



ENHANCING VALUE CREATING OPPORTUNITIES

ANNUAL REPORT 2015





Ezion Holdings Limited

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ENHANCING VALUE
CREATING OPPORTUNITIES

Annual Report 2015

Versatility of Service Rigs combined with
experienced technical expertise to penetrate
new strategic growth areas





Specialises in the development, ownership and chartering of strategic offshore assets to support the offshore energy markets

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



Ezion Holdings Limited (“Ezion”) and together with its subsidiaries (“the Group”) specialises in the development, ownership and chartering of strategic offshore assets to support the offshore energy markets.

The Group’s Service Rigs are focused in production enhancement and extraction related activities of the offshore oil and gas industry and can also support the offshore wind farm industry with their accommodation, loading, construction, installation and transportation capabilities and operate 100% in shallow waters.

The Group is the owner of one of the youngest, largest and most sophisticated fleet of Multi-Purpose Self Propelled Service Rigs in the world and one of the first to promote the usage of Multi-Purpose Self Propelled Service Rigs in Asia & Middle East. The Group is also the only operator in Southeast Asia with a fleet of Service Rigs that can be used both in the offshore oil and gas industry as well as the offshore wind farm industry.

The Group and its associated companies also has the capabilities in the design, engineering, procurement, construction and commissioning of Mobile Offshore Production Units and its related equipment and modules.

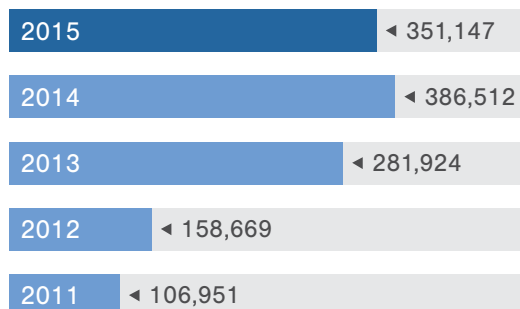




FINANCIAL HIGHLIGHTS

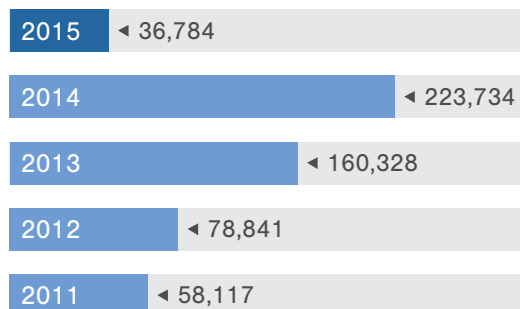
REVENUE US\$'000

\$351.15m



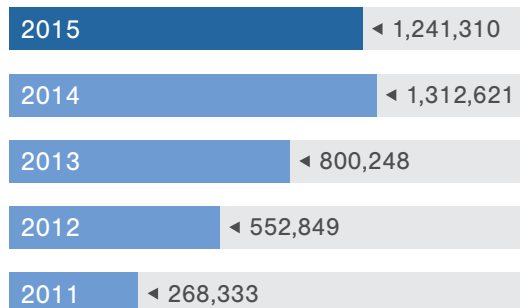
NET PROFIT US\$'000

\$36.8m



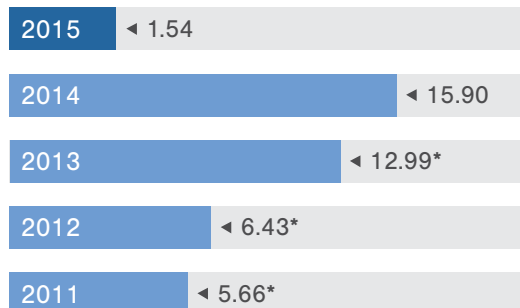
SHAREHOLDERS' FUND US\$'000

\$1,241.3m



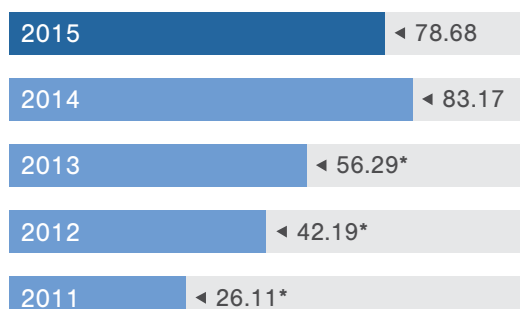
EARNINGS PER SHARE US Cents/Share

1.54¢



NET ASSET VALUE US Cents/Share

78.68¢



	2015 US\$'000	2014 US\$'000	2013 US\$'000	2012 US\$'000	2011 US\$'000
REVENUE	351,147	386,512	281,924	158,669	106,951
Profit Before Tax	38,365	225,763	162,968	82,768	61,010
Net Profit	36,784	223,734	160,328	78,841	58,117

KEY FINANCIAL POSITION INDICATORS

Shareholders' Fund	1,241,310	1,312,621	800,248	552,849	268,333
Total Assets	3,108,402	2,980,971	2,043,078	1,198,005	470,374
Total Liabilities	1,867,092	1,668,350	1,242,830	645,156	202,041

PERFORMANCE INDICATORS

Earnings Per Share (cents/share)	1.54	15.90	12.99*	6.43*	5.66*
Net Asset Value (cents/share)	78.68	83.17	56.29*	42.19*	26.11*

FINANCIAL RATIOS

ROE (%)	2.88	21.18	23.70	19.20	24.30
ROA (%)	1.21	8.91	9.89	9.45	13.40
Current Ratio (times)	1.01	1.54	1.01	1.72	1.56
Net Gearing (times)	1.14	0.86	1.15	0.76	0.35

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

LETTERS TO SHAREHOLDERS

TO ALL OUR VALUED SHAREHOLDERS

Grace and peace be yours in abundance.

On behalf of the Board of Directors, we are pleased to present to you the annual report for Ezion Holdings Limited in respect of the financial year ended 31 December 2015 (“FY2015”).

TRIALS AND TRIBULATIONS

The operating environment has been made very challenging following the drastic drop in the prices of fossil fuel which started since 2014. Prices have remained depressed throughout FY2015 and many oil companies have continued to reduce their capital expenditure year-on-year for 2016. While the market focus is currently on extraction and production related activities, the continued low price environment which we have not experienced since 2009 have prompted a further tightening of originally budgeted operating expenditure. This has, in turn, affected the ability of clients to remain faithful to their contractual obligations. Against this backdrop, we have made provisions amounting to US\$81.1 million.

Overall, the revenue of Ezion Holdings Limited and its subsidiaries (the “Group”) for FY2015 decreased by 9.1% to US\$351.1 million and net profit for FY2015 decreased by 83.6% to US\$36.8 million. The Group has also generated US\$208.8 million of operating cash flows during the year. The current shareholder’s fund as at end of FY2015 was US\$1.24 billion.

FORTIFICATION

In the third quarter of 2015, with the support of DBS Bank Limited, the company issued S\$120 million notes that were fully backed by a committed funding facility provided by the bank. The successful issuance of the notes has augmented our position to enhance our support to clients in the current environment. This includes our ability to incur additional capital expenditure to provide modifications and improvements to our assets to fulfil our client’s supplementary requirements, as well as undertake various redeployment of our assets.

During the year, the Group successfully deployed 5 additional Service Rigs in the South Asian, Southeast Asian and Middle Eastern regions. The successful deployment of these rigs helped entrenched our position in these regions, and we believe that we are now even better placed to support the clients in the future.



The Group has identified the offshore windfarm markets in China and Europe as well as Mobile Offshore Production Units as potential areas that could provide additional deployment opportunities for the Group's Service Rigs

We have further strengthened our management capabilities through the successful strategic recruitment of various key personnel with the requisite skillsets to augment the existing management team. We continue to invest in the development of our human resources and we also have set up the world's first liftboat simulation training centre in Singapore to reduce overall training times for our seafaring colleagues, and to ensure they have the state-of-the-art facilities to hone their skills.

STRATEGIES

The Group has identified the offshore windfarm markets in both China and Europe as key potential areas that could provide additional deployment options for the Group's Service Rigs. To date, we have entered into co-operation agreements with two major China state owned enterprises for such endeavour. The first was in December 2015, where the company has entered into a strategic co-operation agreement with a state-owned power generation corporation to support offshore wind power installation projects in China. This agreement marks a major step forward for the Group to participate and service a potentially high growth wind energy market of China. The second was in February 2016, where the Company entered into a joint venture agreement with another state-owned large scale modern corporate group with world-wide business in integrated logistics, shipping and shipbuilding. This joint venture will assist the Group in the integration of domestic requirements for the operations of Service Rigs in the offshore windfarm market in China. We believe these will bear results in 2016.

In the first quarter of 2016, Ezion officially completed the acquisition of 30% of Rotating Offshore Solutions Pte Ltd ("ROS"). ROS provides a comprehensive range of multi-disciplinary services that encompass design, engineering, procurement, construction and commissioning of Mobile Offshore Production Units and its related equipment and modules. ROS serves global customers which include Oil Majors, FPSO owners and operators, and oilfield service companies. The tie-up is strategic as it will enable us to have the in-house expertise to convert existing Service Rigs into Mobile Offshore Production Units to bolster our joint support services to offer cost-efficient solutions in a low fuel-priced environment.

We have also successfully worked with clients and suppliers for the postponed delivery of several of the Group's new Service Rigs that were originally scheduled for delivery in 2016, to 2017 and 2018. We believe this is a prudent move and is in the interest of all parties in view of the current market condition.

We will continue to explore more tie ups and joint ventures with strategic partners to more efficiently service our customers and will also continue to explore ways to redeploy the assets to new areas for better returns.

We will continue to explore more tie ups and joint ventures with strategic partners to more efficiently service our customers and will also continue to explore ways to redeploy the assets to new areas for better returns

The market condition for financial year 2016 is envisaged to be a continuously challenging climate without an assured upswing of fossil fuel prices. We believe that a strong balance sheet and conservation of cash will best serve the interest of the Group and its shareholders, and as such we seek your understanding and concurrence in the suspension of a dividend for FY2015.

APPRECIATION

The peace of God has guarded us during the storm. With thankful hearts, we give Him all praise. We also wish to thank Mr Lee Kian Soo, for his services and contributions to the Group. We are grateful to our fellow directors for the sharing of their wisdom and for their support. We thank the committed management and staff who have put in much more effort and made many sacrifices for the Group during the year. To our bankers, we sincerely appreciate your standing by us during this difficult time. To our business associates and partners, we are much obliged. To our dear shareholders, we thank you for keeping faith with us. As a token of our appreciation, we have proposed the issuance of approximately 323,935,880 free warrants each warrant carrying the right to subscribe for one new ordinary share in the capital of the company within four years from issuance date at an exercise price of S\$0.50 for each new share. This is to be credited and allotted on the basis of one warrant for every five existing ordinary shares that you hold in the capital of the company.

We wish God's love and blessing to be with you.

Dr Wang Kai Yuen
Chairman

Mr Chew Thiam Keng
Chief Executive Officer

BOARD OF DIRECTORS

BOARD OF DIRECTORS



From left to right

DR WANG KAI YUEN

Independent Non-Executive Chairman

Dr Wang Kai Yuen was appointed the Independent Non-Executive Chairman on 5 January 2016. He has been an Independent Non-Executive Director since 28 July 2000 and was last re-elected on 25 April 2013. Dr Wang sits on the Board of COSCO Corporation (Singapore) Limited, ComfortDelGro Corporation Limited, CAO (Singapore) Corporation Ltd, Matex International Ltd, HLH Corp, Emas Offshore Ltd and A-Sonic Aerospace Ltd, companies listed on the SGX-ST. He previously served as independent director of Superbowl Holdings Ltd, Xpress Holdings Limited and Hiap Hoe Limited. Dr Wang retired from Fuji Xerox Singapore Software Centre in December 2009 as the Centre Manager. Dr Wang served as a Member of Parliament for the Bukit Timah Constituency from December 1984 till April 2006. He was the Chairman of Feedback unit from 2002 till his retirement from politics. Dr Wang graduated from the National University of Singapore with a Bachelor in Engineering (First Class Honours in Electrical and Electronics). He also holds a Master of Science in Industrial Engineering, a Master of Science in Electrical Engineering and a PhD in Engineering from Stanford University. He received a Friend of Labour Award in 1988 for his contributions to the Singapore labour movement.

MR CHEW THIAM KENG

Chief Executive Officer and Executive Director

Mr Chew Thiam Keng was appointed an Executive Director on 1 March 2007, and was appointed as the Chief Executive Officer on 1 June in the same year. He was last re-elected as a Director on 22 April 2015. Mr Chew is responsible for the Group's operations, strategic planning, corporate management and business development. Before joining the Group, Mr Chew was the Managing Director/CEO of KS Energy Services Limited for about 5 years and was an Executive Director of Kian Ann Engineering Ltd. between 1996 and November 2001. Before that, Mr Chew was with the Development Bank of Singapore Limited for nine years working in the areas of banking such as corporate finance and retail banking. Mr Chew holds a Master Degree in Business Administration from the University of Hull and a Bachelor Degree (Honours) in Mechanical Engineering from the National University of Singapore. Mr Chew is currently a non-executive and/or independent director of Charisma Energy Services Limited and Pharmesis International Limited, companies listed on the SGX-ST. He previously served as independent director of Multi-Chem Limited.

BOARD OF DIRECTORS

BOARD OF DIRECTORS



From left to right

MR LIM THEAN EE

Independent Non-Executive Director

Mr Lim Thean Ee is an Independent Non-Executive Director appointed on 28 July 2000 and was last re-elected on 25 April 2013. He has been appointed the Chairman of the Remuneration Committee with effect from 18 July 2008 and is a member of both the Audit and Nominating Committees. Mr Lim participates actively in community work. He is Chairman of Telok Blangah Citizens' Consultative Committee and Chairman of CCC's Community Development & Welfare Fund Committee. In addition, he serves as the Vice Chairman of Telok Blangah Neighbourhood Standing Committee and is also the Chairman of Depot Estate Businesses Association. In recognition of his contribution to the community, Mr Lim was conferred both the Public Service Medal and the Public Service Star Medal in 1998 and 2012 respectively. He currently serves as the Managing Director of Coastal Navigation Pte Ltd and has more than 30 years of experience in shipbuilding and ship repairing industry. He is an Associate Member of Society of Naval Architects and Marine Engineers, USA since year 1974. Mr Lim is currently an independent director of Miyoshi Limited, a company listed on the SGX-ST.

MR TAN WOON HUM

Independent Non-Executive Director

Mr Tan Woon Hum is an Independent Non-Executive Director appointed on 21 March 2007 and was last re-elected on 22 April 2015. He has been appointed the Chairman of the Audit Committee with effect from 5 January 2016 and is a member of both the Nominating and Remuneration Committees. Mr Tan is currently a partner of Shook Lin & Bok LLP, a Singapore law firm and has been with the firm since December 2003. He graduated from the National University of Singapore with a LLB (Honours) Degree in 1995 and was admitted as an Advocate and Solicitor of the Supreme Court of Singapore in 1996. Mr Tan obtained his MBA (Finance) from the University of Leicester in 2000. He has been in private legal practice since 1996 and specializes in trust, asset and wealth management. He advises on the establishment of traditional and alternative funds including related licences and exemptions for fund management companies, as well as the establishment and listing of REITS. Mr Tan is also an independent non-executive director of AP Oil International Limited, a company listed on the SGX-ST. He previously served as independent director of Yong Xin International Holdings Limited.

MR YEE CHIA HSING

Independent Non-Executive Director

Mr Yee is an Independent Non-Executive Director appointed on 5 January 2016. He has been appointed the Chairman of the Nominating Committee with effect from 5 January 2016 and is a member of both the Audit and Remuneration Committees. Mr Yee is currently Head, Catalist of CIMB Bank Berhad, Singapore Branch, a position he has held since early 2011. At CIMB Bank, he is responsible for the introduction, supervision and continuing sponsorship of Catalist companies on the SGX-ST. Mr Yee holds a Bachelor of Accountancy Degree (First Class Honours) from the Nanyang Technological University, Singapore. He currently sits on the audit committee of Ren Ci Hospital (a Singapore charity) and is an independent director of First Sponsor Group Limited, a company listed on the SGX-ST. Mr Yee is an elected Member of Parliament for Chua Chu Kang GRC.

KEY EXECUTIVES

MR LEE KON MENG (PETER)

Chief Operating Officer

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

MR CHEAH BOON PIN

Group Chief Financial Officer

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

MR TAN KIM KWANG

Human Resources Director

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

MR POH LEONG CHING (DAVID)

Chief Business Development Officer

Mr Poh Leong Ching, David is responsible for identifying, securing and managing relationships in new business areas in line with the strategic direction of the Group. He is also the country head of China and Mexico spearheading the Group's foray in developing businesses opportunities in these countries. Under his credentials are over 20 years of experience in the sales and operations of vessels and cranes. Mr Poh was the Marketing Manager of Tiong Woon Marine Pte Ltd and Tat Hong Holdings Group before joining the Group.

MR LAWRENCE CHAN

Director, Corporate Development

Mr Lawrence Chan joined the Group in June 2015 and heads the corporate development as well as the legal departments of the Group. He was the deputy regional business head of an offshore and marine services company that was listed on the Australia Securities Exchange. Prior to that, he was in the Executive Chairman's Office of Keppel Corporation Limited and held various portfolios such as corporate development and investments within the Keppel Group. Mr Chan holds a Master Of Business Administration from Nanyang Technological University (2014) and BI Norwegian Business School (2012), and is an Advocate & Solicitor of the Supreme Court of Singapore and a Barrister-at-law of England & Wales (Middle Temple).

MR JULIEN CIGLAR

Director, Fleet Services

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

MR YE MIN

Deputy Chief Information Officer

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

MR DERRICK CHING

Senior Manager – Commercial

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

MR ALAN CHONG

Head, Corporate Finance

Mr Alan Chong joined the Group in February 2007 and is responsible for the debt and equity raising activities as well as the investor relations of the Group. Mr Chong is also in charge of the insurance requirements of the vessels and Service Rigs owned by the Group. He holds a Bachelor of Business (Honours) degree in Banking and Finance from the Nanyang Technological University, Singapore and has more than 10 years of experience in the offshore oil and gas industry whereby he started his career as a management trainee in a Singapore Exchange Main Board listed company.





With one of the largest and youngest fleet of Multi-Purpose Self-Propelled Service Rigs in the world, the Group is dedicated to provide the safest and most cost-efficient business solutions for our clients

OPERATIONS REVIEW

The Group revenue for FY2015 decreased by 9.1% to US\$351.1 million. The decrease in revenue was mainly due to the absence of contribution from the projects in Queensland, Australia that did not go into additional trains as originally planned

FINANCIAL HIGHLIGHTS

The Group revenue for FY2015 decreased by 9.1% to US\$351.1 million. The decrease in revenue was mainly due to the absence of contribution from the projects in Queensland, Australia that did not go into additional trains as originally planned.

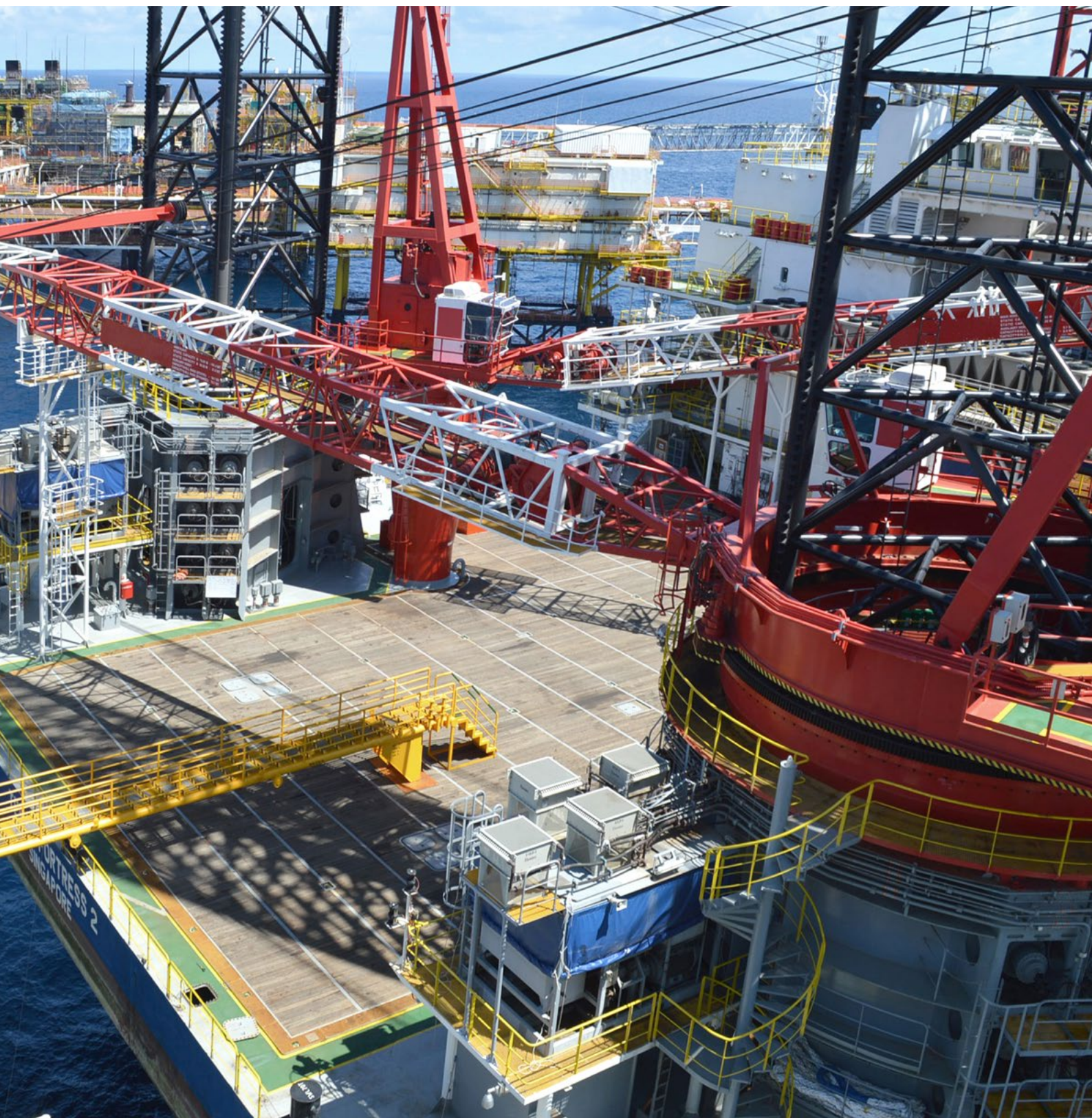
The cost of sales and servicing for FY2015 increased by 22.3% to US\$233.1 million as compared to FY2014. The increase was due to the deployment of additional Service Rigs.

As a result of the above, the Group's gross profit for FY2015 decreased by US\$77.9 million (or 39.8%) to US\$118.1 million as compared to FY2014.

The decrease in other income in FY2015 as compared to FY2014 was mainly due to absence of the gain on disposal of subsidiaries recognised in FY2014.

The increase in other operating expenses in FY2015 as compared to FY2014 was mainly due to impairment losses on plant and equipment and provision for trade receivables amounting to approximately US\$81.1 million in relation to the difficult operating environment caused by the collapse of the fossil fuel prices that has negatively affected the industry and the Group's plan to redeploy some of the existing assets for different usages and different areas of operations





OPERATIONS REVIEW



The decrease in finance income in FY2015 as compared to FY2014 was mainly due to lower interest income from loans to Joint Ventures.

The increase in finance costs in FY2015 as compared to FY2014 was due mainly to additional interest expense for the funding of newly delivered Service Rigs.

The lower share of associates and jointly controlled entities' results in FY2015 as compared to FY2014 was mainly due to the share of loss from an associated company of the Group whom recognised significant impairment losses.

As a result of the above, the profit before income tax for FY2015 stands at US\$38.4 million.

Charter income derived from Singapore flagged vessels are exempted from tax under Section 13A of the Income Tax Act of Singapore. Current period income tax expense of US\$1.6 million relates to the corporate tax expense and withholding tax expense incurred by vessels operating in certain overseas waters.



Revenue according to business segments for FY2015 consist of revenue from production and maintenance support and revenue from exploration and development support which amounted to approximately US\$312.5 million or 89.0% and US\$38.2 million or 11.0% respectively



Singapore, Australia, Rest of Asia and Europe

BUSINESS SEGMENTS

Revenue according to business segments for FY2015 consist of revenue from production and maintenance support and revenue from exploration and development support which amounted to approximately US\$312.5 million or 89.0% and US\$38.2 million or 11.0% respectively. The decrease in revenue from production and maintenance support for FY2015 as compared to FY2014 amounted to US\$63.4 million or 16.9%. As a result, the revenue mix for production and maintenance support segment and exploration and development support segment for FY2015 was 89.0% and 11.0% (FY2014: 97.3% and 2.7%) respectively.

GEOGRAPHICAL SEGMENTS

Our revenue contributions based on geographical segments for FY2015 were adequately diversified, reducing geographical market risk. In FY2015, revenue contributed by Singapore, Australia, rest of Asia and Europe amounted to approximately US\$31.5 million or 9.0%, US\$20.4 million or 5.8%, US\$232.1 million or 66.1% and US\$62.2 million or 17.7%, respectively, of total revenue.



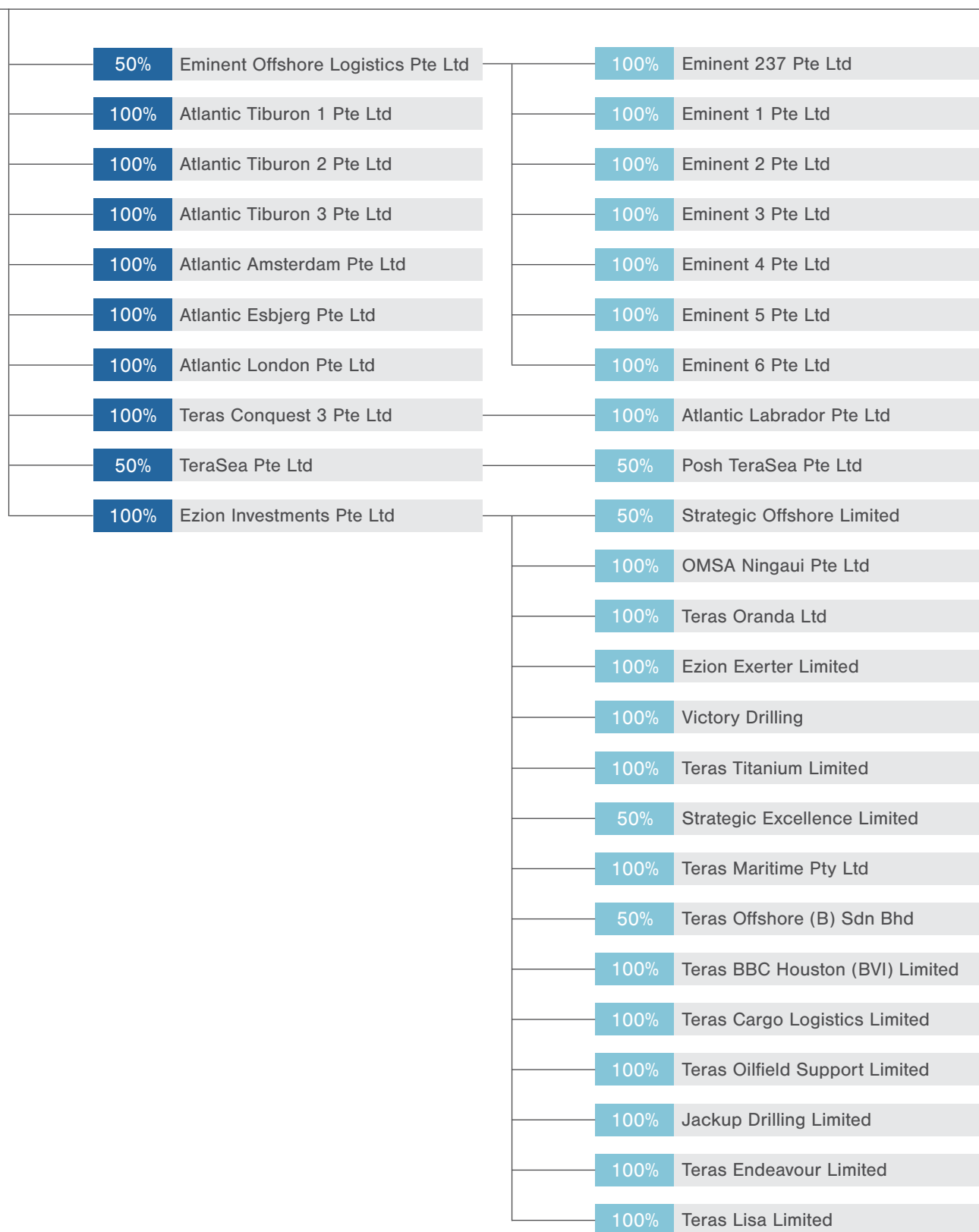
Dedicated to exploring new engines of growth, with steady hands on deck and keen eyes on the horizon, spotting opportunities as we progress ever onwards

CORPORATE STRUCTURE

Ezion Holdings Limited

CORPORATE STRUCTURE





CORPORATE INFORMATION

BOARD OF DIRECTORS

Chairman : Dr Wang Kai Yuen
Members : Chew Thiam Keng
Tan Woon Hum
Lim Thean Ee
Yee Chia Hsing

AUDIT COMMITTEE

Chairman : Tan Woon Hum
Members : Lim Thean Ee
Yee Chia Hsing

REMUNERATION COMMITTEE

Chairman : Lim Thean Ee
Members : Tan Woon Hum
Yee Chia Hsing

NOMINATING COMMITTEE

Chairman : Yee Chia Hsing
Members : Tan Woon Hum
Lim Thean Ee

REGISTERED ADDRESS

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

PRINCIPAL BANKERS

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

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

Malayan Banking Bhd
2 Battery Road
Maybank Tower
Singapore 049907

United Overseas Bank Limited
80 Raffles Place
UOB Plaza
Singapore 048624

CIMB Bank Berhad
50 Raffles Place
Singapore Land Tower
Singapore 048623

AUDITORS

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

SHARE REGISTRAR

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

COMPANY SECRETARIES

Lee Tiong Hock
Cheah Boon Pin



Ezion Holdings Limited

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ENHANCING VALUE
CREATING OPPORTUNITIES

CORPORATE GOVERNANCE REPORT

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

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

BOARD MATTERS

PRINCIPLE 1 BOARD’S CONDUCT OF AFFAIRS PRINCIPLE 2 BOARD COMPOSITION AND GUIDANCE

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

The Board currently comprises the following members:

- | | | |
|-------|--------------------|--|
| (i) | Dr Wang Kai Yuen | Independent Non-Executive Chairman |
| (ii) | Mr Chew Thiam Keng | Executive Director and Chief Executive Officer (“CEO”) |
| (iii) | Mr Tan Woon Hum | Independent Non-Executive Director |
| (iv) | Mr Lim Thean Ee | Independent Non-Executive Director |
| (v) | Mr Yee Chia Hsing | Independent Non-Executive Director |

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

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

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

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

CORPORATE GOVERNANCE REPORT

The Board conducts regular scheduled meetings. Adhoc meetings are convened as and when circumstances require. The Constitution of the Company provides for the meetings to be held via telephone conference and other electronic or telegraphic means; and also for matters requiring decisions of the Board to be approved by way of written resolutions of the Board. The attendance of the directors at Board and Board Committee meetings held during the financial year ended 31 December 2015 ("FY2015") is as follows:

Type of Meetings	Board	Audit Committee	Nominating Committee	Remuneration Committee
Total No. Held	4	4	1	1
Name of Director and Attendance				
Lee Kian Soo ⁽¹⁾	3	N.A.	N.A.	N.A.
Chew Thiam Keng	4	N.A.	N.A.	N.A.
Dr Wang Kai Yuen ⁽²⁾	4	3	1	1
Tan Woon Hum ⁽³⁾	4	4	1	1
Lim Thean Ee	4	4	1	1
Yee Chia Hsing ⁽⁴⁾	1	1	N.A.	N.A.

Notes:

⁽¹⁾ Stepped down as Non-Executive Chairman and Non-Executive Director on 5 January 2016.

⁽²⁾ Appointed as Independent Non-Executive Chairman; and stepped down as Chairman of the AC and member of the NC and RC on 5 January 2016.

⁽³⁾ Appointed as Chairman of the AC and stepped down as Chairman of the NC on 5 January 2016.

⁽⁴⁾ Appointed as Independent Non-Executive Director; Chairman of the NC; and a member of the AC and RC on 5 January 2016.

N.A. - Not Applicable

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

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

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

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

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

CORPORATE GOVERNANCE REPORT

As a group, the Directors bring with them a broad range of industry knowledge, expertise and experience in areas such as finance, legal, business and management. Key information regarding the Directors, including directorships or chairmanships both present and those held over the preceding three years in other listed companies and other principal commitments are set out in pages 14 to 17 of this Annual Report.

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

The NC has reviewed the declaration of independence provided by each of the Independent Non-executive Director for FY2015 in accordance with the Code's guidelines. The NC and Board consider a director as independent if he has no relationship with the Company, its related corporations, its 10% shareholders or officers that could interfere or reasonably perceived to interfere with the exercise of the director's independent business judgment with a view to the best interest of the Company.

In the course of the year, the NC also assessed the independence of Board members in light of Guideline 2.4 of the Code, which requires that the independence of any Director, who has served on the Board beyond nine years, from the date of first appointment, be subject to particularly rigorous review. Dr Wang Kai Yuen, Mr Lim Thean Ee and Mr Tan Woon Hum have served on the Board for more than nine years since their first appointment as Directors.

The NC recognises that an individual's independence cannot be determined arbitrarily on the basis of a set period of time. After particular scrutiny, Dr Wang, Mr Lim and Mr Tan are determined to be independent. They continue to express their viewpoints, debate issues and objectively scrutinise and challenge Management. They also seek clarification and amplification as deemed required in discharging their duties as Independent Directors. After careful consideration of the relevant factors and to avoid an abrupt loss of a member with experience and institutional memory, the Board has determined that the tenure of Dr Wang, Mr Lim and Mr Tan have not affected their independence or ability to bring judgment to bear, in their discharge of their duties as a Board and Committees members. In the determination of the independence of Dr Wang, Mr Lim and Mr Tan by the NC, they had recused themselves.

PRINCIPLE 3 CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

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

The Chairman's duties include:

- 1) scheduling meetings and leading the Board to ensure its effectiveness and approves the agenda of Board meetings in consultation with the CEO;
- 2) ensures that Board members are provided with accurate and timely information;
- 3) promote a culture of openness and debate within the Board; and
- 4) ensure high standards of corporate governance and ensure effective communication with shareholders.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 4 BOARD MEMBERSHIP

NOMINATING COMMITTEE

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

Mr Yee Chia Hsing (Chairman)
Mr Tan Woon Hum
Mr Lim Thean Ee

Mr Yee Chia Hsing was appointed as Chairman of the NC in place of Mr Tan Woon Hum on 5 January 2016 as part of change in board composition.

The NC's duties include the following:

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

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

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

The NC has recommended for the re-election of Dr Wang Kai Yuen, Independent Non-Executive Chairman and Mr Yee Chia Hsing, an Independent Non-Executive Director who will be retiring at the forthcoming AGM pursuant to Article 107 and Article 117 of the Company's Constitution, respectively. Dr Wang and Mr Yee do not have any relationships including immediate family relationships with the Directors, the Company or its 10% shareholders as defined in the Code. Both Dr Wang and Mr Yee being eligible had consented to re-election. The Board has accepted the NC's recommendation that both Directors be nominated for re-election at the forthcoming AGM.

CORPORATE GOVERNANCE REPORT

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

Name of director	Appointment	Date of initial appointment	Date of last re-election
Dr Wang Kai Yuen	Independent Non-Executive Chairman	28 July 2000	25 April 2013
Mr Chew Thiam Keng	CEO and Executive Director	1 March 2007	22 April 2015
Mr Tan Woon Hum	Independent Non-Executive Director	21 March 2007	22 April 2015
Mr Lim Thean Ee	Independent Non-Executive Director	28 July 2000	25 April 2013
Mr Yee Chia Hsing	Independent Non-Executive Director	5 January 2016	N.A.

Based on the attendance of the Directors and their contributions at meetings of the Board and Board Committees and their time commitment to the affairs of the Company, the NC believes that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately. The Board is of the view that setting a maximum number of listed company board representations would not be meaningful as the contributions of the Directors would depend on many factors such as whether they were in full time employment and their other responsibilities. If a quantitative limit on the number of directorships was imposed, the NC and the Board might have omitted outstanding individuals who despite the demands on their time had the capacity to participate and contribute as new members of the Board. The NC will assess each Director relative to his abilities and known commitments and responsibilities. There is no alternate director on the Board.

PRINCIPLE 5 BOARD PERFORMANCE

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

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

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

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

The Chairman of the NC confers with the Chairman of the Board on the findings and appropriate follow-up actions are taken as necessary. The Board is satisfied that all Directors have discharged their duties adequately for FY2015 and expects that the Directors will continue to discharge their duties adequately in FY2016.

CORPORATE GOVERNANCE REPORT

PRINCIPLE 6 ACCESS TO INFORMATION

The Board members are provided with adequate and timely information prior to Board meetings and on an ongoing basis. All relevant information including the Group's forecast, annual budgets and financial statements are circulated to the Directors for review prior to the Board meetings.

The Board has separate and independent access to the Group's senior management and the advice and services of the Company Secretaries who are responsible to the Board for ensuring board procedures are followed and the relevant statutory rules and regulations are complied with. Requests for information from the Board are dealt with promptly and the Board is informed of all material events and transactions as and when they occur.

Under the Constitution of the Company, the decision to appoint or remove the Company Secretaries can only be taken by the Board as a whole. At least one of the Company Secretaries will be present at board meetings.

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

REMUNERATION MATTERS

PRINCIPLE 7 PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

PRINCIPLE 8 LEVEL AND MIX OF REMUNERATION

PRINCIPLE 9 DISCLOSURE IN REMUNERATION

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

Mr Lim Thean Ee (Chairman)
Mr Tan Woon Hum
Mr Yee Chia Hsing

The duties of the RC include the following:

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

CORPORATE GOVERNANCE REPORT

The remuneration policy for key management personnel is based largely on the Group's performance and the responsibilities and performance of each individual key management personnel. In setting remuneration packages, the RC takes into consideration the pay and employment conditions within the industry and local practices. The RC recommends the remuneration packages of key management personnel for Board's approval.

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

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

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

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

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

The Company has in place the Ezion Employee Share Option Scheme and Ezion Employee Share Plan, both administered by the RC. Details of the Scheme and the Share Plan are disclosed under the Directors' Statement set out in pages 48 & 51 of this Annual Report.

REMUNERATION OF DIRECTORS

Taking note of the competitive pressures in the industry and the talent market, the Board has on review decided to disclose the remuneration of the Directors, in bands with a breakdown of the components in percentage. Information on the remuneration of Directors of the Company for FY2015 is as follows:

Remuneration Band and Name of Directors	Fees %	Salary & CPF %	Bonus & CPF %	Other Benefits %	Total %
Above S\$1,000,000					
Chew Thiam Keng	–	14	85	1	100
Below S\$250,000					
Lee Kian Soo *	100	–	–	–	–
Dr Wang Kai Yuen	100	–	–	–	–
Lim Thean Ee	100	–	–	–	–
Tan Woon Hum	100	–	–	–	–

* Stepped down as Non-Executive Chairman and Non-Executive Director on 5 January 2016

CORPORATE GOVERNANCE REPORT

REMUNERATION OF KEY MANAGEMENT PERSONNEL

The Company adopts a remuneration system that is responsive to the market elements and performance of the Company and business divisions respectively. Taking note of the competitive pressures in the talent market, the Board has, on review, decided not to disclose the names of the Company's top nine key management personnel (who is not a Director or CEO of the Company) as such confidential and sensitive information could be exploited by the competitors. The following shows the annual remuneration of the top nine key management personnel of the Group for FY2015:

- (a) Three key executives received total remuneration of more than S\$400,000 each; and
- (b) Six key executives received total remuneration of less than S\$400,000 each.

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

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

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

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

ACCOUNTABILITY AND AUDIT

PRINCIPLE 10 ACCOUNTABILITY

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

In preparing the financial statements, the Directors have:

- (i) Selected suitable accounting policies and applied them consistently;
- (ii) Made judgments and estimates that are reasonable and prudent;
- (iii) Ensured that all applicable accounting standards have been followed; and
- (iv) Prepared financial statements on the basis that the Directors have reasonable expectations, having made enquires, that the Group and Company have adequate resources to continue operations for the foreseeable future.

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

CORPORATE GOVERNANCE REPORT

Management is delegated with the responsibility of ensuring compliance with legislative and regulatory requirements, including requirements under the SGX-ST listing rules. In this connection, Management is encouraged to seek necessary professional advice from the Company Secretaries or legal advisors if necessary.

PRINCIPLE 11 RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

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

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

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

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

In respect of FY2015, the Board has received assurance from the CEO and Group Chief Financial Officer:

- (a) that financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and
- (b) the Company's risk management and internal control systems are effective and adequate.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, external certification firms and reviews performed by Management, various Board Committees and the Board, the Board (with concurrence of the AC) are of the opinion that the Group's risk management and internal control systems addressing financial, operational, compliance and information technology controls, were adequate and effective as at 31 December 2015.

CORPORATE GOVERNANCE REPORT

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

PRINCIPLE 12 AUDIT COMMITTEE

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

Mr Tan Woon Hum (Chairman)
Mr Lim Thean Ee
Mr Yee Chia Hsing

The Board is of the view that the members of the AC have the relevant accounting or related financial management expertise and experience to discharge their duties.

The AC performs the following functions:

- (a) review with the external auditors the scope and results of the audit, their evaluation of the system of internal accounting controls, their management letter and management's response;
- (b) review with the internal auditors, their audit plan, the adequacy of the internal audit procedures and their evaluation of the effectiveness of the overall internal control systems, including financial, operational, compliance and information technology controls;
- (c) review the quarterly and annual financial statements, including announcements to shareholders and the SGX-ST prior to submission to the Board so as to ensure the integrity of the Company's financial statements;
- (d) review any significant findings and recommendations of the external and internal auditors and related Management response and assistance given by the Management to auditors;
- (e) review interested person transactions to ensure that the review procedures approved by the shareholders are adhered to;
- (f) conduct annual review of the independence and objectivity of the external auditor, including the volume of non-audit services provided by the external auditor, to satisfy itself that the nature and extent of such services will not prejudice the independence and objectivity of the external auditor before confirming their re-nomination; and
- (g) oversees risk governance (refer to detailed disclosure under Principle 11).

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

The AC has reviewed the overall scope of the external audit and the assistance given by the Company's officers to the auditor. It met with the Company's external auditor to discuss the results of their respective examinations and their evaluation of the Company's system of internal accounting controls.

CORPORATE GOVERNANCE REPORT

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

The Company has in place a whistle blowing policy, details of which have been made available to all employees, to provide a channel for staff to raise in good faith and in confidence, without fear of reprisals, concerns about possible improprieties in financial reporting or other matters. The objective of such a policy is to ensure independent investigation of such matters and for appropriate follow-up action. The complaint can be made through email and mail, both administered by Yang Lee & Associates, which reports directly to the AC on all such matters. There were no complaints received by the AC for FY2015.

The AC has reviewed the non-audit service provided by the external auditor for FY2015. The AC is of the view that the provision of this non-audit service does not compromise the independence of the external auditor. Details of the aggregate amount of fees paid to the external auditor for FY2015 and a breakdown of the fees paid in total for audit and non-audit services respectively, can be found on page 117.

During the financial year, the AC reviewed the quarterly financial statements prior to approving or recommending their release to the Board; the internal and external audit plans and results of the audits; risk management and internal controls systems; non-audit services rendered by the external auditor as well as the independence and objectivity of the external auditor; and the report on the administration of the whistle blowing policy of the Group.

The external auditor provides regular updates and briefings to the AC on changes or amendments to accounting standards to enable the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

None of the members nor the Chairman of the AC are former partners or directors of the Group's auditing firm.

PRINCIPLE 13 INTERNAL AUDIT

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

The Company outsources its internal audit functions to Yang Lee & Associates. The internal auditor report directly to the AC and internal control weaknesses identified during the internal audit reviews and the recommended corrective actions are reported to the AC periodically. The internal auditor has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

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

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

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

In relation to FY2015, the IA completed one review in accordance with the internal control testing plan approved by the Board under the Group Risk Management Framework. The findings and recommendations of the IA, management's responses, and management's implementation of the recommendations have been reviewed and approved by the AC.

CORPORATE GOVERNANCE REPORT

SHAREHOLDER RIGHTS AND RESPONSIBILITIES

PRINCIPLE 14 SHAREHOLDER RIGHTS

PRINCIPLE 15 COMMUNICATION WITH SHAREHOLDERS

PRINCIPLE 16 CONDUCT OF SHAREHOLDER MEETINGS

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

The Company strongly encourages and supports shareholders participation at general meetings. At general meetings of the Company, shareholders will be given opportunity to express their views, concerns and ask questions regarding the Company and the Group. All shareholders of the Company receive a copy of the annual report, the notice of AGM and circulars and notices pertaining to any extraordinary general meetings of the Company. The notice is also advertised in the newspaper and available on the SGX-ST's website.

The Company's general meetings are the forum for dialogue with shareholders and allow the Board and Management to address shareholders' views and concerns. At the AGMs, all Directors, in particular Chairman of the Board and the respective Chairman of the AC, NC and RC as well as the external auditor of the Company are in attendance to answer queries from shareholders.

Each item of special business included in the notice of the general meetings will be accompanied by an explanation for the proposed resolution. Separate resolutions are proposed for substantially separate issues at the general meetings.

To facilitate participation by the shareholders, the Company's Constitution allows a shareholder to appoint not more than two proxies to attend and vote at general meetings. On 3 January 2016, the legislation was amended, among other things to allow certain members, defined as "relevant intermediary" to attend and participate in general meetings without being constrained by the two-proxy requirement. Relevant intermediary includes corporations holdings licenses in providing nominee and custodial services and CPF Board which purchases shares on behalf of CPF investors. As the authentication of shareholder identity information and other related security issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail, email or fax.

The Company will implement poll voting at the forthcoming AGM to be in line with the Listing Rules of the SGX-ST. The rules, including voting procedures that govern the meeting, will be provided to the shareholders at the AGM. Detailed results of the outcome will be announced after the AGM via SGXNet.

The Company Secretary prepares minutes of general meetings and these minutes are available to shareholders upon their request.

The Company does not have a formal investor relations policy. Pertinent information is regularly conveyed to the shareholders through SGXNet and the Company's website at <http://www.ezionholdings.com>. Shareholders can submit their feedback and raise any question to the Company's investor relations, contact as provided in the Company's corporate website.

There is no formal dividend policy adopted by the Company. The Board, having considered the financial performance of the Group during the financial year, has proposed to issue Bonus Warrants subject to certain terms and conditions. This is to reward shareholders for their continued participation in and support for the Company with an opportunity to increase their equity participation in the Company and participate in the future growth of the Company.

CORPORATE GOVERNANCE REPORT

DEALINGS IN SECURITIES

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

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

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

INTERESTED PERSON TRANSACTIONS ("IPTs") POLICY

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

There were no IPTs during the financial year ended 31 December 2015.

MATERIAL CONTRACTS

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

USE OF PROCEEDS

Proceeds	Description of use of proceeds	Remaining as at 28 March 2016
Net proceeds of approximately S\$30 million from issue of redeemable exchangeable preference shares ("REPS") by the subsidiary of the Company, Teras Investments Pte. Ltd.	Acquisition of offshore and marine assets	S\$22.30 million
Net proceeds of approximately S\$194 million from placement of 100,000,000 ordinary shares in share capital of the Company completed on 6 May 2014.	Acquisition of offshore and marine assets	S\$45.74 million

DIRECTORS' STATEMENT

Year ended 31 December 2015

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2015.

In our opinion:

- (a) the financial statements set out on pages 56 to 141 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 for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and
- (b) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

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

DIRECTORS

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

Chew Thiam Keng

Dr Wang Kai Yuen

Lim Thean Ee

Tan Woon Hum

Yee Chia Hsing (Appointed on 5 January 2016)

DIRECTORS' INTERESTS

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

Name of director and corporation in which interests are held	Direct		Deemed	
	Holdings at beginning of the year	Holdings at end of the year	Holdings at beginning of the year	Holdings at end of the year
The Company				
Dr Wang Kai Yuen	216,000	547,200	–	–
Lim Thean Ee	1,958,400	2,016,000	–	–
Chew Thiam Keng	19,618,800	20,518,800	204,480,000	204,480,000
Tan Woon Hum	–	230,400	–	500,000

DIRECTORS' STATEMENT

Year ended 31 December 2015

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

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year and 21 January 2016.

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

During the financial year, the Company and its related corporations have in the normal course of business entered into transactions with companies including a joint venture in which a director of the Company has financial interest. Such transactions comprised charter of vessels and lease of office carried out on normal commercial terms as set out in note 30 to the financial statements. The director has neither received nor become entitled to receive any benefit arising out of these transactions other than those to which he is ordinarily entitled to as shareholder of these companies.

Except for salaries, bonuses and fees and those benefits that are disclosed in this statement and in note 30 to the financial statements, since the end of the last financial year, no director has received or become entitled to receive a benefit by reason of a contract made by the Company or a related corporation with the director, or with a firm of which he is a member, or with a company in which he has substantial financial interest.

SHARE OPTIONS

Ezion Employee Share Option Scheme

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

Other information regarding the Scheme is set out below:

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

- The exercise price of each option is fixed at S\$0.288.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 11 October 2012 to 11 October 2021:
 - i. 20% of the options shall vest after the end of first anniversary of Grant Date 1;
 - ii. 50% of the options shall vest after 31 March 2013; and
 - iii. 30% of the options shall vest after 31 March 2014.

DIRECTORS' STATEMENT

Year ended 31 December 2015

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

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

- The exercise price of each option is fixed at S\$0.514.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 7 June 2013 to 7 June 2022:
 - i. 30% of the options shall vest after the end of first anniversary of Grant Date 2;
 - ii. 30% of the options shall vest after the end of second anniversary of Grant Date 2; and
 - iii. 40% of the options shall vest after the end of third anniversary of Grant Date 2.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.

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

- The exercise price of each option is fixed at S\$1.083.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 21 January 2015 to 21 January 2023:
 - i. 30% of the options shall vest after the end of second anniversary of Grant Date 3;
 - ii. 30% of the options shall vest after the end of third anniversary of Grant Date 3; and
 - iii. 40% of the options shall vest after the end of fourth anniversary of Grant Date 3.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.

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

- The exercise price of each option is fixed at S\$1.567.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 7 March 2016 to 7 March 2024:
 - i. 30% of the options shall vest after the end of second anniversary of Grant Date 4;
 - ii. 30% of the options shall vest after the end of third anniversary of Grant Date 4; and
 - iii. 40% of the options shall vest after the end of fourth anniversary of Grant Date 4.

DIRECTORS' STATEMENT

Year ended 31 December 2015

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

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

- The exercise price of each option is fixed at S\$1.011.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 16 January 2017 to 16 January 2025:
 - i. 30% of the options shall vest after the end of second anniversary of Grant Date 5;
 - ii. 30% of the options shall vest after the end of third anniversary of Grant Date 5; and
 - iii. 40% of the options shall vest after the end of fourth anniversary of Grant Date 5.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.

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

Date of grant of options	Exercise price per share	Options outstanding				Options cancelled	Options outstanding at 31 December 2015	Number of option holders at 31 December 2015	Exercise period
		at 1 January 2015	Options granted	Options exercised	'000				
		'000	'000	'000	'000	'000			
11/10/2011	S\$0.288	2,304	-	(288)	-	2,016	1	11/10/2012 to 11/10/2021	
7/6/2012	S\$0.514	3,263	-	(1,622)	-	1,641	11	7/6/2013 to 7/6/2022	
21/1/2013	S\$1.083	7,085	-	(43)	-	7,042	49	21/1/2015 to 21/1/2023	
7/3/2014	S\$1.567	7,110	-	-	(7,110)	-	-	7/3/2016 to 7/3/2024	
16/1/2015	S\$1.011	-	11,900	-	-	11,900	100	16/1/2017 to 16/1/2025	
		19,762	11,900	(1,953)	(7,110)	22,599			

Except for the above, there are no other share options forfeited, expired, cancelled or exercised since commencement of Scheme to 31 December 2015.

DIRECTORS' STATEMENT

Year ended 31 December 2015

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

Name of director	Options granted for financial year ended 31 December 2015	Aggregate options granted since commencement of Scheme to 31 December 2015	Aggregate options exercised since commencement of Scheme to 31 December 2015	Aggregate options cancelled since commencement of Scheme to 31 December 2015	Aggregate options outstanding as at 31 December 2015
Chew Thiam Keng	1,400,000	6,972,000	–	(1,540,000)	5,432,000
Lim Thean Ee	200,000	703,600	(239,600)	(120,000)	344,000
Tan Woon Hum	200,000	752,000	(230,400)	(120,000)	401,600
Dr Wang Kai Yuen	200,000	752,000	(331,200)	(120,000)	300,800
	2,000,000	9,179,600	(801,200)	(1,900,000)	6,478,400

Option granted on 9 March 2016 ("Grant Date 6")

Subsequent to the financial year, the Company has granted a total of 7,140,000 options pursuant to the Scheme, details as follows:

- The exercise price of each option is fixed at S\$0.489.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 9 March 2018 to 9 March 2026:
 - 30% of the options shall vest after the end of second anniversary of Grant Date 6;
 - 30% of the options shall vest after the end of third anniversary of Grant Date 6; and
 - 40% of the options shall vest after the end of fourth anniversary of Grant Date 6.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.
- The options include 700,000 share options granted to the Executive Director, Chew Thiam Keng and 100,000 share options granted to each of the directors, Lim Thean Ee, Tan Woon Hum, Dr Wang Kai Yuen and Yee Chia Hsing.

Employee Share Plan

The Employee Share Plan (the "Plan") was approved and adopted by members of the Company at the Extraordinary General Meeting held on 20 April 2008. The Plan is administered by a committee comprising the directors of the Company. No treasury shares had been awarded to employees under the Plan in 2015.

DIRECTORS' STATEMENT

Year ended 31 December 2015

AUDIT COMMITTEE

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

Tan Woon Hum	(Chairman and independent director)
Lim Thean Ee	(Independent director)
Yee Chia Hsing	(Independent director)

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

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

The Audit Committee also reviewed the following:

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

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

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

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

DIRECTORS' STATEMENT

Year ended 31 December 2015

AUDITORS

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

On behalf of the Board of Directors

Dr Wang Kai Yuen

Director

Chew Thiam Keng

Director

31 March 2016

INDEPENDENT AUDITORS' REPORT

Year ended 31 December 2015

Members of the Company

Ezion Holdings Limited

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Ezion Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2015, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 56 to 141.

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.

Auditors' responsibility

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

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

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

INDEPENDENT AUDITORS' REPORT

Year ended 31 December 2015

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards 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 for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

KPMG LLP

*Public Accountants and
Chartered Accountants*

Singapore

31 March 2016

STATEMENTS OF FINANCIAL POSITION

As at 31 December 2015

	Note	Group		Company	
		2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Non-current assets					
Plant and equipment	4	2,284,117	2,135,580	567	747
Subsidiaries	5	–	–	1,227,226	1,043,354
Joint ventures	6	131,354	104,109	51,759	51,518
Associates	7	72,621	68,805	53,982	74,232
Other assets	8	11,566	13,832	121	132
		2,499,658	2,322,326	1,333,655	1,169,983
Current assets					
Trade receivables	9	193,247	159,580	8,077	4,053
Other assets	8	80,188	127,555	48,861	31,651
Assets held for sale	10	105,553	–	–	–
Cash and cash equivalents	11	229,756	371,510	188,382	316,992
		608,744	658,645	245,320	352,696
Total assets		3,108,402	2,980,971	1,578,975	1,522,679
Equity					
Share capital	12	536,368	535,654	536,368	535,654
Perpetual securities	13	116,499	211,874	116,499	211,874
Redeemable exchangeable preference shares	14	23,464	23,464	–	–
Reserves	15	(32,323)	(21,424)	(2,915)	(980)
Retained earnings		597,302	563,059	89,508	140,734
Equity attributable to owners of the Company		1,241,310	1,312,627	739,460	887,282
Non-controlling interests		–	(6)	–	–
Total equity		1,241,310	1,312,621	739,460	887,282
Non-current liabilities					
Other payables	16	35,954	33,453	90,185	21,598
Notes payable	17	378,691	315,532	378,691	315,532
Financial liabilities	18	851,101	892,220	137,312	103,918
Deferred tax liabilities	19	449	–	–	–
		1,266,195	1,241,205	606,188	441,048
Current liabilities					
Trade payables	20	126,165	69,886	40	40
Other payables	16	50,091	61,732	93,896	120,540
Liabilities relating to assets held for sale	10	42,658	–	–	–
Financial liabilities	18	375,254	288,292	135,689	70,057
Provision for tax		6,729	7,235	3,702	3,712
		600,897	427,145	233,327	194,349
Total liabilities		1,867,092	1,668,350	839,515	635,397
Total equity and liabilities		3,108,402	2,980,971	1,578,975	1,522,679

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

CONSOLIDATED INCOME STATEMENT

Year ended 31 December 2015

	Note	2015 US\$'000	2014 US\$'000
Revenue	22	351,147	386,512
Cost of sales		(233,082)	(190,544)
Gross profit		118,065	195,968
Other income		25,236	45,778
Administrative expenses		(19,103)	(19,339)
Other expenses		(87,308)	(7,999)
Results from operating activities		36,890	214,408
Finance income		4,439	5,801
Finance costs		(26,412)	(22,488)
Net finance costs	23	(21,973)	(16,687)
Share of results of joint ventures and associates, net of tax		23,448	28,042
Profit before income tax	24	38,365	225,763
Income tax expense	25	(1,581)	(2,029)
Profit for the year		36,784	223,734
Profit attributable to:			
Owners of the Company		36,784	223,658
Non-controlling interests		–	76
Profit for the year		36,784	223,734
Earnings per share			
Basic earnings per share (cents)	26	1.54	15.90
Diluted earnings per share (cents)	26	1.51	15.55

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 US\$'000	2014 US\$'000
Profit for the year	36,784	223,734
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences relating to financial statements of foreign operations	(6,409)	(3,676)
Share of foreign currency translation differences of associates	2,155	(149)
Exchange differences on monetary items forming part of net investment in foreign operations	(4,861)	(3,149)
Exchange differences on disposal of subsidiaries to profit or loss	–	(782)
Effective portion of changes in fair value of cashflow hedges	(406)	(428)
Other comprehensive income for the year, net of tax	(9,521)	(8,184)
Total comprehensive income for the year	27,263	215,550
Total comprehensive income attributable to:		
Owners of the Company	27,263	215,507
Non-controlling interests	–	43
Total comprehensive income for the year	27,263	215,550

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

Note	Attributable to owners of the Company											
	Share capital US\$'000	Perpetual securities US\$'000	Redeemable exchange preference shares US\$'000		Foreign currency translation reserve US\$'000		Hedging reserve US\$'000	Statutory reserve US\$'000	Retained earnings US\$'000	Total US\$'000	Non-controlling interests US\$'000	Total equity US\$'000
			US\$'000	US\$'000	US\$'000	US\$'000						
Group												
At 1 January 2014	345,537	97,678	23,464	(102)	(12,495)	(670)	(6)	346,936	800,342	(94)	800,248	
Total comprehensive income for the year	-	-	-	-	-	-	-	223,658	223,658	76	223,734	
Other comprehensive income												
Foreign currency translation differences relating to financial statements of foreign operations	-	-	-	-	(3,643)	-	-	-	(3,643)	(33)	(3,676)	
Share of foreign currency translation differences of associates	-	-	-	-	(149)	-	-	-	(149)	-	(149)	
Exchange differences on monetary items forming part of net investment in foreign operations	-	-	-	-	(3,149)	-	-	-	(3,149)	-	(3,149)	
Exchange differences on disposal of subsidiaries to profit or loss	-	-	-	-	(782)	-	-	-	(782)	-	(782)	
Effective portion of changes in fair value of cashflow hedges	-	-	-	-	-	(428)	-	-	(428)	-	(428)	
Total comprehensive income for the year	-	-	-	-	(7,723)	(428)	-	223,658	215,507	43	215,550	
Transactions with owners of the Company, recognised directly in equity												
Contributions by and distributions to owners of the Company												
Issue of shares	186,808	-	-	-	-	-	-	-	186,808	-	186,808	
Issue of perpetual securities	-	116,500	-	-	-	-	-	-	116,500	-	116,500	
Redemption of perpetual securities	-	(2,304)	-	-	-	-	-	1	(2,303)	-	(2,303)	
Accrued perpetual securities distributions	-	-	-	-	-	-	-	(8,627)	(8,627)	-	(8,627)	
Share options exercised	3,309	-	-	-	-	-	-	-	3,309	-	3,309	
Dividends paid	-	-	-	-	-	-	-	(959)	(959)	-	(959)	
Share-based payment transactions	-	-	-	-	-	-	-	2,050	2,050	-	2,050	
Total contributions by and distributions to owners	190,117	114,196	-	-	-	-	-	(7,535)	296,778	-	296,778	

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

		Attributable to owners of the Company																						
		Share capital		Perpetual securities		Redeemable exchangeable preference shares		Treasury shares		Foreign currency		Hedging reserve		Statutory reserve		Retained earnings		Total		Non-controlling interests		Total equity		
Note		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Group																								
Changes in ownership interests in subsidiaries																								
	27	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	(6)	(6)	(6)	
	27	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	51	51	51	
Total changes in ownership interests in subsidiaries																								
Total transactions with owners																								
At 31 December 2014																								
		190,117	114,196	-	-	-	-	-	-	-	-	-	-	-	(7,535)	296,778	45	296,823	45	296,823	(6)	1,312,621	(6)	1,312,621

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

	Attributable to owners of the Company							Non-controlling interests	Total equity		
	Share capital	Perpetual securities	Redeemable exchangeable preference shares	Treasury shares	Foreign currency translation reserve	Hedging reserve	Statutory reserve			Retained earnings	Total
Note	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000		
Group											
At 1 January 2015	535,654	211,874	23,464	(102)	(20,218)	(1,098)	(6)	563,059	1,312,627	(6)	1,312,621
Total comprehensive income for the year											
Profit for the year	-	-	-	-	-	-	-	36,784	36,784	-	36,784
Other comprehensive income											
Foreign currency translation differences relating to financial statements of foreign operations	-	-	-	-	(6,409)	-	-	-	(6,409)	-	(6,409)
Share of foreign currency translation differences of associates	-	-	-	-	2,155	-	-	-	2,155	-	2,155
Exchange differences on monetary items forming part of net investment in foreign operations	-	-	-	-	(4,861)	-	-	-	(4,861)	-	(4,861)
Effective portion of changes in fair value of cashflow hedges	-	-	-	-	-	(406)	-	-	(406)	-	(406)
Total comprehensive income for the year	-	-	-	-	(9,115)	(406)	-	36,784	27,263	-	27,263
Transactions with owners of the Company, recognised directly in equity											
Contributions by and distributions to owners of the Company											
Redemption of perpetual securities	-	(95,375)	-	-	-	-	-	9,063	(86,312)	-	(86,312)
Accrued perpetual securities distributions	-	-	-	-	-	-	-	(12,520)	(12,520)	-	(12,520)
Repurchase of own shares	-	-	-	(1,378)	-	-	-	-	(1,378)	-	(1,378)
Share options exercised	714	-	-	-	-	-	-	-	714	-	714
Dividends paid	-	-	-	-	-	-	-	(1,193)	(1,193)	-	(1,193)
Share-based payment transactions	-	-	-	-	-	-	-	2,121	2,121	-	2,121
Total contributions by and distributions to owners	714	(95,375)	-	(1,378)	-	-	-	(2,529)	(98,568)	-	(98,568)

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

Group	Attributable to owners of the Company										Total equity US\$'000	
	Share capital US\$'000	Perpetual securities US\$'000	Redeemable exchange preference shares US\$'000	Treasury shares US\$'000	Foreign currency reserve US\$'000	Hedging reserve US\$'000	Statutory reserve US\$'000	Retained earnings US\$'000	Total US\$'000	Non-controlling interests US\$'000		
Changes in ownership interests in subsidiaries												
Acquisition of non-controlling interests in subsidiaries	27	-	-	-	-	-	-	(12)	(12)	6	(6)	
Total changes in ownership interests in subsidiaries		-	-	-	-	-	-	(12)	(12)	6	(6)	
Total transactions with owners		714	(95,375)	-	(1,378)	-	-	(2,541)	(98,580)	6	(98,574)	
At 31 December 2015		536,368	116,499	23,464	(1,480)	(29,333)	(1,504)	597,302	1,241,310	-	1,241,310	

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	2015 US\$'000	2014 US\$'000
Cash flows from operating activities			
Profit for the year		36,784	223,734
Adjustments for:			
Income tax expense	25	1,581	2,029
Depreciation expense	4	134,873	102,754
Gain on disposal of:			
– plant and equipment		–	(870)
– subsidiary	27	–	(34,904)
Gain from change in ownership interest in associates	7	(8,882)	–
Income from financial guarantee income provided to joint ventures		(2,112)	(6,190)
Finance income	23	(4,439)	(5,801)
Finance costs	23	26,412	22,488
Net impairment loss on:			
– plant and equipment	4	37,900	–
– trade receivables	9	43,228	209
Equity-settled share-based payment transactions	21	2,121	2,050
Share of results of joint ventures and associates, net of tax		(23,448)	(28,042)
Operating profit before changes in working capital		244,018	277,457
Changes in working capital:			
Trade receivables and other assets		(81,238)	(46,463)
Trade and other payables		49,738	(15,802)
Cash generated from operating activities		212,518	215,192
Tax paid		(3,666)	(1,643)
Net cash from operating activities		208,852	213,549
Cash flows from investing activities			
Advance payments for purchase of plant and equipment		(125,149)	(70,696)
Interest received		1,981	6,070
Investment in joint ventures		657	19,026
Investment in associates		(4,707)	(15,684)
Proceeds from disposal of plant and equipment		–	7,060
Proceeds from disposal of subsidiary, net of cash disposed of	27	–	10,614
Acquisition of subsidiary, net of cash acquired	27	–	(18,011)
Purchase of plant and equipment		(256,726)	(458,296)
Net cash used in investing activities		(383,944)	(519,917)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	2015 US\$'000	2014 US\$'000
Cash flows from financing activities			
Interest paid		(37,888)	(30,385)
Net proceeds from issuance of perpetual securities		–	116,500
Net proceeds from issuance of notes		87,413	198,147
Net proceeds from issuance of ordinary shares		–	154,189
Net proceeds from exercise of share options		714	3,358
Dividends paid		(1,193)	(959)
Proceeds from borrowings		342,875	333,700
Repayment of borrowings		(250,504)	(162,407)
Repayment of notes		–	(79,694)
Repurchase of own shares		(1,378)	–
Redemption of perpetual securities		(86,312)	(2,304)
Net cash from financing activities		53,727	530,145
Net (decrease)/increase in cash and cash equivalents		(121,365)	223,777
Cash and cash equivalents at 1 January		371,510	165,978
Effect of exchange rate fluctuations on cash held		(20,389)	(18,245)
Cash and cash equivalents at 31 December	11	229,756	371,510

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 31 March 2016.

1. DOMICILE AND ACTIVITIES

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

The financial statements of the Company as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the “Group” and individually as “Group entities”) and the Group’s interests in associates and joint ventures.

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

2. BASIS OF PREPARATION

(a) Statement of compliance

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

(b) Basis of measurement

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgments

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

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised and in any future periods affected are discussed in note 31.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

2. BASIS OF PREPARATION (CONT'D)

(e) Changes in accounting policies

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

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

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Basis of consolidation

(i) Business combinations

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(ii) *Subsidiaries*

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

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

(iii) *Loss of control*

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

(iv) *Investments in associates and joint ventures*

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(a) Basis of consolidation (Cont'd)

(v) *Transactions eliminated on consolidation*

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

(vi) *Accounting for subsidiaries, associate and joint ventures*

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

(b) Foreign currency

(i) *Foreign currency transactions*

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

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

(ii) *Foreign operations*

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(b) Foreign currency (Cont'd)

(ii) Foreign operations (Cont'd)

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

(iii) Net investment in foreign operations

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

(c) Plant and equipment

(i) Recognition and measurement

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

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

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

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

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

(ii) Subsequent costs

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(c) Plant and equipment (Cont'd)

(iii) Depreciation

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

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

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

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

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

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

No depreciation is provided on assets under construction.

(d) Financial instruments

(i) Non-derivative financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

(i) *Non-derivative financial assets (Cont'd)*

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

Loans and receivables

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

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

Cash and cash equivalents

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

Available-for-sale financial assets

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

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

Available-for-sale financial assets comprise equity securities.

(ii) *Non-derivative financial liabilities*

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

(ii) *Non-derivative financial liabilities (Cont'd)*

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

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

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

(iii) *Share capital*

Ordinary shares

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

Perpetual securities

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

Preference share capital

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

(v) *Intra-group financial guarantees*

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

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

(vi) *Derivative financial instruments, including hedge accounting*

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

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

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

Cash flow hedges

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(d) Financial instruments (Cont'd)

(vi) *Derivative financial instruments, including hedge accounting (Cont'd)*

Cash flow hedges (Cont'd)

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

Other non-trading derivatives

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

(e) Leases

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(e) Leases (Cont'd)

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

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

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

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

(f) Inter-company loans

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

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

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

(g) Impairment

(i) Non-derivative financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Impairment (Cont'd)

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

Loans and receivables

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

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

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

Available-for-sale financial assets

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

(ii) *Non-financial assets*

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(g) Impairment (Cont'd)

(ii) *Non-financial assets (Cont'd)*

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

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

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

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

(h) **Non-current assets held for sale**

Non-current assets comprising assets and liabilities that are expected to be recovered primarily through sale or distribution rather than through continuing use, are classified as held for sale or distribution. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets are generally measured at the lower of their carrying amount and fair value less costs to sell. Impairment losses on initial classification as held for sale or distribution and subsequent gains nor losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

Plant and equipment once classified as held for sale are not depreciated.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(i) Employee benefits

(i) *Defined contribution plans*

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

(ii) *Short-term employee benefits*

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

(iii) *Share-based payment transactions*

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

(j) Provisions

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

(k) Revenue recognition

(i) *Chartering and offshore support services*

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

(ii) *Rendering of marine services*

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(k) Revenue recognition (Cont'd)

(iii) *Sale of goods*

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

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

(iv) *Management services fees*

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

(v) *Dividend income*

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

(l) Finance income and costs

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

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

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

(m) Income tax expense

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(m) Income tax expense (Cont'd)

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

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

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

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

(n) Earnings per share

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

(o) Segment reporting

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

(p) New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2015, and have not been applied in preparing these financial statements. The Group is currently assessing the potential impact of adopting these new standards and interpretations, on the financial statements of the Group and the Company. The Group does not plan to adopt these standards early.

These new standards include, among others, FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments* which are mandatory for the adoption by the Group on 1 January 2018.

- FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces a new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.
- FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

As FRS 115 and FRS 109, when effective, will change the existing accounting standards and guidance applied by the Group and the Company in accounting for revenue and financial instruments, these standards are expected to be relevant to the Group and the Company.

The Accounting Standards Council (ASC) announced on 29 May 2014 that Singapore-incorporated companies listed on the Singapore Exchange (SGX) will apply a new financial reporting framework identical to the International Financial Reporting Standards (“IFRS”) for financial year ending 31 December 2018 onwards. Singapore-incorporated companies listed on SGX will have to assess the impact of IFRS 1: *First-time adoption* of IFRS when transitioning to the new reporting framework. The Group is currently assessing the impact of transitioning to the new reporting framework on its financial statements.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

4. PLANT AND EQUIPMENT

Group	Note	Assets under construction		Vessels		Assets on board the vessels		Dry-docking expenditure		Rig and other oil and gas related assets		Renovation, furniture, fittings and office equipment		Motor vehicles		Total
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Cost																
At 1 January 2014		543,899	540,954	2,793	1,820	446,386	3,091	869	1,539,812							
Additions		349,140	20,358	-	12,536	136,388	1,035	203	519,660							
Disposals		-	(772)	-	-	(7,348)	(2)	(87)	(8,209)							
Disposal of subsidiaries	27	(3,702)	(122)	-	-	(1,236)	(33,484)	(271)	(38,815)							
Acquisition of subsidiaries	27	-	-	31	-	302,788	3	-	302,822							
Reclassification		(113,279)	(183,687)	-	-	264,848	32,118	-	-							
Translation differences on consolidation		(159)	(853)	-	-	(2,328)	(845)	(3)	(4,188)							
At 31 December 2014		775,899	375,878	2,824	14,356	1,139,498	1,916	711	2,311,082							
Additions		193,864	4,676	3	2,730	231,101	599	-	432,973							
Reclassification		(213,690)	-	-	-	213,690	-	-	-							
Reclassification to assets held for sale		-	-	-	-	(117,427)	-	-	(117,427)							
Translation differences on consolidation		-	(1,034)	-	-	(5,382)	-	-	(6,416)							
At 31 December 2015		756,073	379,520	2,827	17,086	1,461,480	2,515	711	2,620,212							
Accumulated depreciation and impairment losses																
At 1 January 2014		-	44,714	1,854	727	27,008	1,096	446	75,845							
Depreciation charge for the year		-	15,897	270	495	85,374	617	101	102,754							
Disposals		-	(772)	-	-	(1,177)	-	(68)	(2,017)							
Disposal of subsidiaries	27	-	(21)	-	-	(528)	(421)	(69)	(1,039)							
Reclassification		-	(16,562)	-	-	16,562	-	-	-							
Translation differences on consolidation		-	3	-	-	(45)	2	(1)	(41)							
At 31 December 2014		-	43,259	2,124	1,222	127,194	1,294	409	175,502							
Depreciation charge for the year		-	16,128	256	610	117,350	439	90	134,873							
Impairment loss for the year		-	9,446	-	-	28,454	-	-	37,900							
Reclassification to assets held for sale		-	-	-	-	(11,874)	-	-	(11,874)							
Translation differences on consolidation		-	(52)	-	-	(254)	-	-	(306)							
At 31 December 2015		-	68,781	2,380	1,832	260,870	1,733	499	336,095							

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

4. PLANT AND EQUIPMENT (CONT'D)

Group	Assets under construction		Vessels		Assets on board the vessels		Dry-docking expenditure		Rig and other oil and gas related assets		Renovation, furniture, fittings and office equipment		Motor vehicles		Total
	US\$'000	Note	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	
Carrying amounts															
At 1 January 2014	543,899		496,240	939	1,093	419,378	1,995		423			1,463,967			
At 31 December 2014	775,899		332,619	700	13,134	1,012,304	622		302			2,135,580			
At 31 December 2015	756,073		310,739	447	15,254	1,200,610	782		212			2,284,117			

During the financial year, the Group acquired plant and equipment with an aggregate cost of approximately US\$432,973,000 (2014: US\$519,660,000) of which approximately US\$71,789,000 (2014: US\$17,757,000) was paid in advance to the suppliers in the previous year.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

4. PLANT AND EQUIPMENT (CONT'D)

Company	Renovation, furniture, fittings and office equipment US\$'000	Motor vehicles US\$'000	Total US\$'000
Cost			
At 1 January 2014	1,284	641	1,925
Additions	172	158	330
Disposals	(2)	(87)	(89)
At 31 December 2014	1,454	712	2,166
Additions	169	–	169
At 31 December 2015	1,623	712	2,335
Accumulated depreciation and impairment losses			
At 1 January 2014	828	409	1,237
Depreciation charge for the year	181	69	250
Disposals	–	(68)	(68)
At 31 December 2014	1,009	410	1,419
Depreciation charge for the year	259	90	349
At 31 December 2015	1,268	500	1,768
Carrying amounts			
At 1 January 2014	456	232	688
At 31 December 2014	445	302	747
At 31 December 2015	355	212	567

Impairment assessment

Vessels and rigs and other oil and gas related assets

In 2015, the significant decline in oil prices during the year had an adverse impact on charter rates and valuation of the Group's rigs and vessels. As a result, the Group tested its vessels and rigs for impairment and recognised impairment losses of US\$9,446,000 and US\$28,454,000 for the vessels and rigs respectively. The impairment losses were included in 'other operating expenses' in the Group's income statement.

For the purpose of impairment assessment, each vessel and rig is a separate cash-generating unit ("CGU") and management has estimated the recoverable amounts of its vessels and rigs based on their value in use.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

4. PLANT AND EQUIPMENT (CONT'D)

The value in use calculation was based on cash flow projections with the following key assumptions:

	Vessels	Rigs
Period of cash flow projections	Estimated remaining useful life	Estimated remaining useful life
Charter rates		
FY2016 to FY2017	Actual FY2015 or FY2016 secured charter rates	Actual FY2015 or FY2016 secured charter rates
FY2018 onwards	Same rates as assumed for FY 2016 to FY 2017	An average upwards revision of 15% in FY2018 and no change thereafter
Effective utilisation rate		
– FY2016	10%	50 - 55%
– FY2017 onwards	50 - 55%	90%
Pre-tax discount rate	8.9%	9.3%

The cash flow projections were based on forecasts prepared by the management taking into account of past experience. The discount rates applied to the cash flow projections were estimated based on weighted average cost of capital of similar assets. Following the impairment loss recognised in the vessels and rigs, the recoverable amounts are equal to the carrying amounts and any adverse movements in the key assumptions can lead to further impairment losses in future periods.

In 2014, there was no impairment loss recognised on the Group's plant and equipment.

Assets under construction

Under the Group's impairment assessment of its vessels under construction, the recoverable amounts for the Group's vessels under construction were determined based on the value-in-use calculations using similar key assumptions, as detailed above. Based on the management's assessment, there was no impairment noted for the vessels under construction at the reporting date.

Security

The vessels and rigs are pledged to secure the term loan facilities granted by financial institutions (note 18).

Plant and equipment under construction

The Group has assets under construction with costs capitalised up to the reporting date totalling US\$756,073,000 (2014: US\$775,899,000). Included in the aforementioned capitalised costs are borrowing costs related to the construction of assets amounting to US\$56,282,000 (2014: US\$36,436,000). Borrowing costs capitalised during the year amounted to US\$26,511,000 (2014: US\$15,874,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

4. PLANT AND EQUIPMENT (CONT'D)

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

	Group	
	2015	2014
	US\$'000	US\$'000
Cost of sales	134,380	102,073
Administrative expenses	493	681
	134,873	102,754

5. SUBSIDIARIES

	Company	
	2015	2014
	US\$'000	US\$'000
Equity investments, at cost	291,418	273,337
Impairment losses	(27,286)	(155)
	264,132	273,182
Loans to subsidiaries	1,009,664	770,172
Impairment losses	(46,570)	-
	963,094	770,172
	1,227,226	1,043,354

Except for amounts of US\$445,056,000 (2014: US\$376,279,000) which bear interest ranging from 3.65% to 5.10% (2014: 4.6% to 8%) per annum, the loans to subsidiaries are interest-free. The loans to subsidiaries are unsecured and settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, a part of the Company's net investments in the subsidiaries, they are stated at cost less impairment.

Impairment losses

The change in impairment loss in respect of equity investments in subsidiaries was as follows:

	Company	
	2015	2014
	US\$'000	US\$'000
At 1 January	155	155
Utilised	(155)	-
Impairment losses	27,286	-
At 31 December	27,286	155

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

5. SUBSIDIARIES (CONT'D)

The change in impairment loss in respect of loans to subsidiaries was as follows:

	Company	
	2015 US\$'000	2014 US\$'000
At 1 January	-	-
Impairment losses	46,570	-
At 31 December	46,570	-

The impairment losses amounting to US\$27,286,000 (2014: Nil) and US\$46,570,000 (2014: Nil) in 2015 were recognised in respect of the Company's investments in and loans to subsidiaries as a result of losses incurred by these subsidiaries in their underlying assets. The Group has taken impairment loss on these assets in view of the decline in their operating environment (note 4). The recoverable amounts for each of the relevant subsidiaries were estimated based on value in use calculations using assumptions detailed in note 4.

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

Details of the significant subsidiaries are as follows:

Name of significant subsidiary	Principal activities	Country of incorporation	2015	2014
			%	%
<u>Held by the Company</u>				
Teras Offshore Pte Ltd ¹	Shipping agent and provision of ship chartering services, ship management services and engineering works	Singapore	100	100
Teras Conquest 2 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Conquest 5 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Conquest 6 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Teras 375 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Pneuma Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Atlantic London Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

5. SUBSIDIARIES (CONT'D)

Name of significant subsidiary	Principal activities	Country of incorporation	2015	2014
			%	%
<u>Held by the Company (cont'd)</u>				
Teras 336 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Atlantic Esbjerg Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Atlantic Amsterdam Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Atlantic Tiburon 2 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Ezion Investments Pte Ltd ¹	Investment holding	Singapore	100	100
Kenai Offshore Ventures, LLC ²	Ship owner and provision of ship chartering services	United States of America	100	100
Teras Conquest 1 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Conquest 4 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Conquest 3 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Transporter Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Fortress 2 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Atlantic Tiburon 1 Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Harta Maritime Limited ²	Ship owner and provision of ship chartering services	Bahamas	100	100
Teras Investments Pte Ltd ¹	Investment holding	Singapore	100	100
Meridian Maritime Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

5. SUBSIDIARIES (CONT'D)

Name of significant subsidiary	Principal activities	Country of incorporation	2015	2014
			%	%
<u>Held by the Company (cont'd)</u>				
Teras Sunrise Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Oranda Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Progress Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Wallaby Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
Teras Atlantic Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100
<u>Held by Teras Investments Pte Ltd</u>				
Other indirect significant subsidiary:				
Resilient Energy Limited ³	Ship owner and provision of ship chartering services	Malaysia	100	100
GSP Magellan Limited ³	Ship owner and provision of ship chartering services	Malaysia	100	100
Nora Limited ³	Ship owner and provision of ship chartering services	Malaysia	100	100
<u>Held by Ezion Investments Pte Ltd</u>				
Other indirect significant subsidiaries:				
Teras Oranda Limited ²	Ship owner, provision of ship chartering services and cargo transportation	British Virgin Islands	100	100
Teras BBC Houston (BVI) Limited ²	Ship owner, provision of ship chartering services and cargo transportation	British Virgin Islands	100	100
Victory Drilling Limited ⁴	Ship owner and provision of ship chartering services	Mauritius	100	100
Jackup Drilling Limited ⁴	Ship owner and provision of ship chartering services	Mauritius	100	100

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

5. SUBSIDIARIES (CONT'D)

Name of significant subsidiary	Principal activities	Country of incorporation	2015	2014
			%	%
<u>Held by Ezion Investments Pte Ltd (cont'd)</u>				
Ezion Exerter Limited ⁴	Ship owner and provision of ship chartering services	Mauritius	100	100
Teras Endeavour Limited ⁴	Ship owner and provision of ship chartering services	Mauritius	100	100
Teras Maritime Pty Ltd ⁵	Ship owner and provision of ship chartering services	Australia	100	100
<u>Held by Teras Conquest 3 Pte Ltd</u>				
Other indirect significant subsidiary:				
Atlantic Labrador Pte Ltd ¹	Ship owner and provision of ship chartering services	Singapore	100	100

¹ Audited by KPMG LLP, Singapore.

² Not required to be audited in accordance with the law of the country of incorporation.

³ Audited by PKF, Malaysia.

⁴ Audited by KPMG (Mauritius).

⁵ Audited by RSM, Australia.

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

6. JOINT VENTURES

	Group		Company	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Interests in joint ventures	75,878	49,322	15,737	15,734
Loans to joint ventures	55,476	54,787	36,022	35,784
	131,354	104,109	51,759	51,518

Except for amounts of US\$27,579,000 (2014: US\$27,128,000) which bear interest ranging from 6% to 8% per annum (2014: 6% to 8% per annum), the loans to joint ventures are interest-free. The loans to joint ventures are unsecured and settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are, in substance, a part of the Company's net investments in the joint ventures, they are stated at cost.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

6. JOINT VENTURES (CONT'D)

The Group has one (2014: one) joint venture that is material and a number of joint ventures that are individually immaterial to the Group. All joint ventures are equity accounted. The following is the Group's material joint venture:

	Strategic Offshore Limited (SOL)
Nature of relationship with the Group	Strategic partner principally engaged in offshore logistic support vessels' services
Country of incorporation	Malta
Ownership interest	50% (2014: 50%)

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

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

	SOL US\$'000
2015	
Revenue	61,356
Profit from operations	38,168
Total comprehensive income	38,168
Includes:	
– depreciation and amortisation of US\$16,533,000	
– interest expense of US\$5,338,000	
– income tax expense of US\$1,832,000	
Non-current assets	193,767
Current assets	80,019
Non-current liabilities	(97,396)
Current liabilities	(68,525)
Net assets	107,865
Includes:	
– cash and cash equivalents of US\$2,083,000	
– non-current financial liabilities (excluding trade and other payables and provisions) of US\$52,466,000	
– current financial liabilities (excluding trade and other payables and provisions) of US\$34,749,000	

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

6. JOINT VENTURES (CONT'D)

	SOL US\$'000	Immaterial joint ventures US\$'000	Total US\$'000
Group's interest in net assets of investee at beginning of the year	41,438	7,884	49,322
Group's share of profit from operations	19,084	8,819	27,903
Group's contribution during the year	–	3	3
Return of capital during the year	–	(1,350)	(1,350)
Carrying amount of interest in investee at end of the year	60,522	15,356	75,878

	SOL US\$'000
2014	
Revenue	63,884
Profit from operations	38,174
Total comprehensive income	38,174

Includes:

- depreciation and amortisation of US\$15,553,000
- interest expense of US\$6,687,000
- income tax expense of US\$2,396,000

2014

Non-current assets	207,670
Current assets	54,241
Non-current liabilities	(128,843)
Current liabilities	(63,355)
Net assets	69,713

Includes:

- cash and cash equivalents of US\$12,607,000
- non-current financial liabilities (excluding trade and other payables and provisions) of US\$87,215,000
- current financial liabilities (excluding trade and other payables and provisions) of US\$34,749,000

	SOL US\$'000	Immaterial joint ventures US\$'000	Total US\$'000
Group's interest in net assets of investee at beginning of the year	22,351	63,525	85,876
Group's share of profit from operations	19,087	3,585	22,672
Translation difference	–	(120)	(120)
Group's contribution during the year	–	3,897	3,897
Dividends received	–	(270)	(270)
Carrying amount of interest in joint ventures which have become subsidiaries	–	(62,733)	(62,733)
Carrying amount of interest in investee at end of the year	41,438	7,884	49,322

The joint ventures had no capital commitments and contingent liabilities as at 31 December 2015 and 2014.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

7. ASSOCIATES

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Interests in associates	48,392	41,110	51,253	46,537
Impairment loss	–	–	(21,500)	–
	48,392	41,110	29,753	46,537
Loan to an associate	24,229	27,695	24,229	27,695
	72,621	68,805	53,982	74,232

Details of the associates are as follows:

	Alpha Energy Limited ¹ (Alpha Energy)	AusGroup Limited ² (AusGroup)	Charisma Energy Services Limited ¹ (Charisma Energy Services)
Nature of relationship with the Group	Strategic partner in ownership of oil reserves in Alaska	Strategic partner in ownership and management of port and marine base in Australia	Strategic partner in ownership and management of energy assets
Country of incorporation	Singapore	Singapore	Singapore
Ownership interest	29.86% (2014: 14.44%)	17.83% (2014: 17.83%)	42.54% ³ (2014: 49.60%)
Fair value of ownership interest (if listed)	US\$6,747,000 (2014: US\$7,311,000)	US\$14,010,000 (2014: US\$29,983,000)	US\$46,356,000 (2014: US\$115,612,000)

¹ Audited by KPMG LLP, Singapore.

² Audited by PricewaterhouseCoopers LLP, Singapore

³ Voting rights held: 21.27% (2014: 24.65%)

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

During the year, the Group subscribed for:

- 370,000,000 new ordinary shares in the capital of Charisma Energy Services Limited, by way of share options at an exercise price of S\$0.0018 per share and the consideration for the subscription shares were satisfied by cash; and
- 64,000,000 new ordinary shares in the capital of Alpha Energy Limited, at an issue price of S\$0.09 per share and the consideration for the subscription shares were satisfied by cash.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

7. ASSOCIATES (CONT'D)

In 2014, the Group subscribed for:

- 960,332,000 new ordinary shares in the capital of Charisma Energy Services Limited, by way of share options at an exercise price of S\$0.0018 per share and the consideration for the subscription shares were satisfied by cash;
- 42,000,000 new ordinary shares in the capital of Alpha Energy Limited, at an issue price of S\$0.09 per share and the consideration for the subscription shares were satisfied by the allotment and issuance of the shares of the Company at an issue price of S\$2.0445 per share;
- 39,900,000 ordinary shares in the capital of AusGroup Limited, at an issue price of S\$0.355 per share and the consideration for the subscription shares were satisfied by cash; and
- 92,156,000 new ordinary shares in the capital of AusGroup Limited, at an issue price of S\$0.3456 per share and the new ordinary shares were issued in consideration for the acquisition of the Group's subsidiaries by AusGroup Limited (note 27).

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

	Charisma Energy Services US\$'000	AusGroup US\$'000
2015		
Revenue	24,290	325,202
Profit/(loss) from operations	9,041	(49,920)
Other comprehensive income	–	12,082
Total comprehensive income	9,041	(37,838)
Non-current assets	109,733	228,727
Current assets	22,249	163,316
Non-current liabilities	(68,382)	(43,307)
Current liabilities	(18,237)	(217,624)
Net assets	45,363	131,112

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Year ended 31 December 2015

7. ASSOCIATES (CONT'D)

	Charisma Energy Services US\$'000	AusGroup US\$'000	Immaterial associates US\$'000	Total US\$'000
2015				
Group's interest in net assets of investee at beginning of the year	12,661	25,738	2,711	41,110
Group's share of:				
– profit/(loss) from operations	4,508	(8,903)	(60)	(4,455)
– other comprehensive income	–	2,155	–	2,155
Gain from change in ownership interests	4,219	–	4,663	8,882
Translation difference	–	(4,585)	578	(4,007)
Group's contribution during the year	490	–	4,217	4,707
Carrying amount of interest in investee at end of the year	21,878	14,405	12,109	48,392

	Charisma Energy Services US\$'000	AusGroup US\$'000
2014		
Revenue	173,136	99,663
Profit from operations	10,568	893
Other comprehensive income	–	(834)
Total comprehensive income	10,568	59
Non-current assets	91,531	188,741
Current assets	8,784	209,152
Non-current liabilities	(48,222)	(127,614)
Current liabilities	(19,572)	(81,733)
Net assets	32,521	188,546

	Charisma Energy Services US\$'000	AusGroup US\$'000	Immaterial associates US\$'000	Total US\$'000
Group's interest in net assets of investee at beginning of the year	6,050	–	77	6,127
Group's share of:				
– profit/(loss) from operations	5,242	159	(31)	5,370
– other comprehensive income	–	(149)	–	(149)
Translation difference	–	(1,189)	(303)	(1,492)
Group's contribution during the year	1,369	26,917	3,050	31,336
Disposal of an associate	–	–	(82)	(82)
Carrying amount of interest in investee at end of the year	12,661	25,738	2,711	41,110

There were no contingent liabilities as at 31 December 2015 and 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

8. OTHER ASSETS

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Non-current				
Available-for-sale equity security	48	48	–	–
Deposits to suppliers	6,445	8,700	–	–
Loan to investee company	4,952	4,952	–	–
Prepayments	121	132	121	132
	11,566	13,832	121	132
Current				
Advances to suppliers	44,533	102,223	–	–
Deposits to suppliers	9,764	9,471	4,138	4,154
Deferred expenditure	318	1,197	–	–
Prepayments	3,234	1,782	80	76
Non-trade amounts due from:				
– associates	437	–	437	–
– joint ventures	–	–	392	707
Interest receivables	6,879	4,913	41,015	24,101
Other receivables	15,023	7,969	2,799	2,613
	80,188	127,555	48,861	31,651
Total	91,754	141,387	48,982	31,783

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

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

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

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

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

Deposits to suppliers, non-trade amounts due from related parties, interest receivables and other receivables are not past due.

There are no impairment losses (2014: no impairment losses) arising from deposits to suppliers, non-trade amounts due from related parties, interest receivables and other receivables.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

9. TRADE RECEIVABLES

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Trade amounts due from:				
– associates	12,660	106	–	106
– joint ventures	–	–	243	–
– subsidiaries	–	–	7,813	3,711
– third parties	230,358	166,017	21	236
	243,018	166,123	8,077	4,053
Impairment losses	(49,771)	(6,543)	–	–
Total trade receivables	193,247	159,580	8,077	4,053

Trade amounts due from associates, joint ventures and subsidiaries are unsecured and are not past due.

There are no impairment losses (2014: no impairment losses) arising from outstanding trade balances due from the associates, joint ventures and subsidiaries in the current financial year.

The Group's primary exposure to credit risk relating to trade receivables arising mainly from the chartering income by the subsidiaries. These customers are mainly national oil majors that are engaged in a wide spectrum of offshore activities. The Group and the Company's exposure to credit risk for trade receivables are disclosed in note 32.

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

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Government related and multi-national entities	185,100	151,959	21	106
Small-medium enterprises	8,147	7,621	243	236
	193,247	159,580	264	342

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

9. TRADE RECEIVABLES (CONT'D)

Impairment losses

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

	2015		2014	
	Gross US\$'000	Impairment losses US\$'000	Gross US\$'000	Impairment losses US\$'000
Group				
Not past due or less than 60 days overdue	67,208	–	76,989	–
Past due 61 – 120 days	23,781	–	12,555	–
Past due more than 120 days	152,029	(49,771)	76,579	(6,543)
	243,018	(49,771)	166,123	(6,543)

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

	Group	
	2015 US\$'000	2014 US\$'000
At 1 January	6,543	6,334
Impairment loss	43,228	235
Amount reversed	–	(26)
At 31 December	49,771	6,543

At 31 December 2015, impairment losses of the Group amounted to US\$49,771,000, which relate to customers who have indicated that they are not expecting to be able to pay their outstanding balances, mainly due to economic circumstances.

Apart from the above, based on historical default rates, the Group believes that no additional impairment allowance is necessary in respect of the remaining trade receivables.

10. ASSETS HELD FOR SALE AND LIABILITIES RELATING TO ASSETS HELD FOR SALE

As at 31 December 2015, the Group is committed to a plan to sell two self-propelled jack-up rigs. Accordingly, the carrying amount of these two service rigs and their related secured bank loans were presented as assets held for sale and liabilities relating to assets held for sale respectively. The sale is expected to be completed in the first half of 2016.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

11. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Cash at bank and in hand	90,494	206,427	50,620	153,409
Fixed deposits	139,262	165,083	137,762	163,583
Cash and cash equivalents	229,756	371,510	188,382	316,992

The interest rates for cash at bank and fixed deposits for the Group and the Company range between 0.70% and 2.03% (2014: 0.10% and 1.43%) per annum. The fixed deposits are repriced on a daily to yearly basis for both years.

The deposits were pledged as security to obtain credit facilities (note 18).

12. SHARE CAPITAL

	Group and Company	
	2015 No. of shares '000	2014 No. of shares '000
At 1 January	1,578,988	1,185,400
Shares issued during the year	–	383,378
Exercise of share options	1,953	10,210
At 31 December	1,580,941	1,578,988

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

Ordinary shares

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

Issuance of ordinary shares

In 2015, the following shares were issued under the Company's Employee Share Option Scheme:

- (i) 288,000 shares issued at an exercise price of US\$0.212 (equivalent to S\$0.288), amounting to US\$61,000 (equivalent to S\$83,000);
- (ii) 1,622,040 shares issued at an exercise price of US\$0.38 (equivalent to S\$0.514), amounting to US\$616,000 (equivalent to S\$834,000);
- (iii) 43,200 shares issued at an exercise price of US\$0.81 (equivalent to S\$1.083), amounting to US\$35,000 (equivalent to S\$47,000);

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

12. SHARE CAPITAL (CONT'D)

Issuance of ordinary shares (Cont'd)

In 2014, the Company issued:

- 18,392,046 shares at US\$1.7709 (equivalent to S\$2.2407) per share amounting to US\$32,570,000 (equivalent to S\$41,211,000). The issuance of shares is for the acquisition of the entire share capital of Teras Conquest 4 Pte Ltd.
- 100,000,000 shares at US\$1.5440 (equivalent to S\$1.94) per share amounting to US\$151,245,000 (equivalent to S\$190,039,000), net of transaction costs of US\$3,152,000 (equivalent to S\$3,961,000). All issued shares are fully paid.
- 1,848,862 shares at US\$1.6293 (equivalent to S\$2.0445) per share amounting to US\$3,009,000 (equivalent to S\$3,776,000), net of transaction costs of US\$3,000 (equivalent to S\$4,000). The issuance of shares is for the acquisition of 42,000,000 shares in the issued share capital of Alpha Energy Limited.
- 263,136,643 ordinary shares pursuant to the bonus issue on the basis of one bonus share for every five existing ordinary shares (the "Bonus Shares II"). The Bonus Shares II are issued as fully paid at nil consideration to entitled shareholders, without capitalisation of the Company's reserves and rank pari passu in all respects with the existing ordinary shares in the capital of the Company.

In 2014, the following shares were issued under the Company's Employee Share Option Scheme:

- (i) 3,498,000 shares issued at an exercise price of US\$0.2744 (equivalent to S\$0.345), amounting to US\$960,000 (equivalent to S\$1,207,000);
- (ii) 1,744,200 shares issued at an exercise price of US\$0.4916 (equivalent to S\$0.617), amounting to US\$857,000 (equivalent to S\$1,076,000);
- (iii) 4,800,000 shares issued at an exercise price of US\$0.2989 (equivalent to S\$0.375), amounting to US\$1,434,000 (equivalent to S\$1,800,000);
- (iv) 57,600 shares issued at an exercise price of US\$0.2254 (equivalent to S\$0.288), amounting to US\$13,000 (equivalent to S\$17,000); and
- (v) 110,400 shares issued at an exercise price of US\$0.4022 (equivalent to S\$0.514), amounting to US\$44,000 (equivalent to S\$57,000).

Capital management

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

12. SHARE CAPITAL (CONT'D)

Capital management (Cont'd)

	Group	
	2015 US\$'000	2014 US\$'000
Financial liabilities	1,226,355	1,180,512
Notes payable	378,691	315,532
Less: Cash and cash equivalents	(229,756)	(371,510)
Net debt	1,375,290	1,124,534
Total equity	1,241,310	1,312,627
Gearing ratio (times)	1.11	0.86

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

The Singapore vessels-owning companies are required to have a minimum share capital of US\$40,846 (equivalent to S\$50,000) as required by the Maritime and Port Authority of Singapore. Except for the above, the Company and its subsidiaries are not subject to externally imposed capital requirements.

13. PERPETUAL SECURITIES

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

As at 31 December 2015, the Company has perpetual securities with a nominal principal amount of S\$150,000,000 (equivalent to US\$117,380,000) issued in 2014. The securities are perpetual, subordinated and the distribution interest of 7.0% per annum may be deferred at the sole discretion of the Company.

S\$3,000,000 (equivalent to US\$2,363,000) of redeemed perpetual securities issued in 2012, was redeemed and cancelled in 2014. In 2015, the remaining S\$122,000,000 (equivalent to US\$86,312,000) in aggregate principal amount of perpetual securities was redeemed and cancelled by the Company. The securities were perpetual, subordinated and the distribution interest of 7.8% per annum may be deferred at the sole discretion of the Company.

These perpetual securities are classified as equity instruments and recorded in equity in the consolidated statement of financial position. Transaction costs incurred in connection with the issuance of perpetual securities amounted to US\$881,000 (2014: US\$2,916,000).

As at 31 December 2015, the Group has accrued perpetual securities distribution of approximately US\$12,520,000 (2014: US\$8,627,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

14. REDEEMABLE EXCHANGEABLE PREFERENCE SHARES

	Group	
	2015 US\$'000	2014 US\$'000
At 1 January and 31 December	23,464	23,464

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

- (a) The REPS are convertible into certain number of ordinary shares in the share capital of the Company based on the exchange price of S\$1.8214 ("Exchange Price"). The conversion ratio will be subject to the usual anti-dilution adjustments.
- (b) The holders of REPS shall have the right to convert:
 - (i) the first 50% of their holdings of REPS into Exchange Shares at the Exchange Price at any time starting from the first anniversary of the date of issue of REPS ("Issue Date") and up to one business day before the third anniversary of the Issue Date ("Maturity Date"); and
 - (ii) the remaining 50% of their holdings of REPS into Exchange Shares at any time starting from the second anniversary of the Issue Date and up to one business day before the Maturity Date.
- (c) Save as otherwise provided herein under the clause entitled "Distribution Preference Deferral" and subject to the Companies Act (Chapter 50) of Singapore, the Preference Shares shall be entitled to:
 - (i) an annual dividend equal to 5% of the Issue Price (the "Distribution Preference") in respect of the outstanding REPS as at the Maturity Date, with such Distribution Preference payable cumulatively on the Maturity Date; and
 - (ii) a one-off dividend equal to 3% of the Issue Price (the "One-Time Dividend") in respect of the REPS that are exchanged into Exchange Shares before the Maturity Date, with such One-Time Dividend payable no later than 5 business days after the date of exchange of the REPS into Exchange Shares, (such date of payment of the Distribution Preference or the One-Time Dividend by the Subsidiary, a "Distribution Payment Date").
- (d) The Group may, at its sole discretion, elect to defer (in whole or in part) the payment of any Distribution Preference and/or One-Time Dividend which is otherwise scheduled to be paid on a Distribution Payment Date to a date no later than the date on which the Group pays a discretionary dividend, distribution or other payment (other than in connection with any employee benefit plan or similar arrangements with or for the benefit of employees, officers, directors or consultants) for the financial year in which the relevant Distribution Payment Date falls within.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

14. REDEEMABLE EXCHANGEABLE PREFERENCE SHARES (CONT'D)

- (e) Each holder of REPS shall have the right to exchange all of its holdings of REPS into Exchange Shares upon the occurrence of any of the following events prior to the Maturity Date:
- (i) a merger or consolidation of the Subsidiary with or into another entity (except a merger or consolidation in which the Group continues to hold at least 50% of the voting power of the capital of the surviving or acquiring entity);
 - (ii) a change in control in which in excess of 50% of the outstanding voting power of the Subsidiary is transferred;
 - (iii) the Subsidiary is unable to pay its debts as they fall due or is insolvent; or
 - (iv) the Subsidiary is subject to a liquidation or winding up action (whether voluntary or otherwise), or an administrator or receiver has been appointed over any of the assets of the Subsidiary, or if any of its material assets have been seized by a court order.

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

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

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

In 2015 and 2014, no REPS in Subsidiary was exchanged by the holders for shares in the Company.

15. RESERVES

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

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Treasury shares	(1,480)	(102)	(1,480)	(102)
Foreign currency translation reserve	(29,333)	(20,218)	–	–
Hedging reserve	(1,504)	(1,098)	(1,429)	(872)
Statutory reserve	(6)	(6)	(6)	(6)
	(32,323)	(21,424)	(2,915)	(980)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

15. RESERVES (CONT'D)

Treasury shares

Treasury shares comprise the cost of the Company's shares held by the Group. In 2015, pursuant to the Share Buyback Mandate approved at the Annual General Meeting on 22 April 2015, the Company repurchased a total of 2,500,000 ordinary shares during the third quarter of 2015. The shares were repurchased by way of market acquisitions at prices ranging from S\$0.545 to S\$0.9125 per share and the total consideration paid including transaction costs was S\$1,892,000 (equivalent to US\$1,378,000).

As at 31 December 2015, the Group held 3,184,000 (2014: 684,000) of the Company's shares. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued.

Foreign currency translation reserve

The foreign currency translation reserve comprises:

- (a) foreign exchange differences arising from the translation of the financial statements of subsidiaries whose functional currencies are different from the functional currency of the Company; and
- (b) the exchange differences on monetary items which form part of the Group's net investment in foreign operations, provided certain conditions are met.

Hedging reserve

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

Statutory reserve

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

Dividends

There were no dividends proposed in respect of the financial year ended 31 December 2015 (2014: a final (one-tier) dividend of 0.10 Singapore cents per share, amounting to net dividend of US\$1,168,000 (equivalent to S\$1,578,000)).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

16. OTHER PAYABLES

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Non-current				
Other payables	15,000	15,000	–	–
Deposits from a supplier	2,000	2,000	–	–
Deposits from a customer	17,900	15,355	–	–
Interest rate swaps used for hedging	1,054	1,098	979	872
Non-trade amounts due to subsidiaries	–	–	89,206	20,726
	35,954	33,453	90,185	21,598
Current				
Payables to other suppliers	500	500	500	500
Downpayments and advances from customers	18,699	21,033	1,200	–
Deferred revenue	4,414	1,572	–	460
Non-trade amounts due to:				
– joint ventures	2,921	5,646	–	–
– subsidiaries	–	–	77,496	99,399
Accrued interest payable	6,552	7,472	5,111	6,124
Accrued expenses	9,996	14,516	8,397	13,134
Employee benefits	119	123	55	61
Other payables	6,890	10,870	1,137	862
	50,091	61,732	93,896	120,540
Total	86,045	95,185	184,081	142,138

At 31 December 2015, the Group held interest rate swaps with a total notional amount of US\$202,500,000 (2014: US\$202,500,000). The Group has designated these interest rate swaps as cash flow hedges to provide fixed rate funding for a term of between 1 to 2 years (2014: 2 to 3 years).

Non-current non-trade amounts due to subsidiaries are unsecured, interest-free and repayable in 2017 (2014: repayable in 2016).

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

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Year ended 31 December 2015

17. NOTES PAYABLE

	Maturity	Group		Company	
		2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
SGD 60 million ⁽¹⁾	August 2018	41,730	45,034	41,730	45,034
SGD 50 million ⁽²⁾	January 2019	35,201	37,626	35,201	37,626
SGD 110 million ⁽³⁾	May 2019	77,529	82,333	77,529	82,333
SGD 55 million ⁽⁴⁾	March 2020	38,651	41,318	38,651	41,318
SGD 150 million ⁽⁵⁾	June 2021	102,376	109,221	102,376	109,221
SGD 120 million ⁽⁶⁾	August 2020	83,204	–	83,204	–
		378,691	315,532	378,691	315,532

⁽¹⁾ The notes bear fixed interest rate of 4.60% (2014: 4.60%) per annum payable semi-annually, with fair value of approximately US\$38,287,000 (2014: US\$45,474,000) based on quoted market prices.

⁽²⁾ The notes bear fixed interest rate of 4.85% (2014: 4.85%) per annum payable semi-annually, with fair value of approximately US\$31,722,000 (2014: US\$37,691,000) based on quoted market prices.

⁽³⁾ The notes bear fixed interest rate of 4.70% (2014: 4.70%) per annum payable semi-annually, with fair value of approximately US\$71,122,000 (2014: US\$82,697,000) based on quoted market prices.

⁽⁴⁾ The notes bear fixed interest rate of 5.10% (2014: 5.10%) per annum payable semi-annually, with fair value of approximately US\$35,430,000 (2014: US\$41,177,000) based on quoted market prices.

⁽⁵⁾ The notes bear fixed interest rate of 4.875% (2014: 4.875%) per annum payable semi-annually, with fair value of approximately US\$103,621,000 (2014: US\$111,539,000) based on quoted market prices.

⁽⁶⁾ The notes bear fixed interest rate of 3.65% (2014: Nil) per annum payable semi-annually, with fair value of approximately US\$84,909,000 (2014: Nil) based on quoted market prices.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

18. FINANCIAL LIABILITIES

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Non-current				
Unsecured bank loans	12,659	–	12,659	–
Secured bank loans	834,374	884,750	42,436	–
Finance lease liabilities	48	121	48	121
Financial guarantees	4,020	7,349	82,169	103,797
	851,101	892,220	137,312	103,918
Current				
Secured bank loans	265,303	247,893	–	–
Unsecured bank loans	108,091	39,750	108,091	39,750
Finance lease liabilities	65	70	65	70
Financial guarantees	1,795	579	27,533	30,237
	375,254	288,292	135,689	70,057
Total financial liabilities	1,226,355	1,180,512	273,001	173,975

Secured bank loans

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

The bank loans are secured on vessels, rigs and assets under construction with a carrying amount of US\$2,176,831,000 (2014: US\$1,936,425,000).

Terms and debt repayment schedule

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

	Nominal interest rate %	Year of maturity	Carrying amount	
			2015 US\$'000	2014 US\$'000
Group				
US\$ secured floating rate loans	2.42 – 3.42	2016 – 2021	1,057,241	1,132,643
S\$ secured floating rate loan	4.08	2017	42,436	–
US\$ unsecured floating rate loans	1.67 – 3.18	2016 – 2017	120,750	39,750
S\$ finance lease liabilities	2.20 – 2.28	2019	113	191
			1,220,540	1,172,584
Company				
S\$ secured floating rate loan	4.08	2017	42,436	–
US\$ unsecured floating rate loans	1.67 – 3.18	2016 – 2017	120,750	39,750
S\$ finance lease liabilities	2.20 – 2.28	2019	113	191
			163,299	39,941

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

18. FINANCIAL LIABILITIES (CONT'D)

Finance lease liabilities

Finance lease liabilities are payable as follows:

	← 2015 →			← 2014 →		
	Principal US\$'000	Interest US\$'000	Future minimum lease payments US\$'000	Principal US\$'000	Interest US\$'000	Future minimum lease payments US\$'000
Group and Company						
Within 1 year	65	2	67	70	4	74
After 1 year but within 5 years	48	1	49	121	3	124
Total	113	3	116	191	7	198

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

	Carrying amount US\$'000	Cash flows			
		Contractual cash flows US\$'000	Within 1 year US\$'000	Within 2 to 5 years US\$'000	After 5 years US\$'000
Group					
2015					
Non-derivative financial liabilities					
Secured bank loans	1,099,677	(1,181,629)	(305,298)	(866,442)	(9,889)
Unsecured bank loans	120,750	(123,753)	(110,847)	(12,906)	–
Notes payable	378,691	(460,564)	(17,870)	(334,004)	(108,690)
Finance lease liabilities	113	(116)	(67)	(49)	–
Financial guarantees	5,815	(96,707)	(28,803)	(60,250)	(7,654)
Trade payables	126,165	(126,165)	(126,165)	–	–
Other payables ⁽¹⁾	61,878	(61,878)	(26,978)	(34,900)	–
Liabilities relating to assets held for sale	42,658	(43,484)	(43,484)	–	–
	1,835,747	(2,094,296)	(659,512)	(1,308,551)	(126,233)
Derivative financial liabilities					
Interest rate swaps used for hedging	1,054	(1,293)	(1,125)	(168)	–
	1,836,801	(2,095,589)	(660,637)	(1,308,719)	(126,233)
2014					
Non-derivative financial liabilities					
Secured bank loans	1,132,643	(1,224,389)	(334,355)	(865,461)	(24,573)
Unsecured bank loans	39,750	(40,788)	(40,788)	–	–
Notes payable	315,532	(396,413)	(15,409)	(221,842)	(159,162)
Finance lease liabilities	191	(198)	(74)	(124)	–
Financial guarantees	7,928	(120,107)	(23,528)	(88,369)	(8,210)
Trade payables	69,886	(69,886)	(69,886)	–	–
Other payables ⁽¹⁾	71,482	(71,482)	(39,127)	(32,355)	–
	1,637,412	(1,923,263)	(523,167)	(1,208,151)	(191,945)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

18. FINANCIAL LIABILITIES (CONT'D)

	Carrying amount	Cash flows			After 5 years
		Contractual cash flows	Within 1 year	Within 2 to 5 years	
	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group					
2014					
Derivative financial liabilities					
Interest rate swaps used for hedging	1,098	(1,358)	(1,804)	446	–
	1,638,510	(1,924,621)	(524,971)	(1,207,705)	(191,945)
Company					
2015					
Non-derivative financial liabilities					
Secured bank loans	42,436	(44,345)	(1,760)	(42,585)	–
Unsecured bank loans	120,750	(123,753)	(110,847)	(12,906)	–
Notes payable	378,691	(460,564)	(17,870)	(334,004)	(108,690)
Finance lease liabilities	113	(116)	(67)	(49)	–
Financial guarantees	109,702	(1,223,991)	(332,341)	(884,107)	(17,543)
Trade payables	40	(40)	(40)	–	–
Other payables ⁽¹⁾	181,902	(181,902)	(92,696)	(89,206)	–
	833,634	(2,304,711)	(555,621)	(1,362,857)	(126,233)
Derivative financial liabilities					
Interest rate swaps used for hedging	979	(1,218)	(1,050)	(168)	–
	834,613	(2,305,929)	(556,671)	(1,363,025)	(126,233)
2014					
Non-derivative financial liabilities					
Unsecured bank loans	39,750	(40,788)	(40,788)	–	–
Notes payable	315,532	(396,413)	(15,409)	(221,842)	(159,162)
Finance lease liabilities	191	(198)	(74)	(124)	–
Financial guarantees	134,034	(1,344,496)	(357,883)	(953,830)	(32,783)
Trade payables	40	(40)	(40)	–	–
Other payables ⁽¹⁾	140,806	(140,806)	(120,080)	(20,726)	–
	630,353	(1,922,741)	(534,274)	(1,196,522)	(191,945)
Derivative financial liabilities					
Interest rate swaps used for hedging	872	(1,133)	(1,592)	459	–
	631,225	(1,923,874)	(535,866)	(1,196,063)	(191,945)

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

19. DEFERRED TAX LIABILITIES

The deferred tax liabilities are attributable to plant and equipment of the Group. The movement in deferred tax liabilities of the Group is as follows:

	Plant and equipment US\$'000
At 31 December 2014 and 1 January 2015	–
Recognised in profit or loss (note 25)	449
At 31 December 2015	449

20. TRADE PAYABLES

	Group		Company	
	2015 US\$'000	2014 US\$'000	2015 US\$'000	2014 US\$'000
Trade amounts due to:				
– associates	485	475	–	–
– joint ventures	18,830	–	–	–
– third parties	106,850	69,411	40	40
	126,165	69,886	40	40

21. SHARE-BASED PAYMENTS

At 31 December 2015, the Group has the following share-based payment arrangements:

(a) Ezion Employee Share Option Scheme (equity-settled)

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

21. SHARE-BASED PAYMENTS (CONT'D)

(a) Ezion Employee Share Option Scheme (equity-settled) (Cont'd)

Other information regarding the Scheme is set out below:

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

- The exercise price of each option is fixed at S\$0.288.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 11 October 2012 to 11 October 2021:
 - i. 20% of the options shall vest after the end of first anniversary of Grant Date 1;
 - ii. 50% of the options shall vest after 31 March 2013; and
 - iii. 30% of the options shall vest after 31 March 2014.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.
- The options include 1,400,000 share options granted to each of the executive directors, Chew Thiam Keng and Captain Larry Glenn Johnson; and 100,000 share options granted to each of the non-executive directors, Lim Thean Ee, Tan Woon Hum and Dr. Wang Kai Yuen.
- With effect from 7 November 2014, Captain Larry Glenn Johnson resigned as an executive director of the Company.

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

- The exercise price of each option is fixed at S\$0.514.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 7 June 2013 to 7 June 2022:
 - i. 30% of the options shall vest after the end of first anniversary of Grant Date 2;
 - ii. 30% of the options shall vest after the end of second anniversary of Grant Date 2; and
 - iii. 40% of the options shall vest after the end of third anniversary of Grant Date 2.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.
- The options include 700,000 share options granted to each of the executive directors, Chew Thiam Keng and Captain Larry Glenn Johnson; and 100,000 share options granted to each of the directors, Lim Thean Ee, Tan Woon Hum, Dr. Wang Kai Yuen and Lee Kian Soo.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

21. SHARE-BASED PAYMENTS (CONT'D)

(a) Ezion Employee Share Option Scheme (equity-settled) (Cont'd)

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

- With effect from 5 January 2016, Lee Kian Soo resigned as a director of the Company.

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

- The exercise price of each option is fixed at S\$1.083.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 21 January 2015 to 21 January 2023:
 - i. 30% of the options shall vest after the end of second anniversary of Grant Date 3;
 - ii. 30% of the options shall vest after the end of third anniversary of Grant Date 3; and
 - iii. 40% of the options shall vest after the end of fourth anniversary of Grant Date 3.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.
- The options include 700,000 share options granted to each of the executive directors, Chew Thiam Keng and Captain Larry Glenn Johnson; and 100,000 share options granted to each of the directors, Lim Thean Ee, Tan Woon Hum, Dr. Wang Kai Yuen and Lee Kian Soo.

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

- The exercise price of each option is fixed at S\$1.567.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 7 March 2016 to 7 March 2024:
 - i. 30% of the options shall vest after the end of second anniversary of Grant Date 4;
 - ii. 30% of the options shall vest after the end of third anniversary of Grant Date 4; and
 - iii. 40% of the options shall vest after the end of fourth anniversary of Grant Date 4.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.
- The options include 700,000 share options granted to each of the executive directors, Chew Thiam Keng and Captain Larry Glenn Johnson; and 100,000 share options granted to each of the directors, Lim Thean Ee, Tan Woon Hum, Dr. Wang Kai Yuen and Lee Kian Soo.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

21. SHARE-BASED PAYMENTS (CONT'D)

(a) Ezion Employee Share Option Scheme (equity-settled) (Cont'd)

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

- The exercise price of each option is fixed at S\$1.011.
- The share option shall be exercised, in whole or in part, in accordance with the following schedule from 16 January 2017 to 16 January 2025:
 - i. 30% of the options shall vest after the end of second anniversary of Grant Date 5;
 - ii. 30% of the options shall vest after the end of third anniversary of Grant Date 5; and
 - iii. 40% of the options shall vest after the end of fourth anniversary of Grant Date 5.
- All options are settled by physical delivery of shares.
- The options granted expire after 10 years or upon cessation of the employment of employees.
- The options include 1,400,000 share options granted to the executive director, Chew Thiam Keng; and 200,000 share options granted to each of the directors, Lim Thean Ee, Tan Woon Hum, Dr. Wang Kai Yuen and Lee Kian Soo.

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

Date of grant of options	Exercise prices per share	Options outstanding				Options outstanding		Number of option holders at 31 December 2015	Exercise period
		at 1 January 2015	Options granted	Options exercised	Options cancelled	at 31 December 2015	at 31 December 2015		
		'000	'000	'000	'000	'000	'000		
11/10/2011	S\$0.288	2,304	-	(288)	-	2,016	1	11/10/2012 to 11/10/2021	
7/6/2012	S\$0.514	3,263	-	(1,622)	-	1,641	11	7/6/2013 to 7/6/2022	
21/1/2013	S\$1.083	7,085	-	(43)	-	7,042	49	21/1/2015 to 21/1/2023	
7/3/2014	S\$1.567	7,110	-	-	(7,110)	-	-	7/3/2016 to 7/3/2024	
16/1/2015	S\$1.011	-	11,900	-	-	11,900	100	16/1/2017 to 16/1/2025	
		19,762	11,900	(1,953)	(7,110)	22,599			

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

21. SHARE-BASED PAYMENTS (CONT'D)

(a) Ezion Employee Share Option Scheme (equity-settled) (Cont'd)

Fair value of share options and assumptions

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

Options granted at 11 October 2011

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

* - denotes less than 0.01 Singapore cents

Options granted at 7 June 2012

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

* - denotes less than 0.01 Singapore cents

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

21. SHARE-BASED PAYMENTS (CONT'D)

(a) Ezion Employee Share Option Scheme (equity-settled) (Cont'd)

Options granted at 21 January 2013

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

* - denotes less than 0.01 Singapore cents

Options granted at 7 March 2014

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

* - denotes less than 0.01 Singapore cents

Options granted at 16 January 2015

	At 16 January 2015		
	Tranche A	Tranche B	Tranche C
Fair value (S\$)	0.267	0.337	0.396
Share price (S\$)	1.155	1.155	1.155
Exercise price (S\$)	1.011	1.011	1.011
Expected volatility	28.75%	32.57%	34.62%
Expected dividends (Singapore cents)	—*	—*	—*
Risk-free interest rate	0.54%	0.73%	1.02%

* - denotes less than 0.01 Singapore cents

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

21. SHARE-BASED PAYMENTS (CONT'D)

(b) Employee Share Plan (equity-settled)

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

In 2009, 230,000 treasury shares have been awarded to certain employees pursuant to the Plan. No treasury shares had been awarded to employees under the Plan subsequent to 2009.

Disclosure of share-based payments arrangements

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

	Weighted average exercise price per share	Number of options	Weighted average exercise price per share	Number of options
	2015	2015	2014	2014
	S\$	'000	S\$	'000
Outstanding at 1 January	1.07	19,762	0.71	21,901
Granted during the year	1.01	11,900	1.39	10,322
Exercised during the year	0.49	(1,953)	0.41	(10,210)
Cancelled during the year	1.57	(7,110)	1.16	(2,251)
Outstanding at 31 December	0.93	22,599	1.07	19,762
Exercisable at 31 December	0.64	5,740	0.35	3,148

The options outstanding at 31 December 2015 have an exercise price in the range of S\$0.29 to S\$1.08 (2014: S\$0.29 to S\$1.57) and the weighted average contractual life of 7.1 years (2014: 7.9 years).

Employee expenses

	Group	
	2015	2014
	US\$'000	US\$'000
Ezion Employee Share Option Scheme	2,121	2,050
Total expense recognised as employee costs	2,121	2,050

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

22. REVENUE

	Group	
	2015 US\$'000	2014 US\$'000
Liftboats and rigs' charter income	310,194	298,867
Offshore logistic support vessels' charter income	40,953	87,645
Total revenue	351,147	386,512

23. NET FINANCE COSTS

	Group	
	2015 US\$'000	2014 US\$'000
Interest income:		
– banks	2,466	1,523
– related corporations	1,828	3,659
– others	145	619
Finance income	4,439	5,801
Interest expense:		
– other banks	(26,412)	(22,017)
– notes payable	–	(471)
Finance costs	(26,412)	(22,488)
Net finance costs recognised in profit or loss	(21,973)	(16,687)

24. PROFIT BEFORE INCOME TAX

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

	Note	Group	
		2015 US\$'000	2014 US\$'000
Foreign exchange gain		(5,003)	(1,147)
Gain on disposal of:			
– plant and equipment		–	(870)
– subsidiary	27	–	(34,904)
Gain from change in ownership interest in associates	7	(8,882)	–
Net impairment losses on:			
– plant and equipment	4	37,900	–
– trade receivables	9	43,228	209
Audit fees paid to auditors of the Company		359	294
Non-audit fees paid to auditors of the Company		24	22
Operating lease expense		31,671	18,943
Staff costs		10,936	17,624
Contributions to defined contribution plans, included in staff costs		769	808
Equity-settled share-based payment transactions, included in staff costs		2,121	2,050

Staff costs include key management personnel compensation and key executives compensation as disclosed in note 30.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

25. INCOME TAX EXPENSE

	Group	
	2015 US\$'000	2014 US\$'000
Current tax expense		
Current year	198	855
Overprovision in respect of prior years	(181)	(24)
Foreign tax expense	1,115	1,198
	1,132	2,029
Deferred tax expense		
Origination and reversal of temporary differences	449	–
Total tax expense	1,581	2,029
Reconciliation of effective tax rate		
Profit before income tax	38,365	225,763
Share of results of joint ventures and associates (net of tax)	(23,448)	(28,042)
Profit before income tax excluding share of results of joint ventures and associates	14,917	197,721
Tax calculated using Singapore tax rate of 17% (2014: 17%)	2,536	33,613
Effect of tax rates in foreign jurisdictions	(3,232)	(3,204)
Income not subject to tax	(20,093)	(9,735)
Net tax exempt income under Section 13A of Income Tax Act	(12,986)	(21,747)
Non-deductible expenses	33,267	2,076
Foreign tax expense	1,115	1,198
Overprovision in respect of prior years	(181)	(24)
Current year losses for which no deferred tax asset was recognised	928	–
Others	227	(148)
	1,581	2,029

For the financial year ended 31 December 2015 and 2014, the effective applicable tax rate is lower than 17% as no provision is made for taxation for certain income in view of the exempt profits earned by the Group under Section 13A of the Income Tax Act during the year.

The Group has unrecognised deferred tax assets in respect of tax losses of US\$5,459,000 (2014: Nil) at the balance sheet date. Deferred tax assets have not been recognised because the Group does not currently have sufficient objective information to determine whether future taxable profits is available for offsetting. The utilised tax losses which are available to set-off against future taxable income, are subject to agreement by the tax authorities and compliance with tax regulations prevailing in the respective countries.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

26. EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2015 was based on:

	Group	
	2015 US\$'000	2014 US\$'000
Profit attributable to ordinary shareholders of the Company	36,784	223,658
Less:		
Accrued perpetual securities distribution	(12,520)	(8,627)
Profit attributable to ordinary shareholders after adjustments of accrued perpetual securities distributions	24,264	215,031

Weighted average number of ordinary shares

	2015	2014
	'000	'000
Issued ordinary shares at 1 January	1,578,304	1,184,830
Effect of issue of new ordinary shares	–	162,159
Effect of exercise of options	129	5,733
Weighted average number of ordinary shares at 31 December	1,578,433	1,352,722

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2015 was based on:

	Group	
	2015 US\$'000	2014 US\$'000
Profit attributable to ordinary shareholders of the Company (diluted)	36,784	223,658
Less:		
Accrued perpetual securities distribution	(12,520)	(8,627)
Profit attributable to ordinary shareholders after adjustments of accrued perpetual securities distributions (diluted)	24,264	215,031

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

26. EARNINGS PER SHARE (CONT'D)

Weighted average number of ordinary shares (diluted)

	2015	2014
	'000	'000
Weighted average number of ordinary shares (basic)	1,578,433	1,352,722
Effect of share options in issue	3,657	10,827
Effect of issue of redeemable exchangeable preference shares	19,788	19,299
Weighted average number of ordinary shares at 31 December	1,601,878	1,382,848

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

27. ACQUISITION/DIVESTMENT OF SUBSIDIARY

Acquisition of subsidiaries

There were no subsidiaries acquired during the year ended 31 December 2015.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

27. ACQUISITION/DIVESTMENT OF SUBSIDIARY (CONT'D)

Acquisition of subsidiaries (Cont'd)

Effect of acquisitions

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

27. ACQUISITION/DIVESTMENT OF SUBSIDIARY (CONT'D)

Disposal of subsidiaries

There were no subsidiaries disposed during the year ended 31 December 2015.

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

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

Effect of disposals

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

28. OPERATING SEGMENTS

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

- (a) Production and maintenance support: engaged in the owning, chartering and management of rigs and vessels involved in the production and maintenance phase of the oil and gas industry.
- (b) Exploration and development support: engaged in the owning, chartering and management of rigs and vessels involved in the exploration and development phase of the oil and gas industry.
- (c) Others: assets or investments involved in renewable energy and other oil and gas related industry.

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

In prior years, the operating segments were segregated into "Offshore logistic support vessels' services" and "Liftboats and jack-up rigs' services". The comparative segment results have been restated accordingly.

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

Business segments

	Production and maintenance support US\$'000	Exploration and development support US\$'000	Others US\$'000	Total operations US\$'000
Year ended 31 December 2015				
External revenue	312,492	38,219	436	351,147
Inter-segment revenue	118,793	–	6,495	125,288
Total revenue for reportable segments	431,285	38,219	6,931	476,435
Elimination of inter-segment revenue				(125,288)
Consolidated revenue				351,147

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

28. OPERATING SEGMENTS (CONT'D)

Business segments (Cont'd)

	Production and maintenance support US\$'000	Exploration and development support US\$'000	Others US\$'000	Total operations US\$'000
Year ended 31 December 2015				
Reportable segment results from operating activities	26,103	55	436	26,594
Other income	11,307	–	13,929	25,236
Share of results of joint ventures and associates, net of tax	8,819	19,024	(4,395)	23,448
Finance income	4,439	–	–	4,439
Finance expense	(21,019)	(5,393)	–	(26,412)
Unallocated expenses				(14,940)
Profit before income tax				38,365
Income tax expense				(1,581)
Profit for the year				36,784
Reportable segment assets	2,354,330	323,976	–	2,678,306
Investment in joint ventures and associates	45,406	98,056	60,513	203,975
Unallocated assets				226,121
Total assets				3,108,402
Reportable segment liabilities	1,652,976	205,154	–	1,858,130
Unallocated liabilities				8,962
Total liabilities				1,867,092
Capital expenditure	402,120	30,666	–	432,786
Unallocated capital expenditure				187
Total capital expenditure				432,973
Other material non-cash items:				
Depreciation	103,659	30,865	–	134,524
Unallocated depreciation				349
Total depreciation				134,873
Net impairment losses on:				
– plant and equipment	37,900	–	–	37,900
– trade receivables	43,228	–	–	43,228

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

28. OPERATING SEGMENTS (CONT'D)

Business segments (Cont'd)

	Production and maintenance support US\$'000	Exploration and development support US\$'000	Others US\$'000	Total operations US\$'000
Year ended 31 December 2014				
External revenue	375,901	10,324	287	386,512
Inter-segment revenue	125,997	–	5,466	131,463
Total revenue for reportable segments	501,898	10,324	5,753	517,975
Elimination of inter-segment revenue				(131,463)
Consolidated revenue				386,512
Reportable segment results from operating activities	194,623	(8,119)	286	186,790
Other income	45,778	–	–	45,778
Share of results of joint ventures and associates, net of tax	3,548	19,087	5,407	28,042
Finance income	5,697	104	–	5,801
Finance expense	(17,201)	(5,287)	–	(22,488)
Unallocated expenses				(18,160)
Profit before income tax				225,763
Income tax expense				(2,029)
Profit for the year				223,734
Reportable segment assets	2,188,464	304,573	–	2,493,037
Investment in joint ventures and associates	37,826	68,993	66,095	172,914
Unallocated assets				315,020
Total assets				2,980,971
Reportable segment liabilities	1,409,583	230,867	–	1,640,450
Unallocated liabilities				27,900
Total liabilities				1,668,350
Capital expenditure	320,579	198,751	–	519,330
Unallocated capital expenditure				330
Total capital expenditure				519,660
Other material non-cash items:				
Depreciation	85,267	17,237	–	102,504
Unallocated depreciation				250
Total depreciation				102,754
Gain on disposal of:				
– plant and equipment	(870)	–	–	(870)
– subsidiaries	(34,904)	–	–	(34,904)
Net impairment losses on:				
– trade receivables	209	–	–	209

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

28. OPERATING SEGMENTS (CONT'D)

Geographical segments

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

	Revenue		Non-current assets ⁽¹⁾	
	2015	2014	2015	2014
	US\$'000	US\$'000	US\$'000	US\$'000
Singapore	31,547	24,801	1,376,929	1,369,511
Australia	20,419	56,187	7,555	9,056
India	44,475	21,896	–	–
United Arab Emirates	58,042	39,420	–	–
Rest of Asia	129,622	88,871	430,218	303,984
Europe	62,166	128,979	368,322	340,211
Other countries	4,876	26,358	101,093	112,818
	351,147	386,512	2,284,117	2,135,580

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

Major customers

During the financial year ended 31 December 2015, the Group had one (2014: two) customer in the Group's production and maintenance support segment that contributed 10% or more of the Group's total revenue. Revenue from the customer amounted to US\$40,286,000 (2014: US\$165,221,000) of the Group's total revenue.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

29. COMMITMENTS

(a) Capital commitments

	Group	
	2015 US\$'000	2014 US\$'000
Contracted but not provided for	258,475	476,100

(b) Operating lease expense commitments (as lessee)

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

	Group	
	2015 US\$'000	2014 US\$'000
Within 1 year	26,912	23,584
After 1 year but within 5 years	56,560	78,334
	83,472	101,918

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

Included in the above future minimum lease payments under non-cancellable operating leases are amounts payable to the Group's joint ventures and an affiliate within 1 year and after 1 year but within 5 years of US\$25,988,000 (2014: US\$22,730,000) and US\$55,633,000 (2014: US\$78,263,000) respectively.

(c) Operating lease income commitments (as lessor)

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

	Group	
	2015 US\$'000	2014 US\$'000
Within 1 year	292,715	381,304
After 1 year but within 5 years	777,272	816,177
After 5 years	111,312	15,445
	1,181,299	1,212,926

Operating lease income commitments represents rentals receivable from customers on the Group's vessels charter. The lease terms are negotiated on fixed terms till expiry of the lease. Included in the above future minimum lease receivables under non-cancellable operating lease rentals are amounts arising from customers' options to extend their vessel charter within 1 year, after 1 year but within 5 years and after 5 years of US\$4,997,000 (2014: US\$23,429,000), US\$247,620,000 (2014: US\$227,789,000) and US\$101,588,000 (2014: US\$15,445,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

30. RELATED PARTIES

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

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

Key management personnel compensation and key executives compensation

Key management personnel compensation and key executives compensation comprised:

	Group	
	2015 US\$'000	2014 US\$'000
Short-term employee benefits	6,075	7,456
Share-based payments	1,009	1,147

Other related party transactions

	Group	
	2015 US\$'000	2014 US\$'000
Transactions with companies in which a director has financial interest		
Offshore logistic support vessels, liftboats and rigs' services costs paid and payable	–	275
Transactions with joint ventures		
Interest income received and receivable	1,828	3,659
Offshore logistic support vessels, liftboats and rigs' services costs paid and payable	22,476	8,810
Management fee income from joint ventures	206	294
Transactions with associates		
Offshore logistic support vessels, liftboats and rigs' services revenue received and receivable	17,978	–
Management fee income from associates	230	81

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

31. ACCOUNTING ESTIMATES AND JUDGMENTS

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

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

Impairment of plant and equipment

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

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

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

For the purposes of impairment assessment of vessels, each vessel is a separate CGU. A total of 70 (2014: 70) CGUs have been identified. Management assessed the recoverable amounts of the vessels based on their value in use or fair value less costs to sell if any indicators of impairment existed.

The recoverable amounts of the CGUs were determined based on value in use calculations (2014: valuation reports issued by independent professional valuers).

Based on the above assessment, the Group recognised impairment losses relating to 8 CGUs of US\$9,446,000 and US\$28,454,000 for the vessels and rigs respectively (2014: Nil) (note 4).

Impairment of trade receivables

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

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

32. FINANCIAL RISK MANAGEMENT

Overview

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

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

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

Credit risk

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

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

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

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

The Group's top one (2014: two) most significant customer account for 13% (2014: 52%) of trade receivables due from third parties at 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial guarantees

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

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

Financial guarantees comprise guarantees granted by the Company to banks in respect of banking facilities amounting to US\$1,249,070,000 (2014: US\$1,113,480,000).

Liquidity risk

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

As at 31 December 2015, the Group has undrawn banking facilities amounting to US\$47,399,000 (2014: US\$99,633,000).

Market risk

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

Interest rate risk

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

At 31 December 2015, the Group has interest rate swaps with total notional contract amount of US\$202,500,000 (2014: US\$202,500,000) whereby the Group has agreed with counterparties to exchange, at specified intervals, the difference between floating rate and fixed rate interest amounts calculated by reference to the agreed notional principal amounts of the secured and unsecured term loans.

The net fair value of the above swaps at 31 December 2015 is US\$1,054,000 (2014: US\$1,098,000).

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Exposure to interest rate risk

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

Variable rate instruments

	Group	
	Nominal amount	
	2015	2014
	US\$'000	US\$'000
Interest rate swaps	202,500	202,500

	Group	
	Carrying amount	
	2015	2014
	US\$'000	US\$'000
US\$ secured floating rate loans	(1,057,241)	(1,132,643)
S\$ secured floating rate loan	(42,436)	–
US\$ unsecured floating rate loans	(120,750)	(39,750)
Fixed deposits	139,262	165,083
	(1,081,165)	(1,007,310)

Sensitivity analysis

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

	Profit before tax		Equity	
	100 bp Increase US\$'000	100 bp Decrease US\$'000	100 bp Increase US\$'000	100 bp Decrease US\$'000
Group				
31 December 2015				
Interest-bearing loans	(12,204)	12,204	–	–
Fixed deposits	1,393	(1,393)	–	–
Interest rate swaps	11	(11)	13	(13)
31 December 2014				
Interest-bearing loans	(11,724)	11,724	–	–
Fixed deposits	1,651	(1,651)	–	–
Interest rate swaps	11	(11)	14	(14)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk

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

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

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

	US dollar US\$'000	Singapore dollar US\$'000	Australian dollar US\$'000	Others US\$'000	Total US\$'000
Group					
31 December 2015					
Loan to associate	–	1,579	425	–	2,004
Trade receivables and other assets	–	4,040	2,429	107	6,576
Cash and cash equivalents	18	194,016	949	964	195,947
Trade and other payables	(221)	(28,594)	(3,170)	(1,627)	(33,612)
Financial liabilities	–	(42,549)	–	–	(42,549)
Notes payable	–	(378,691)	–	–	(378,691)
	(203)	(250,199)	633	(556)	(250,325)
31 December 2014					
Loan to associate	–	1,703	1,366	–	3,069
Trade receivables and other assets	18,821	3,026	1,237	360	23,444
Cash and cash equivalents	18	328,108	285	4,117	332,528
Trade and other payables	(126)	(26,047)	(1,508)	(723)	(28,404)
Financial liabilities	–	(191)	–	–	(191)
Notes payable	–	(315,532)	–	–	(315,532)
	18,713	(8,933)	1,380	3,754	14,914

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Foreign currency risk (Cont'd)

	Singapore dollar US\$'000	Australian dollar US\$'000	Others US\$'000	Total US\$'000
Company				
31 December 2015				
Loans to subsidiaries	63,861	4,985	–	68,846
Loan to associate	1,579	425	–	2,004
Trade receivables and other assets	2,530	248	–	2,778
Cash and cash equivalents	185,337	2	–	185,339
Trade and other payables	(35,097)	(12)	(9)	(35,118)
Financial liabilities	(42,549)	–	(110)	(42,659)
Notes payable	(378,691)	–	–	(378,691)
	(203,030)	5,648	(119)	(197,501)
31 December 2014				
Loans to subsidiaries	68,232	5,599	–	73,831
Loan to associate	1,703	1,366	–	3,069
Trade receivables and other assets	325	–	–	325
Cash and cash equivalents	315,560	2	–	315,562
Trade and other payables	(42,435)	(882)	–	(43,317)
Financial liabilities	(191)	–	(460)	(651)
Notes payable	(315,532)	–	–	(315,532)
	27,662	6,085	(460)	33,287

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Exposure to currency risk - Sensitivity analysis

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

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

	Group		Company	
	Equity US\$'000	Profit before tax US\$'000	Equity US\$'000	Profit before tax US\$'000
31 December 2015				
US dollar	-	(20)	-	-
Singapore dollar	-	25,020	-	20,303
Australian dollar	-	(63)	-	(565)
Others	-	56	-	12
31 December 2014				
US dollar	-	1,871	-	-
Singapore dollar	-	893	-	(2,766)
Australian dollar	-	(138)	-	(609)
Others	-	(375)	-	46

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

Fair values versus carrying amounts

Non-derivative financial assets and liabilities

The carrying amounts of the Group and the Company's financial instruments other than interest rate swaps used for hedging are carried at cost or amortised cost are not materially different from their fair values as at 31 December 2015 and 31 December 2014 due to their short-term nature and immaterial effects of discounting.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial instruments by category

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

	Note	Fair value- hedging instruments US\$'000	Loans and receivables US\$'000	Other financial liabilities within scope of FRS 39 US\$'000	Other financial liabilities outside scope of FRS 39 US\$'000	Total carrying amount US\$'000	Fair value US\$'000
Group							
31 December 2015							
Financial assets not measured at fair value							
Other assets ⁽¹⁾	8	–	38,548	–	–	38,548	38,548
Trade receivables	9	–	193,247	–	–	193,247	193,247
Cash and cash equivalents	11	–	229,756	–	–	229,756	229,756
Financial liability measured at fair value							
Interest rate swaps used for hedging	16	(1,054)	–	–	–	(1,054)	(1,054)
Financial liabilities not measured at fair value							
Liabilities relating to							
assets held for sale	10	–	–	(42,658)	–	(42,658)	(42,658)
Other payables ⁽²⁾	16	–	–	(61,878)	–	(61,878)	(60,287)
Trade payables	20	–	–	(126,165)	–	(126,165)	(126,165)
Financial liabilities ⁽³⁾	18	–	–	(1,226,242)	–	(1,226,242)	(1,226,242)
Financial lease liabilities	18	–	–	–	(113)	(113)	(113)
Notes payable	17	–	–	(378,691)	–	(378,691)	(365,091)
31 December 2014							
Financial assets not measured at fair value							
Other assets ⁽¹⁾	8	–	31,053	–	–	31,053	31,053
Trade receivables	9	–	159,580	–	–	159,580	159,580
Cash and cash equivalents	11	–	371,510	–	–	371,510	371,510

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial instruments by category (Cont'd)

	Note	Fair value- hedging instruments	Loans and receivables	Other financial liabilities within scope of FRS 39	Other financial liabilities outside scope of FRS 39	Total carrying amount	Fair value
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Group							
31 December 2014							
Financial liability measured at fair value							
Interest rate swaps used for hedging	16	(1,098)	–	–	–	(1,098)	(1,098)
Financial liabilities not measured at fair value							
Other payables ⁽²⁾	16	–	–	(71,482)	–	(71,482)	(69,628)
Trade payables	20	–	–	(69,886)	–	(69,886)	(69,886)
Financial liabilities ⁽³⁾	18	–	–	(1,180,321)	–	(1,180,321)	(1,180,321)
Financial lease liabilities	18	–	–	–	(191)	(191)	(191)
Notes payable	17	–	–	(315,532)	–	(315,532)	(318,578)
Company							
31 December 2015							
Financial assets not measured at fair value							
Other assets ⁽¹⁾	8	–	48,781	–	–	48,781	48,781
Trade receivables	9	–	8,077	–	–	8,077	8,077
Cash and cash equivalents	11	–	188,382	–	–	188,382	188,382
Financial liability measured at fair value							
Interest rate swaps used for hedging	16	(979)	–	–	–	(979)	(979)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Financial instruments by category (Cont'd)

	Note	Fair value- hedging instruments	Loans and receivables	Other financial liabilities within scope of FRS 39	Other financial liabilities outside scope of FRS 39	Total carrying amount	Fair value
		US\$'000	US\$'000	US\$'000	US\$'000	US\$'000	US\$'000
Company							
31 December 2015							
Financial liabilities not measured at fair value							
Other payables ⁽²⁾	16	–	–	(181,902)	–	(181,902)	(181,902)
Trade payables	20	–	–	(40)	–	(40)	(40)
Financial liabilities ⁽³⁾	18	–	–	(272,888)	–	(272,888)	(272,888)
Financial lease liabilities	18	–	–	–	(113)	(113)	(113)
Notes payable	17	–	–	(378,691)	–	(378,691)	(365,091)
31 December 2014							
Financial assets not measured at fair value							
Other assets ⁽¹⁾	8	–	31,575	–	–	31,575	31,575
Trade receivables	9	–	4,053	–	–	4,053	4,053
Cash and cash equivalents	11	–	316,992	–	–	316,992	316,992
Financial liability measured at fair value							
Interest rate swaps used for hedging	16	(872)	–	–	–	(872)	(872)
Financial liabilities not measured at fair value							
Other payables ⁽²⁾	16	–	–	(140,806)	–	(140,806)	(140,806)
Trade payables	20	–	–	(40)	–	(40)	(40)
Financial liabilities ⁽³⁾	18	–	–	(173,784)	–	(173,784)	(173,784)
Financial lease liabilities	18	–	–	–	(191)	(191)	(191)
Notes payable	17	–	–	(315,532)	–	(315,532)	(318,578)

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

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

⁽³⁾ Excludes financial lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

32. FINANCIAL RISK MANAGEMENT (CONT'D)

Fair value hierarchy

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

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

Financial assets and financial liabilities carried at fair value

	Note	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Group					
31 December 2015					
Liabilities					
Interest rate swaps used for hedging	16	–	(1,054)	–	(1,054)
31 December 2014					
Liabilities					
Interest rate swaps used for hedging	16	–	(1,098)	–	(1,098)
Company					
31 December 2015					
Liabilities					
Interest rate swaps used for hedging	16	–	(979)	–	(979)
31 December 2014					
Liabilities					
Interest rate swaps used for hedging	16	–	(872)	–	(872)

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

32. FINANCIAL RISK MANAGEMENT (CONT'D)

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

	Level 1 US\$'000	Level 2 US\$'000	Level 3 US\$'000	Total US\$'000
Group				
31 December 2015				
Liabilities				
Other payables	–	(60,287)	–	(60,287)
Notes payable	(365,091)	–	–	(365,091)
31 December 2014				
Liabilities				
Other payables	–	(69,628)	–	(69,628)
Notes payable	(318,578)	–	–	(318,578)
Company				
31 December 2015				
Liabilities				
Notes payable	(365,091)	–	–	(365,091)
31 December 2014				
Liabilities				
Notes payable	(318,578)	–	–	(318,578)

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

Valuation techniques and significant unobservable inputs

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

Financial instruments measured at fair value

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2015

33. SUBSEQUENT EVENT

- (a) In January 2016, the Group subscribed for 321,429 ordinary shares in the capital of Rotating Offshore Solutions Pte Ltd (“ROS”) for consideration of S\$18,000,000 and the consideration for the subscription shares were satisfied by the allotment and issuance of the shares of the Company at an issue price of S\$1.0287 per share. The subscription shares represent 30% of the capital of ROS and accordingly, is recognised as an investment in associate.

- (b) In February 2016, the Group proposed a bonus issue of up to 323,935,880 free warrants (“Warrants”), each Warrant carrying the right to subscribe for one new ordinary share in the capital of the Company (“New Share”) within four years from issuance date at an exercise price of S\$0.50 for each New Share. The Warrants shall be allotted to the shareholders of the Company on the basis of one Warrant for every five existing ordinary shares in the capital of the Company held by the shareholders of the Company as at the books closure date to be determined by the Group.

The Warrants and New Shares will be issued pursuant to the general mandate approved by the shareholders of the Company at the annual general meeting held on 22 April 2015.

SHAREHOLDERS' INFORMATION

As at 18 March 2016

GENERAL INFORMATION ON SHARE CAPITAL

Total no. of issued shares	:	1,595,254,740 (excluding treasury shares)
Class of shares	:	Ordinary share
Voting rights	:	One vote per share (no vote for treasury shares)
Number of treasury shares	:	3,184,000
Percentage of treasury shares	:	0.2% based on total number of issued shares

DISTRIBUTION OF SHAREHOLDINGS

Range of Shareholdings	No. of Shareholders	%	No. of Shares	%
1 – 99	48	0.32	2,145	0.00
100 – 1,000	500	3.29	351,681	0.02
1,001 - 10,000	7,170	47.12	43,985,101	2.75
10,001 - 1,000,000	7,443	48.92	351,446,380	21.99
1,000,001 and above	54	0.35	1,202,653,433	75.24
	15,215	100.00	1,598,438,740	100.00

TOP 20 SHAREHOLDERS

No.	Name of Shareholder	No. of Shares	% **
1	Citibank Nominees Singapore Pte Ltd	319,806,179	20.05
2	Chan Fook Peng	144,480,000	9.06
3	Raffles Nominees (Pte) Ltd	137,662,237	8.63
4	DBS Nominees Pte Ltd	114,537,839	7.18
5	HSBC (Singapore) Nominees Pte Ltd	99,065,069	6.21
6	DBSN Services Pte Ltd	71,437,966	4.48
7	United Overseas Bank Nominees Pte Ltd	27,680,010	1.74
8	Evia Growth Opportunities II Ltd	25,244,826	1.58
9	EDB Investments Pte Ltd	20,548,253	1.29
10	Chew Thiam Keng	19,468,800	1.22
11	OCBC Securities Private Ltd	17,967,320	1.13
12	Rotating Offshore Solutions Pte Ltd	17,497,813	1.10
13	Bank of Singapore Nominees Pte Ltd	16,865,920	1.06
14	UOB Kay Hian Pte Ltd	13,589,902	0.85
15	DBS Vickers Securities (S) Pte Ltd	12,889,600	0.81
16	Maybank Kim Eng Securities (S) Pte Ltd	12,455,057	0.78
17	Skyven Growth Opportunities Fund Pte Ltd	9,750,784	0.61
18	Phillip Securities Pte Ltd	8,821,387	0.55
19	Venstar Investments Ltd	8,781,977	0.55
20	Nylect Holdings Pte Ltd	7,960,000	0.50
		1,106,510,939	69.38

** The percentage of issued ordinary shares is calculated based on the number of issued ordinary shares of the company as at 18 March 2016, excluding 3,184,000 ordinary shares held as treasury shares as at that date.

SHAREHOLDERS' INFORMATION

As at 18 March 2016

SUBSTANTIAL SHAREHOLDERS

As per Register of Substantial Shareholders:

	Direct Interest		Deemed Interest	
	No. of Shares	% ¹⁴	No. of Shares	% ¹⁴
Chan Fooi Peng ¹	144,480,000	9.06	80,718,800	5.06
Chew Thiam Keng ²	20,718,800	1.30	204,480,000	12.82
GuoLine Capital Assets Limited ³	–	–	129,724,600	8.13
Hong Leong Company (Malaysia) Berhad ⁴	–	–	129,724,600	8.13
HL Holdings Sdn Bhd ⁵	–	–	129,724,600	8.13
Quek Leng Chan ⁶	–	–	129,724,600	8.13
Hong Leong Investment Holdings Pte. Ltd. ⁷	–	–	129,724,600	8.13
Colonial First State Group Limited ⁸	–	–	143,752,940	9.01
Colonial Holding Company Limited ⁸	–	–	143,752,940	9.01
Commonwealth Insurance Holdings Limited ⁸	–	–	143,752,940	9.01
Commonwealth Bank of Australia ⁸	–	–	143,752,940	9.01
First State Investments (UK Holdings) Limited ⁸	–	–	143,752,940	9.01
First State Investment Management (UK) Limited ⁸	–	–	142,225,140	8.92
Credit Suisse Group AG ⁹	–	–	111,640,701	7.00
Credit Suisse AG ⁹	–	–	111,640,701	7.00
M&G Investment Management Limited ¹⁰	–	–	95,551,900	5.99
M&G Limited ¹¹	–	–	95,551,900	5.99
M&G Group Limited ¹²	–	–	95,551,900	5.99
Prudential Plc ¹³	–	–	95,551,900	5.99

Notes:

- ¹ By virtue of Shares held directly by Madam Chan Fooi Peng's spouse, Mr Chew Thiam Keng, she is deemed to be interested in 20,718,800 shares held by Mr Chew Thiam Keng and deemed interested in 60,000,000 shares held by White Ruby Worldwide Inc.
- ² By virtue of Shares held directly by Mr Chew Thiam Keng's spouse, Madam Chan Fooi Peng, he is deemed to be interested in the Shares held by Madam Chan Fooi Peng. 1,250,000 of the shares under Mr Chew Thiam Keng's direct interest are registered under Citibank Nominees SG.
- ³ Asia Fountain Investment Company Limited ("AFI") is an indirect wholly-owned subsidiary of Guoco Group Limited ("GGL"), which is in turn an indirect subsidiary of GuoLine Capital Assets Limited ("GCA"). GuoLine Capital Limited ("GCL") is a wholly-owned subsidiary of GCA. GCA is deemed to have interest in the shares held by AFI and GCL by virtue of the provisions of Section 7 of the Companies Act, Cap. 50.
- ⁴ AFI is an indirect wholly-owned subsidiary of GGL, which is in turn an indirect subsidiary of GCA. GCL is a wholly-owned subsidiary of GCA. GCA is a wholly-owned subsidiary of Hong Leong Company (Malaysia) Berhad ("HLCM"). HLCM is deemed to have interest in the shares held by AFI and GCL by virtue of the provisions of Section 7 of the Companies Act, Cap. 50.
- ⁵ AFI is an indirect wholly-owned subsidiary of GGL, which is in turn an indirect subsidiary of GCA. GCL is a wholly-owned subsidiary of GCA. GCA is a wholly-owned subsidiary of HLCM, a company in which HL Holdings Sdn Bhd ("HLH") is deemed to have interest by virtue of the provisions of Section 7 of the Companies Act, Cap 50.

SHAREHOLDERS' INFORMATION

As at 18 March 2016

- ⁶ AFI is an indirect wholly-owned subsidiary of GGL, which is in turn an indirect subsidiary of GCA. GCL is a wholly-owned subsidiary of GCA. GCA is a wholly-owned subsidiary of HLCM, a company in which Mr Quek Leng Chan is deemed to have interest by virtue of the provisions of Section 7 of the Companies Act, Cap. 50.
- ⁷ Hong Leong Investment Holdings Pte. Ltd. is deemed to have interest in the shares held by AFI and GCL by virtue of the provisions of Section 7 of the Companies Act, Cap. 50.
- ⁸ Purchase of securities for client funds.
- ⁹ Transaction of shares by affiliates.
- ¹⁰ M&G Investment Management Limited ("M&G Investment") has deemed interest in the Shares as it has discretionary power in the disposal rights over the Shares as fund manager.
- ¹¹ M&G Investment is a wholly-owned subsidiary of M&G Limited. M&G Limited is deemed to have interest in the shares held by M&G Investment by virtue of the provisions of Section 7 of the Companies Act, Cap. 50.
- ¹² M&G Investment is a wholly-owned subsidiary of M&G Limited, which is in turn a wholly-owned subsidiary of M&G Group Limited. M&G Group Limited is deemed to have interest in the shares held by M&G Investment by virtue of the provisions of Section 7 of the Companies Act, Cap. 50.
- ¹³ M&G Investment is a wholly-owned subsidiary of M&G Limited, which is in turn a wholly-owned subsidiary of M&G Group Limited. M&G Group Limited is ultimately owned by Prudential Plc. Prudential Plc is deemed to have interest in the shares held by M&G Investment by virtue of the provisions of Section 7 of the Companies Act, Cap. 50.
- ¹⁴ The percentage of shareholdings is computed based on the issued and paid-up share capital of the Company comprising 1,595,254,740 Shares (excluding Treasury Shares) as at 18 March 2016.

PERCENTAGE OF SHAREHOLDING HELD IN PUBLIC'S HANDS

Based on information made available to the Company as at 18 March 2016, approximately 55.37% of the Company's shares (excluding treasury shares) was held in the hands of the public, and accordingly, Rule 723 of the SGX-ST Listing Manual is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Ezion Holdings Limited (the “Company”) will be held at 109, Tuas South Ave 8, Singapore 637037 on Wednesday, 27 April 2016 at 10.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the year ended 31 December 2015 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To re-elect Dr Wang Kai Yuen, a Director of the Company retiring pursuant to Article 107 of the Constitution of the Company. (See Explanatory Note (i)) **(Resolution 2)**
3. To re-elect Mr Yee Chia Hsing, a Director of the Company retiring pursuant to Article 117 of the Constitution of the Company. (See Explanatory Note (ii)) **(Resolution 3)**
4. To approve the payment of Directors’ fees of S\$223,000.00 for the year ended 31 December 2015. **(Resolution 4)**
5. To re-appoint KPMG LLP as the Auditor of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 5)**
6. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

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

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

- (a) (i) issue shares in the Company (“shares”) whether by way of rights, bonus or otherwise; and/or
- (ii) make or grant offers, agreements or options (collectively, “Instruments”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

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

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) shall not exceed fifty per centum (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to existing shareholders of the Company shall not exceed twenty per centum (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(See Explanatory Note (iii))

(Resolution 6)

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

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

- (i) the aggregate number of shares to be issued pursuant to the Plan shall not exceed three point-five per centum (3.5%) of the total issued share capital of the Company as at 31 March 2008; and
- (ii) the aggregate number of shares to be issued pursuant to the Plan, when added to the number of shares issued and issuable in respect of such Awards and other shares issued and/or issuable under other share-based incentive schemes of the Company, shall not exceed fifteen per centum (15%) of the total number of the issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

(See Explanatory Note (iv))

(Resolution 7)

NOTICE OF ANNUAL GENERAL MEETING

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

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

(See Explanatory Note (v))

(Resolution 8)

10. Renewal of Share Buyback Mandate

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, and such other laws and regulations as may for the time being be applicable, approval be and is hereby given for the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary shares in the share capital of the Company (“Shares”) not exceeding in aggregate the Prescribed Limit (as hereafter defined), at such price(s) as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
 - (i) on-market share purchases (“Market Purchase”), transacted on the SGX-ST; and/or
 - (ii) off-market share purchases (“Off-Market Purchase”) (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act, and otherwise in accordance with all other laws, regulations and rules of the SGX-ST as may for the time being be applicable (the “Share BuyBack Mandate”);
- (b) any Share that is purchased or otherwise acquired by the Company pursuant to the Share BuyBack Mandate shall, at the discretion of the Directors, either be cancelled or held in treasury and dealt with in accordance with the Companies Act;
- (c) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors pursuant to the Share BuyBack Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the passing of this Ordinary Resolution and the expiring on the earlier of:
 - (i) the date on which the next Annual General Meeting of the Company is held or required by law to be held;
 - (ii) the date on which the Share BuyBacks are carried out to the full extent mandated; or
 - (iii) the date on which the authority contained in the Share BuyBack Mandate is varied or revoked;

NOTICE OF ANNUAL GENERAL MEETING

(d) in this Resolution:

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

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

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

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

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

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

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

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

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

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

(See Explanatory Note (vi))

(Resolution 9)

By Order of the Board

Lee Tiong Hock
Secretary
Singapore, 12 April 2016

NOTICE OF ANNUAL GENERAL MEETING

EXPLANATORY NOTES:

- (i) Dr Wang Kai Yuen will, upon re-election as a Director of the Company, continue to serve as Independent Non-Executive Chairman of the Company. Detailed information on Dr Wang can be found under the sections entitled 'Board of Directors' and 'Corporate Governance Report' in the Annual Report.
- (ii) Mr Yee Chia Hsing, upon re-election as a Director of the Company, remain as Chairman of the Nominating Committee, member of the Audit Committee and the Remuneration Committee and will be considered independent. Detailed information on Mr Yee can be found under the sections entitled 'Board of Directors' and 'Corporate Governance Report' in the Annual Report.
- (iii) Resolution 6, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro-rata basis to shareholders.

For determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares) will be calculated based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time this Ordinary Resolution is passed after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when this Ordinary Resolution is passed and any subsequent bonus issue, consolidation or subdivision of shares.

- (iv) Resolution 7 is to authorise the Directors to offer and grant Awards under the Plan and to allot and issue shares pursuant to the vesting of Awards under the Plan, provided that the number of shares issued and issuable in respect of such Awards:
 - (a) shall not exceed three point-five per centum (3.5%) of the total issued share capital of the Company as at 31 March 2008; and
 - (b) the aggregate number of shares to be issued pursuant to the Plan, when added to the number of shares issued and issuable in respect of such Awards and other shares issued and/or issuable under other share-based incentive schemes of the Company, shall not exceed fifteen per centum (15%) of the issued shares of the Company from time to time.

Based on the issued share capital of the Company as at 31 March 2008, the total number of shares, which may be issued or issuable in respect of such Awards, is 22,539,230 shares.

- (v) Resolution 8, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares in the Company pursuant to the exercise of options granted or to be granted under the Scheme up to a number not exceeding in aggregate, when added to the number of shares issued and issuable in respect of such Awards and other shares issued and/or issuable under other share-based incentive schemes of the Company, fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

NOTICE OF ANNUAL GENERAL MEETING

- (vi) Resolution 9 is to renew the mandate to permit the Company to purchase or acquire issued ordinary shares in the capital of the Company on the terms and subject to the conditions of the Resolution. The actual amount of funding required for the Company to purchase or acquire its ordinary shares, and the impact on the Company's financial position, cannot be ascertained as at the date of this Notice as these will depend on the number of ordinary shares purchased or acquired and the price at which such ordinary shares were purchased or acquired.

The illustrative financial effects of the purchase or acquisition of such ordinary shares by the Company pursuant to the proposed Share Buyback Mandate on the audited financial statements of the Group and the Company for the financial year ended 31 December 2015 are set out in greater detail in the Appendix, which is enclosed together with this Notice.

Notes:

1. Each of the resolutions to be put to the vote of members at the Annual General Meeting (the “**Meeting**”) (and at any adjournment thereof) will be voted on by way of a poll.
2. (a) A member who is not a relevant intermediary, is entitled to appoint one or two proxies to attend and vote at the Meeting.

(b) A member who is a relevant intermediary, is entitled to appoint more than two proxies to attend and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member.

“Relevant intermediary” has the meaning ascribed to it in Section 181 of the Companies Act.

3. A proxy need not be a member of the Company.
4. The form of proxy in the case of an individual shall be signed by the appointor or his attorney, and in the case of a corporation, either under its common seal or under the hand of an officer or attorney duly authorised.
5. If the form of proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstain as he thinks fit.
6. If no name is inserted in the space for the name of your proxy on the form of proxy, the Chairman of the Meeting will act as your proxy.
7. The form of proxy or other instruments of appointment shall not be treated as valid unless deposited at the Registered Office of the Company at 15 Hoe Chiang Road, #12-05 Tower Fifteen, Singapore 089316 not less than forty-eight (48) hours before the time appointed for holding the Meeting and at any adjournment thereof.
8. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited at least 72 hours before the time fixed for holding the Meeting in order for the Depositor to be entitled to attend and vote at the Meeting.

NOTICE OF ANNUAL GENERAL MEETING

PERSONAL DATA PRIVACY:

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

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PROXY FORM

(Please see notes overleaf before completing this Form)

EZION HOLDINGS LIMITED

(Company Registration No. 199904364E)
(Incorporated in the Republic of Singapore)

IMPORTANT:

1. A relevant intermediary may appoint more than two proxies to attend the Annual General Meeting and vote (please see note 4 for the definition of "relevant intermediary").
2. For investors who have used their CPF monies to buy the Company's shares, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
3. 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.

I/We, _____ (Name) _____ (NRIC / Passport no.)
of _____

being a member/members of Ezion Holdings Limited (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as my/our proxy/proxies to vote for me/us on my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 109, Tuas South Ave 8, Singapore 637037 on Wednesday, 27 April 2016 at 10.00 a.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

No.	Resolutions relating to:	No. of Votes For*	No. of Votes Against*
1	Directors' Statement and Audited Financial Statements for the year ended 31 December 2015		
2	Re-election of Dr Wang Kai Yuen as a Director		
3	Re-election of Mr Yee Chia Hsing as a Director		
4	Approval of Directors' fees amounting to S\$223,000.00		
5	Re-appointment of KPMG LLP as Auditor		
6	Authority to issue new shares		
7	Authority to issue shares under the Ezion Employee Share Plan		
8	Authority to issue shares under the Ezion Employee Share Option Scheme		
9	Renewal of share buyback mandate		

* If you wish to exercise all your votes "For" or "Against", please tick (√) within the box provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _____ day of _____ 2016

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

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

*Delete where inapplicable



Notes :

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act, Chapter 289), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.
2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. A member who is a relevant intermediary entitled to attend the meeting and vote is entitled to appoint more than two proxies to attend and vote instead of the member, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than two proxies, the appointments shall be invalid unless the member specifies the number of Shares in relation to which each proxy has been appointed.

"Relevant intermediary" means:

- (a) a banking corporation licensed under the Banking Act (Cap. 19) or a wholly-owned subsidiary of such a banking corporation, whose business includes the provision of nominee services and who holds shares in that capacity;
- (b) a person holding a capital markets services licence to provide custodial services for securities under the Securities and Futures Act (Cap. 289) and who holds shares in that capacity; or
- (c) the Central Provident Fund Board established by the Central Provident Fund Act (Cap. 36), in respect of shares purchased under the subsidiary legislation made under that Act providing for the making of investments from the contributions and interest standing to the credit of members of the Central Provident Fund, if the Board holds those shares in the capacity of an intermediary pursuant to or in accordance with that subsidiary legislation.

Affix
Stamp

The Company Secretary
Ezion Holdings Limited
15 Hoe Chiang Road Tower Fifteen #12-05,
Singapore 089316

5. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.
6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 15 Hoe Chiang Road, #12-05 Tower Fifteen Singapore 089316 not less than forty-eight (48) hours before the time appointed for the Meeting.
7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.
8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the notice of Annual General Meeting dated 12 April 2016.

General:

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

ENHANCING VALUE CREATING OPPORTUNITIES

ANNUAL REPORT 2015



Co. Reg. No. 199904364E

15 Hoe Chiang Road #12-05, Tower Fifteen Singapore 089316

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www.ezionholdings.com