the identification, assessment, monitoring and reporting of significant risks based on the results of the exercise.

The Group does not utilise sophisticated and complex computer systems in its operations and considers its exposure to information technology risks to be low.

Material risks facing the Group are proactively identified and the internal controls to manage or mitigate those risks are put in place by the respective general managers. The Board oversees management in the formulation, update and maintenance of an adequate and effective risk management framework. The AC reviews the adequacy and effectiveness of the risk management and internal control systems.

The external auditors carry out in the course of their statutory audit an annual review of the Company's accounting control to the extent of their scope as laid out in their audit plan. Material internal accounting control weaknesses noted during their audit are reported to the AC.

The Board has received assurance from the CEO and CFO that:

- (1) The financial records of the Group have been properly maintained;
- (2) The financial statements for the year ended 31 December 2015 give a true and fair view of the Group's operations and finances; and
- (3) The system of risk management and internal controls in place within the Group is adequate and effective in addressing the material risks in the Group in its current business environment, including material financial, operational, compliance and information technology risks.

The CEO and CFO have obtained similar assurance from the various general managers in the Group.

Based on the risk management framework established and maintained by the Group, the work done by the internal auditors, the audit findings of our external auditors, reviews performed by management and the Board, as well as the assurance received from the CEO and CFO, the Board, with the concurrence of the AC, is of the opinion that the internal control and risk management systems put in place are adequate and effective to address the key financial, operational, compliance and information technology risks affecting the Group's operations.



Principle 12: Audit Committee

The AC comprises three members, all of whom are independent directors:

Gui Kim Young @ Gui Kim Gan (Chairman)
Chuang Wen Fu
Ko Chuan Aun

The profile of the AC members is set out in the “Board of Directors” section of this Annual Report. The Board is of the view that the members of the AC are appropriately qualified, having the necessary accounting or related financial management expertise to discharge their responsibilities.

The AC performs the following functions:

- (1) Review the audit plans of the Company's internal and external auditors;
- (2) Review the internal and external auditors' report;
- (3) Review the co-operation given by the Company's officers to the internal and external auditors;
- (4) Review the financial statements of the Company and the Group and any formal announcements relating to the Company's financial performance, including review of significant financial reporting issues and judgments relating thereto;
- (5) Make recommendation on the appointment, re-appointment and removal of the external auditors; and approving the remuneration and terms of engagement of the external auditors;
- (6) Review the scope and results of the audit and its cost effectiveness, and all non-audit services provided by the external auditors so as to ensure that any provision of such services would not affect the independence of external auditors;
- (7) Review the adequacy of the Group's internal controls, including financial, operational and compliance controls and risk management policies and systems;
- (8) Review the effectiveness of the Group's internal audit function;
- (9) Review interested person transactions, if any; and
- (10) Review whistleblowing policy and reports.

Apart from the duties listed above, the AC also commission and review the findings of internal investigations into matters where there is any suspected fraud or irregularity, or failure of internal controls or infringement of any law, rule or regulation which has or is likely to have a material impact on the Group's operating results and/or financial position. The Group has instituted a whistleblowing policy whereby accessible channels are provided for employees to raise concerns about possible improprieties in matters of financial reporting or other matters.

The AC has full access to the management and the external and internal auditors. It has full discretion to invite anyone to attend its meetings. It has also been given reasonable resources to enable it to discharge its function.

The AC is responsible to conduct an annual review of the volume of non-audit services provided by the external auditors to ensure such services will not prejudice the independence and objectivity of the external auditors. In the opinion of the AC, the independence and objectivity of the external auditors were not affected by the provision of such services during the year. In accordance with Rule 1207(6)(a) of the Listing Manual, the audit fee paid to the external auditors for their services in the financial year ended 31 December 2015 was S\$210,000. There was no non-audit fee paid to the external auditors.

The AC meets with the external auditors without the presence of the management, at least once a year.

The Group has engaged Messrs Ernst & Young LLP (“EY”) to audit its significant subsidiaries in the People’s Republic of China for the purpose of reporting the group financial statements, although EY is not the statutory auditor for these entities. The AC is of the opinion that the Company has complied with Rules 712 and 715(2) of the SGX-ST Listing Manual. The AC recommended to the Board the re-appointment of EY as the external auditors of the Company for the ensuing year.

The AC members keep abreast of changes to accounting standards and issues that may impact on the Group’s financial statements by having the external auditors brief the directors on such changes on a periodic basis.

Principle 13: Internal Audit

Our internal audit function is outsourced to an international public accounting firm. The internal auditors report directly to the AC. To ensure the effectiveness of the internal audit function, the AC ensures that the internal auditors are independent and suitably qualified for the tasks.

The internal auditors plan its internal audit schedules in consultation with the AC. The internal audit plan will be submitted to the AC for approval prior to the commencement of the internal audit.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

Principle 14: Shareholder Rights

Principle 15: Communication with Shareholders

Principle 16: Conduct of Shareholder Meetings

The Company strives to ensure timely disclosure of material business matters affecting the Group. Price sensitive announcements including quarterly and full-year results are released through SGXNET. The Company takes all reasonable efforts to ensure that it does not practise selective disclosure of material information.

To encourage shareholder participation, the Group holds its AGM at a central location in Singapore. All Shareholders are informed of the rules, including voting procedures, that govern general meetings of shareholders through the notice of AGM.

All shareholders of the Company receive the annual report and notice of AGM. The notice of AGM is also published in the Business Times and released through SGXNET. At AGM, shareholders are given the opportunity to attend and vote at the meetings as well as to air their views and ask questions regarding the Group and its businesses. Pursuant to the Constitution of the Company, shareholders may appoint up to two proxies to attend and vote at general meetings in their absence. With effect from 3 January 2016, a member of the Company who is a relevant intermediary (as defined in Section 181(1C) of the Companies Act, Cap. 50) and who is entitled to attend and vote at the general meetings may appoint more than two proxies to attend and vote on its behalf.

The chairmen of AC, RC and NC or their representatives are available at the general meeting to answer questions relating to the respective committees. The external auditors are also available to address shareholders’ queries about the conduct of audit and the preparation and content of the auditors’ report.

Each item of special business included in the notice of the meeting is accompanied, where appropriate, by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting.

DEALINGS IN THE COMPANY’S SECURITIES

The Group has adopted its own internal compliance code in relation to dealings in the Company’s securities modelled on the Listing Rule 1207(19) of the SGX-ST Listing Manual (formerly known as “The Best Practices Guide”). The Group’s officers who are likely to be privy to unpublished price-sensitive and confidential information are not allowed to deal in the Company’s shares while in possession of such information and during the period commencing two weeks before the announcement of the Company’s financial statements for each of the first three quarters of its financial year and one month before the announcement of the Company’s full year financial results and ending on the date of the announcement of the results. The officers should not deal in the Company’s securities on short-term considerations. Directors and officers are also expected to observe insider trading laws at all times.



INTERESTED PERSON TRANSACTIONS

The Company has established procedures to ensure that all interested person transactions are reported in a timely manner to the AC and that such transactions are conducted on an arm's length basis and are not prejudicial to the interests of the shareholders.

The AC has reviewed the interested person transaction for financial year ended 31 December 2015 and is of the view that the transaction was on normal commercial terms and not prejudicial to the interests of the shareholders.

Name of interested person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S\$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S\$100,000)
Sale of a property from Ms. Kao Hsien Yuan* to Dali San Teh Xing Real Estate Co., Ltd.	S\$179,000	Not applicable

* Ms. Kao Hsien Yuan is an immediate family member of the executive directors and the controlling shareholders of the Company.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or any of its subsidiary companies involving the interests of the CEO or any director or substantial shareholder.

SHARE CAPITAL

Paid-up Capital	:	S\$71,855,707.32
Number of Shares (including Treasury Shares)	:	347,438,763
Number of Shares (excluding Treasury Shares)	:	342,024,763
Number/*Percentage of Treasury Shares	:	5,414,000/1.58%
Class of Share	:	Ordinary shares
Voting Rights (excluding Treasury Shares)	:	One vote per share

* Percentage is calculated based on the total number of shares (excluding Treasury Shares) of the Company.

SUBSTANTIAL SHAREHOLDERS

(As shown in the Register of Substantial Shareholders)

	Name	No. of Share Held		Total	%
		Direct Interest	Deemed Interest		
1	Estate of Kao Shin Ping, deceased (the "Estate") ^(a)	–	136,495,691	136,495,691	39.91
2	Kao Ching Fong nee Pan ("Mrs. Kao") ^(b)	32,422,176	80,727,527	113,149,703	33.08
3	Kao Chuan Chi ^(c)	–	96,121,036	96,121,036	28.10
4	Kao Chuan Trong ^(d)	–	95,370,728	95,370,728	27.88
5	Kao Hsien Yuan ^(e)	–	92,928,273	92,928,273	27.17
6	San Teh Xing Investment Pte Ltd ("STX") ^(f)	300,000	61,838,140	62,138,140	18.17
7	Poh Choo Bin ^(g)	24,001,664	–	24,001,664	7.02

Notes:

- (a) The Estate is deemed to have interests in:
74,357,551 shares held by it through Raffles Nominees (Pte) Ltd;
61,838,140 shares held by STX through Raffles Nominees (Pte) Ltd by virtue of its 60% direct shareholding interest in STX; and
300,000 shares held by STX by virtue of its 60% direct shareholding interest in STX.
- (b) Mrs. Kao is deemed to have interest in:
18,589,387 shares held by the Estate through Raffles Nominees (Pte) Ltd by virtue of her beneficial interest in those shares;
61,838,140 shares held by STX through Raffles Nominees (Pte) Ltd by virtue of her 25%, direct and indirect, shareholding interest in STX; and
300,000 shares held by STX by virtue of her 25%, direct and indirect, shareholding interest in STX.
- (c) Mr. Kao Chuan Chi is deemed to have interest in:
15,393,508 shares held by him through Raffles Nominees (Pte) Ltd;
18,589,388 shares held by the Estate through Raffles Nominees (Pte) Ltd by virtue of his beneficial interest in those shares;
61,838,140 shares held by STX through Raffles Nominees (Pte) Ltd by virtue of his 25%, direct and indirect, shareholding interest in STX; and
300,000 shares held by STX by virtue of his 25%, direct and indirect, shareholding interest in STX.
- (d) Mr. Kao Chuan Trong is deemed to have interest in:
14,643,200 shares held by him through DBSN Services Pte. Ltd.;
18,589,388 shares held by the Estate through Raffles Nominees (Pte) Ltd by virtue of his beneficial interest in those shares;
61,838,140 shares held by STX through Raffles Nominees (Pte) Ltd by virtue of his 25%, direct and indirect, shareholding interest in STX; and
300,000 shares held by STX by virtue of his 25%, direct and indirect, shareholding interest in STX.
- (e) Ms. Kao Hsien Yuan is deemed to have interest in:
12,200,745 shares held by her through Raffles Nominees (Pte) Ltd;
18,589,388 shares held by the Estate through Raffles Nominees (Pte) Ltd by virtue of her beneficial interest in those shares;
61,838,140 shares held by STX through Raffles Nominees (Pte) Ltd by virtue of her 25%, direct and indirect, shareholding interest in STX; and
300,000 shares held by STX by virtue of her 25%, direct and indirect, shareholding interest in STX.
- (f) The 61,838,140 shares are held by STX through Raffles Nominees (Pte) Ltd. Mrs. Kao and her 3 children who are above 21 years old are considered to have beneficial interest for the shares held by the Estate in the STX. By virtue of their 25% each, direct and indirect shareholding interest in STX, each of them is therefore deemed to be interested in the 18.17% of the shares in the capital of the Company held by STX.
- (g) Of the 24,001,664 shares in which Mr. Poh Choo Bin has an interest, 17,979,800 shares are registered in the name of nominees.
- (h) Percentage is calculated based on the total number of shares (excluding Treasury Shares) of the Company.

STATISTICS OF SHAREHOLDINGS

As at 21 March 2016

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HAND

Based on the information available to the Company as at 21 March 2016, approximately 28.50% of the issued ordinary shares of the Company is held by the public and therefore, Rule 723 of the Listing Manual issued by SGX-ST is complied with.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 - 99	84	2.31	3,803	0.00
100 - 1,000	555	15.25	242,210	0.07
1,001 - 10,000	1,952	53.64	9,166,618	2.68
10,001 - 1,000,000	1,032	28.36	46,414,473	13.57
1,000,001 and above	16	0.44	286,197,659	83.68
Total	3,639	100.00	342,024,763	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of Shares	%
1	RAFFLES NOMINEES (PTE) LIMITED	174,941,480	51.15
2	MRS KAO CHING-FONG NEE PAN	32,422,176	9.48
3	DBSN SERVICES PTE. LTD.	14,843,201	4.34
4	DBS NOMINEES (PRIVATE) LIMITED	12,724,770	3.72
5	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	10,474,800	3.06
6	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	8,343,832	2.44
7	POH CHOO BIN	6,451,864	1.89
8	CHUANG WEN FU	6,146,944	1.80
9	HONG LEONG FINANCE NOMINEES PTE LTD	5,721,200	1.67
10	PHILLIP SECURITIES PTE LTD	3,756,428	1.10
11	OCBC NOMINEES SINGAPORE PRIVATE LIMITED	3,401,799	0.99
12	CIMB SECURITIES (SINGAPORE) PTE. LTD.	1,841,063	0.54
13	LEE SU LAN	1,390,800	0.41
14	MAYBANK KIM ENG SECURITIES PTE. LTD.	1,337,302	0.39
15	CHAN LAI CHING	1,300,000	0.38
16	GUI KIM YOUNG @ GUI KIM GAN	1,100,000	0.32
17	YEE LAT SHING	800,000	0.23
18	CITIBANK NOMINEES SINGAPORE PTE LTD	792,727	0.23
19	ANG AH BENG	739,000	0.22
20	KUEK TONG AU	720,000	0.21
Total		289,249,386	84.57

SAN TEH LTD

(Company Registration No.: 197901039W)
(Incorporated in the Republic of Singapore)

NOTICE IS HEREBY GIVEN that the Twenty-Sixth Annual General Meeting of the Company will be held at Grand Mercure Roxy Hotel, Amber Room, Level 3, 50 East Coast Road, Roxy Square, Singapore 428769 on Friday, 29 April 2016, at 11.00 a.m., for the purpose of transacting the following business:

As Ordinary Business

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December 2015 and the Auditors' Report thereon. (Resolution 1)
2. To declare a first and final tax exempt (1-tier) dividend of 0.3 Singapore cent per ordinary share for the year ended 31 December 2015. (Resolution 2)
3. (a) To re-elect Mrs. Kao Ching Fong nee Pan, who retires pursuant to Clause 102 of the Constitution of the Company and being eligible offers herself for re-election as Director. (Resolution 3a)
(b) To re-appoint Mr. Gui Kim Young @ Gui Kim Gan as a Director of the Company. (Resolution 3b)
(See Explanatory Note 1)
4. To approve Directors' Fees of S\$136,000.00 for the year ended 31 December 2015 (2014: S\$136,000.00). (Resolution 4)
5. To re-appoint Messrs Ernst & Young LLP as auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 5)
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.



NOTICE OF ANNUAL GENERAL MEETING

As Special Business

To consider and, if thought fit, to pass the following resolutions as ordinary resolutions:

7. Authority to allot and issue shares up to fifty per cent (50%) of the total number of issued shares excluding Treasury Shares in the capital of the Company

THAT pursuant to Section 161 of the Companies Act, Cap. 50 and the Listing Manual of the SGX-ST, the Directors of the Company be and are hereby authorised to allot and issue shares and convertible securities in the Company (whether by way of rights, bonus or otherwise) at any time and upon such terms and conditions and for such purposes and to such person as the Directors may in their absolute discretion, deem fit and (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 the aggregate number of shares and convertible securities to be issued pursuant to this Resolution does not exceed fifty per cent (50%) of the total number of issued shares excluding Treasury Shares, in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of shares and convertible securities to be issued other than on a pro-rata basis to existing shareholders shall not exceed twenty per cent (20%) of the total number of issued shares excluding Treasury Shares, in the capital of the Company at the time of the passing of this Resolution and that such authority shall continue in force until the date that the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier, unless revoked or varied at a general meeting of the Company.

(See Explanatory Note 2)

(Resolution 6)

8. Approval for Renewal of Share Purchase Mandate

THAT pursuant to Sections 76C and 76E of the Companies Act, Cap. 50 and the Constitution of the Company, the Directors of the Company be and are hereby authorised to make purchases of shares from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to ten per cent (10%) of the number of issued ordinary shares in the capital of the Company (ascertained as at the date of the passing of this resolution, but excluding any shares held as Treasury Shares) at the price of up to but not exceeding the Maximum Price (as defined in the Appendices attached) in accordance with the Guidelines on Shares Purchases set out in the Appendices and this mandate shall, unless revoked or varied by the Company in general meeting, continue in force until the date that the next Annual General Meeting of the Company is held or is required by law to be held, whichever is the earlier.

(See Explanatory Note 3)

(Resolution 7)

By order of the Board

LIM WEE TZIANG
Company Secretary
13 April 2016

Explanatory Notes:

- (1) Mr. Gui Kim Young @ Gui Kim Gan who is over the age of 70 was re-appointed as Director to hold office from the date of the last Annual General Meeting held on 30 April 2015 until this Annual General Meeting pursuant to the previous Section 153(6) of the Companies Act, Cap. 50 (which was repealed by the Companies Act on 3 January 2016). As his appointment lapses at this Annual General Meeting, Mr. Gui Kim Young @ Gui Kim Gan will seek to be re-appointed to continue in office. Upon his re-appointment, Mr. Gui Kim Young @ Gui Kim Gan will no longer be subject to annual shareholders' approval at future Annual General Meetings. He will then be subject to retirement by rotation under the Company's Constitution.

Mr. Gui Kim Young @ Gui Kim Gan will, upon being re-appointed, continue to serve as Chairman of the Audit Committee and Remuneration Committee and a member of the Nominating Committee and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

- (2) The ordinary resolution no. 6 proposed in item 7 above, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares in the Company up to an amount not exceeding in total fifty per cent (50%) of the total number of issued shares excluding Treasury Shares in the capital of the Company for such purposes as they consider would be in the interests of the Company. This authority will, unless previously revoked or varied at a general meeting, expire at the date the next Annual General Meeting of the Company is held or is required by law to be held, whichever is earlier.

The percentage of the issued share capital is based on the number of issued shares excluding Treasury Shares in the capital of the Company at the time of the passing of the ordinary resolution no. 6 above after adjusting for (a) new shares arising from the conversion or exercise of convertible securities (b) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution and (c) any subsequent bonus issue, consolidation or subdivision of shares.

- (3) The ordinary resolution no. 7 proposed in item 8 above, if passed, will empower the Directors from the date of the above Meeting until the date the next Annual General Meeting is held or is required by law to be held, whichever is the earlier, to purchase ordinary shares of the Company by way of market purchases or off-market purchases on an equal access scheme of up to ten per cent (10%) of the total number of issued ordinary shares in the capital of the Company (ascertained as at the date of the passing of the ordinary resolution no. 7 above, but excluding any shares held as Treasury Shares) at the Maximum Price as defined in the Appendices attached. Details on the Shares Purchase Mandate, including the sources of funds to be used for the purchase or acquisition, the amount of financing (if any) and the illustrative financial impact on the Company's financial position, are set out in the Appendices attached.

Notes:

1. A member of the Company (except the relevant intermediary mentioned under Note 2 below) entitled to vote at the above Meeting is entitled to appoint one or two proxies to attend in his stead. Such proxy need not be a member of the Company and, where there are two proxies, the number of shares to be represented by each proxy must be stated.
2. A member of the Company who is a relevant intermediary (as defined in Section 181(1C) of the Companies Act, Cap. 50) and who is entitled to attend and vote at the above Meeting may appoint more than two proxies to attend and vote on its behalf, but each proxy must be appointed to exercise the rights attached to the respective share or on shares held by the member (which number and class of shares shall be specified). In such an event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.
3. The instrument or form appointing a proxy must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a body corporate, signed by an attorney duly authorised, or by a duly authorised officer on behalf of the corporation, or the common seal must be affixed thereto.
4. The instrument or form appointing a proxy, duly executed, must be deposited at the Company's registered office not less than 48 hours before the time for holding the above Meeting.

Books Closure and Dividend Payment Dates

The Company wishes to inform that the Share Transfer Books and Register of Members of the Company will be closed at 5.00 p.m. on 10 May 2016 and be re-opened on 11 May 2016 for the purpose of determining Shareholders' entitlements to the proposed first and final dividend for the year ended 31 December 2015. The proposed first and final dividend, if approved by Shareholders at the forthcoming Annual General Meeting, will be paid on 25 May 2016.

Registrable transfers received by the Company's Share Registrar, Boardroom Corporate & Advisory Services Pte. Ltd. at 50 Raffles Place, Singapore Land Tower, #32-01, Singapore 048623 up to 5.00 p.m. on 10 May 2016 will be registered before entitlements to the proposed first and final dividend are determined.

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SAN TEH LTD

(Company Registration No.: 197901039W)
(Incorporated in the Republic of Singapore)

Important:

1. For investors who have used their CPF monies to buy shares of San Teh Ltd, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

PROXY FORM - ANNUAL GENERAL MEETING

I/We, _____ (Name)

of _____ (Address)

being a member/members of SAN TEH LTD hereby appoint

Name	Address	NRIC/Passport Number	Proportion of Shareholdings

and/or (delete as appropriate)

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as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting of the Company, to be held at Grand Mercure Roxy Hotel, Amber Room, Level 3, 50 East Coast Road, Roxy Square, Singapore 428769 on Friday, 29 April 2016, at 11.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his discretion, as he will on any other matter arising at the Meeting.

No.	Ordinary Resolution	For	Against
1	To receive and adopt the Directors' Statement and Audited Financial Statements for the year ended 31 December 2015 and the Auditors' Report thereon.		
2	To declare a First and Final dividend.		
3(a)	To re-elect Mrs. Kao Ching Fong nee Pan (under Clause 102).		
3(b)	To re-appoint Mr. Gui Kim Young @ Gui Kim Gan as a Director.		
4	To approve the Directors' fees.		
5	To re-appoint auditors and to fix their remuneration.		
6	To authorise Directors to issue/allot shares in the Company.		
7	To approve the renewal of Share Purchase Mandate.		

Dated this _____ day of _____ 2016

Total Number of
Shares Held

Signature(s) of Shareholder(s)/
Common Seal of Corporate Shareholder



Notes

1. A member (except the relevant intermediary mentioned under Note 3 below) entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead. He should indicate clearly how he would like the proxy to vote. If this proxy form is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
2. Where a member appoints more than one proxy, the appointments shall be deemed to be alternative unless he specifies the proportion of his holding (expressed as a percentage of the whole) to be represented by each proxy.
3. A member of the Company who is a relevant intermediary (as defined in Section 181(1C) of the Companies Act, Cap. 50) and who is entitled to attend and vote at the above Meeting may appoint more than two proxies to attend and vote on its behalf, but each proxy must be appointed to exercise the rights attached to the respective share or shares held by the member (which number and class of shares shall be specified). In such an event, the relevant intermediary shall submit a list of its proxies together with the information required in this proxy form to the Company.
4. If a shareholder submits a proxy form and subsequently attends the meeting in person and votes, the appointment of the proxy will be revoked, and in such event, the Company reserves the right to refuse and admit any person or persons appointed under the instrument of proxy to the meeting.
5. A proxy need not be a member of the Company.
6. Please insert the total number of shares held by you. If you have shares entered against your name on the Depository Register, you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this form of proxy will be deemed to relate to all the shares held by you.
7. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 701 SIMS DRIVE #06-01 LHK BUILDING, SINGAPORE 387383 not less than 48 hours before the time set for the Meeting.
8. 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 common seal or under the hand of its attorney or a duly authorised officer.
9. Where an instrument appointing a proxy 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.

GENERAL

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered on the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name on the Depository Register as at 72 hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

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



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