WHAT DOES CLARITY GIVE US?

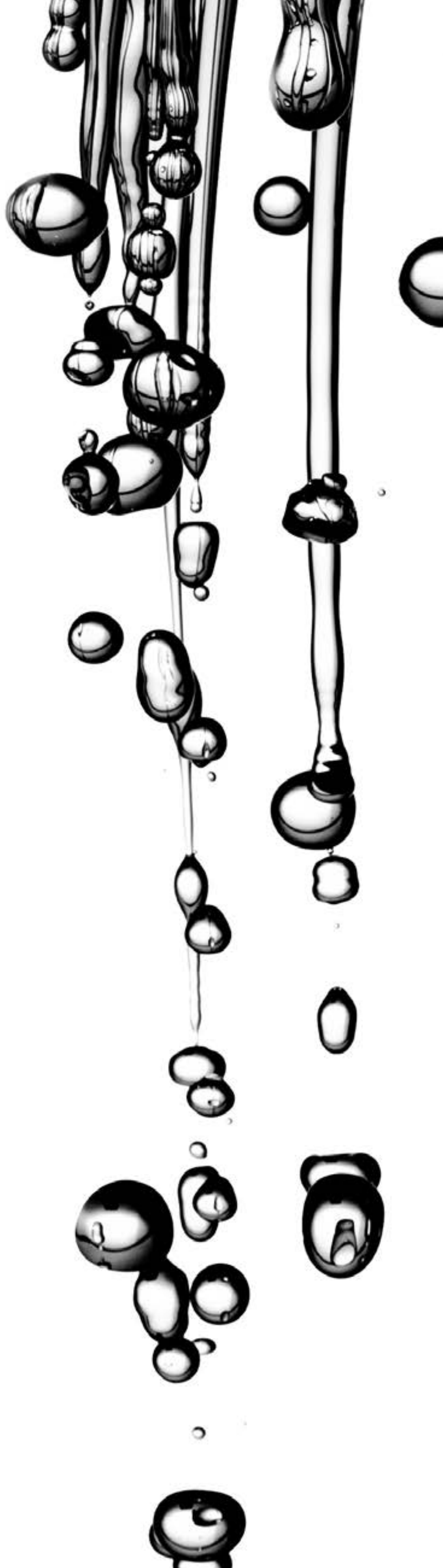
AEI CORPORATION LTD.
Annual Report 2014

CONTENTS

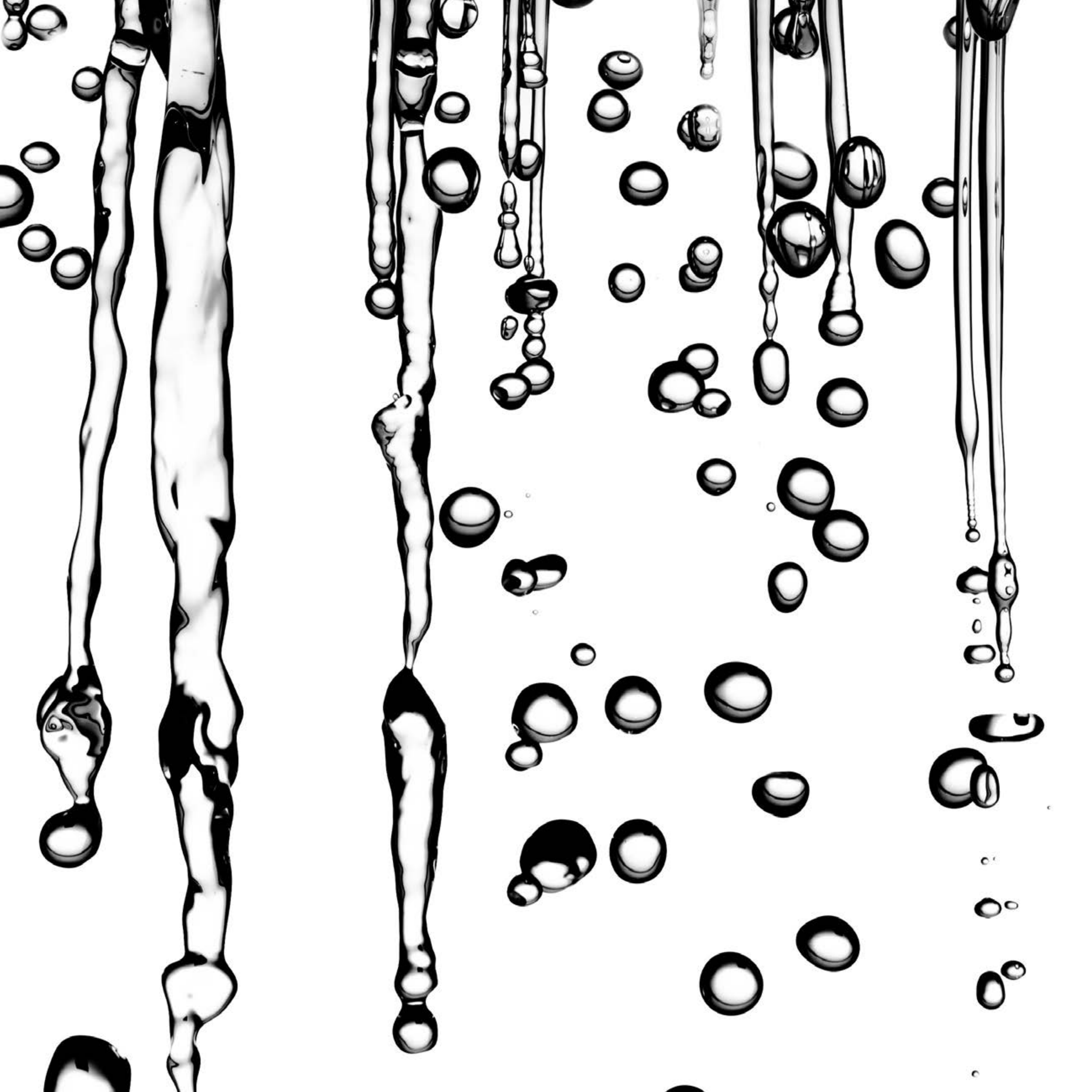
QUALITY

We are clear in our goal to
be a high quality specialist
manufacturer of precision
aluminium extrusion products.

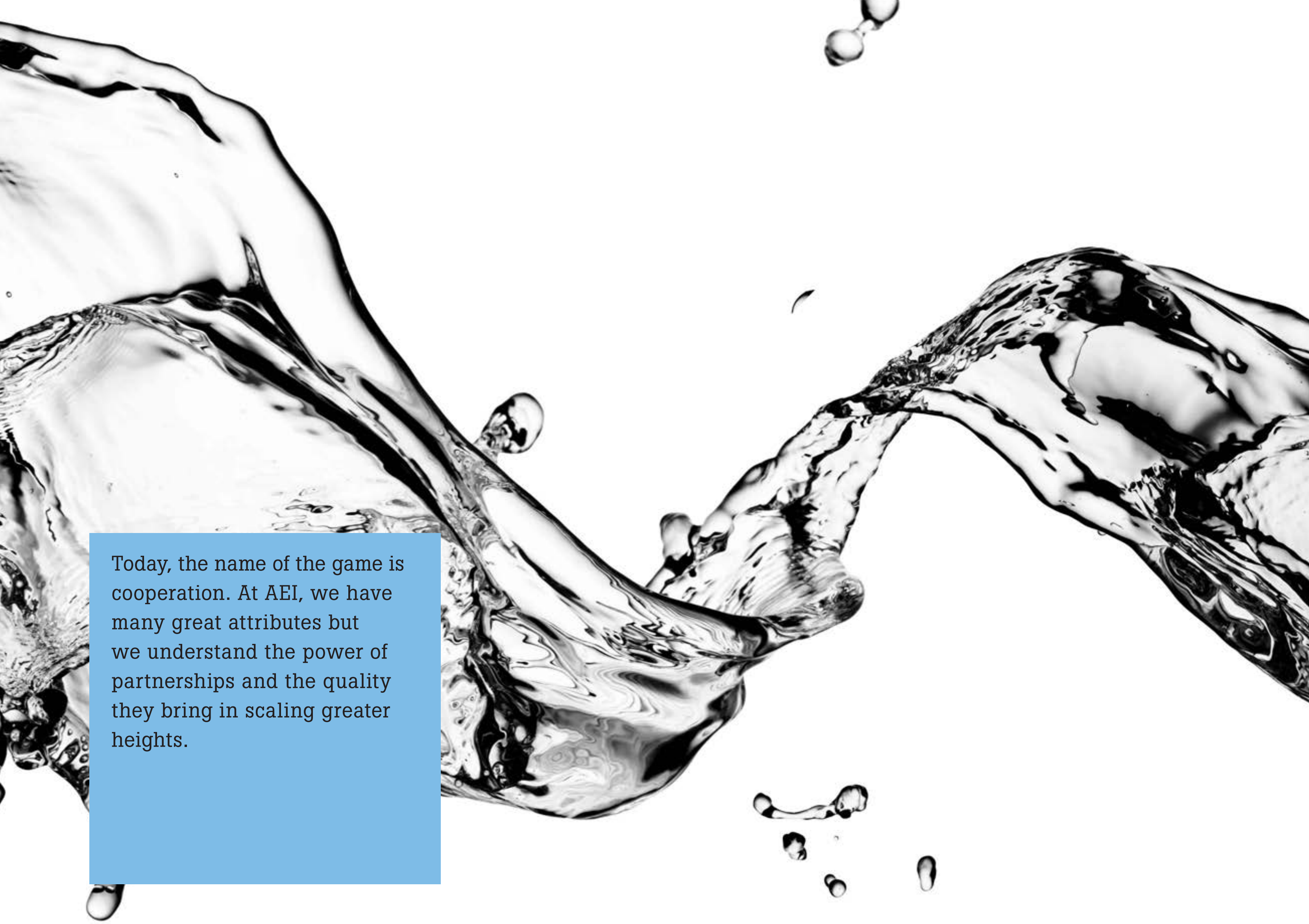
QUALITY
IN OUR OPERATIONS



Our customers have always demanded and expect the highest quality from us. We deliver it, time and again, establishing along the way an organisational culture embedded in quality in all areas of our operations.



QUALITY
IN OUR PARTNERSHIPS



Today, the name of the game is cooperation. At AEI, we have many great attributes but we understand the power of partnerships and the quality they bring in scaling greater heights.

QUALITY
IN OUR INNOVATION

We have made innovation central to our strategic thrust. We constantly strive to deliver cutting-edge solutions that meet industry and customer needs, for we believe the quality in our innovations will enable us to shape tomorrow's world.

CEO'S MESSAGE

> The Group continues to strategically manage our product mix and pricing, in order to achieve desirable margin and profitability going forward, as well as returns to our shareholders.

TAN CHU EN IAN
CHIEF EXECUTIVE OFFICER

DEAR FELLOW SHAREHOLDERS,

FY2014 was a challenging year for the Group, in the midst of a global personal computer industry seeking to find stability and facing competition from alternative personal devices like tablets and smart phones. Total business turnover for the Group came in at $27.4 million, 11.5% lower than the previous year. In the same year, the Group also registered a loss before tax of $8.2 million. Please refer to the Operations Review section of this annual report for a detailed review of the Group's financial results in FY2014.

The Group continues to strategically manage our product mix and pricing, in order to achieve desirable margin and profitability going forward, as well as returns to our shareholders.

THE YEAR 2014 IN SUMMARY

In FY2014, the Group experienced weakness in customer orders in its core Electronic and Precision Engineering segment, which continued to witness flat demand. There were certain new customer programs the Group was also not able to participate in due to issues related to new specifications in the material requirements. The Group is now actively taking steps to get qualified for these new programs, which will help the Group to bring back some of the lost sales revenue in this customer segment last year.

The Group continues to invest in capability and human resource development, to bring ourselves up to date with new customer requirements created by the latest technological development in the industry. We continue to see the hard disk drive (HDD) industry remaining resilient in the latest changes in the personal electronics devices landscape, with increasing role in the areas of personal mobile data storage, as well as rising popularity of cloud storage in enterprise data storage and wider application of "big data" management in corporations.

OUR REGIONAL BUSINESS – FORM TECKNIK SHANGHAI CO., LTD.

The Group's subsidiary in China, Form Tecknik (Shanghai) Co., Ltd. (FTS), produces precision forged metal components for the automotive and industrial sectors.

In FY2014, sales revenue from this subsidiary continued to increase by 20.1% to $3.3 million, compared with $2.8 million for the previous year. However, this subsidiary registered wider loss due to rising operating costs in China, which outpaced business growth.

Having developed into the largest automotive market in the world, the automotive industry in China continues to present promising opportunities. However, as with many other Chinese business sectors, it also faces a general slow down in the Chinese economy and increasing operating costs, especially labour related costs. In addition, the automotive industry also faces issues with increasingly stringent quality and safety requirements, all part and parcel of today's automotive industry.

PLACEMENT SHARES

The Group has on 15 January 2015 completed the issue and allotment of 20,000,000 Placement Shares at an issue price of $0.13 for each Placement Share. The placement shares were subscribed by Well Global Investments (Singapore) Pte. Limited.

NEW MANUFACTURING SITE

The Group had tendered for and was awarded the land parcel situated at Tuas South Street 13 (Plot 38) on 14 April 2014.

The Group is currently finalizing the plans for developing the land for the purpose of relocating our manufacturing plant from the existing premises to this new site to support core business operations, and streamline production cost. The new site will enable the Group to contain any increase in land rental, and also offers us opportunities to redesign production process flow to improve production efficiency.

GOING FORWARD

As we progress into 2015, there will continue to be challenges facing the global economy and industries.

Volatility in energy prices is expected to continue into 2015, given the unusual demand and supply situation and inventory levels in the crude oil and other energy markets, as well as geo-political factors.

Aluminium premiums which elevated to record high levels in 2014 despite dropping energy prices, will continue to be a factor to be managed carefully. The tight aluminium market may continue to see high premium levels in 2015, despite falling commodity prices.

Despite these challenges and uncertainties, I am confident that the Group's strong and experienced Board and Management will continue to do a good job in managing the operation and leading the Group in navigating the challenges ahead.

The Group has been taking an active approach in managing its operations and cost structure over the years. This also gives us the flexibility to deal with challenges specific to operating in Singapore, such as manpower constraints, and rising business costs.

The Group also continues to push ahead into new frontiers of business opportunities in other regional markets and attractive growing industries. We look forward to share the fruit of these efforts with our shareholders.

APPRECIATION

On behalf of the team at AEI Corp, I would like to express my heartfelt appreciation to all our customers, suppliers, business associates, shareholders and board members for all their generous support and I look forward to our continued partnership for the exciting years ahead.

BOARD OF DIRECTORS

YEUNG KOON SANG ALIAS DAVID YEUNG

Yeung Koon Sang alias David Yeung is the Non-executive Chairman and Independent Director of the Group and was first appointed on 26 December 2003. He was last re-elected on 26 April 2012 as an Independent Director. He is the Audit Committee Chairman and a member of the Nominating and Remuneration Committees. He is currently a public accountant with Kreston David Yeung PAC which he founded in 1987.

Mr Yeung has over 30 years' experience in public accountancy and had worked previously with Deloitte &Touche, UK and Ernst & Young, Singapore.

He was conferred the Public Service Medal by the President of the Republic of Singapore in 2001. Mr Yeung holds a Master of Social Science (Accounting) from the University of Birmingham, England. He is also a Fellow of the Institute of Singapore Chartered Accountants and a Fellow of the Association of Chartered Certified Accountants, United Kingdom.

Mr Yeung also holds directorships in other Singapore-listed companies, namely, United Envirotech Limited, Ace Achieve Infocom Limited, Southern Packaging Group Limited, Mary Chia Holdings Limited and CNA Group Limited. Mr Yeung's past directorships was with China Flexible Packaging Holdings Limited and Shanghai Turbo Enterprises Ltd.

TAN CHU EN IAN

Tan Chu En Ian is the CEO of our Group. He first joined the Group on 1 January 1995 as a Director of product and market research and oversees the review and implementation of the corporate structure, management systems and policies. He was appointed as a Director of the Board on 22 September 2003 and was subsequently appointed as our CEO on 1 October 2003. He was last re-elected on 25 April 2013. He is primarily responsible for the overall management, business strategies and expansion of the Group. He has a Bachelor of Engineering (Honours) from the University of Manchester, Institute of Science and Technology.

SINTA MUCHTAR

Sinta Muchtar is our Executive Director and was first appointed as a Director on 9 May 1989 and was last re-elected on 28 April 2011. She is in charge of the general administration, finance and human resource matters of the Group. She is also a shareholder and Executive Director of Lauw & Sons. She has a Bachelor of Business Administration from the University of Hawaii, USA. She has wealth of experience ranging from real estate development, to travel, leisure, and management of hotels and a fast-food chain in Singapore, Taiwan, Malaysia, Indonesia and Australia.

DR VASOO SUSHILAN

Dr Vasoo Sushilan is an Independent Director of the Group and was first appointed on 26 December 2003. He was last re-appointed on 28 April 2014 as an Independent Director. He is the Remuneration Committee Chairman and a member of the Audit and Nominating Committees. He is currently an Associate Professional Fellow (Department of Social Work) with the National University of Singapore and Director, Taurx Pharmaceuticals Ltd. Dr Vasoo serves as an advisor to a number of social and community organisations.

TENG CHEONG KWEE

Teng Cheong Kwee Is an Independent Director of the Group and was first appointed on 26 December 2003. He was last re-elected on 28 April 2014 as an Independent Director. He is the Nominating Committee Chairman and a member of the Audit and Remuneration Committees. Mr Teng started his career in the Singapore Government Administrative Service, and subsequently served as Assistant Director and Deputy Director in the Monetary Authority of Singapore, and as Secretary of the Securities Industry Council. From 1989 to 1999, he was Executive Vice President of the Stock Exchange of Singapore. From 1999 to 2000, Mr Teng was with the Singapore Exchange as Executive Vice President and Head, Risk Management and Regulatory Division. Mr Teng graduated from the University of Newcastle, Australia, in Bachelor of Engineering (Industrial) with First Class Honours, and Bachelor of Commerce in 1977.

Mr Teng also serves as an Independent Director in other Singapore-listed companies, namely, Techcomp (Holdings) Limited, Memtech International Limited, STATSChipPAC Limited, First Resources Limited, AVIC International Maritime Holdings Limited and Junma Tyre Cord Company Limited.

OPERATIONS REVIEW

RECAP OF FINANCIAL YEAR ENDED 31 DECEMBER 2014

The Group's extrusion business, particularly the main Electronics & Precision Engineering segment, saw decrease in business turnover in the financial year ended 31 December 2014. Customer order levels decreased with muted demand experienced by the global personal computer and hard disk drive industries.

For FY2014, the Group registered total business turnover of $27.4 million, a decrease of 11.5% compared to $31.0 million reported in the previous year. For the same financial year, the Group achieved lower gross profit of $2.0 million, a decrease of 37.3% compared to $3.1 million achieved in the previous year, due to lower business turnover, fixed production cost, losses from China subsidiary and higher labour costs.

As a whole the Group reported a loss before tax of $8.2 million, compared with a profit of $2.4 million in FY2013. After taking into account income tax and non-controlling interests and other comprehensive income, net loss attributable to shareholders was $8.3 million.

Major factors contributing to the bottom line of the Group this year were:

(i) Other operating income decreased by 18.8% to $4.1 million, compared to $5.1 million in FY2013. Other operating income, which comprised mainly proceeds from sale of production scrap, decreased due to lower production activities and the absence of write back on the provision for convertible loan in FY2014. The decrease was offset by higher exchange gain arising from the strengthening of United States Dollar.

(ii) Other operating expenses consisted of impairment of $1.5 million on the Group's China operations.

(iii) Other operating expenses consisted of an accrual of $1.3 million for expenses in the Group's China operations.

(iv) Other operating expenses consisted of impairment of $3.9 million on investment in associate, due to the fact that its production and trading had not resumed as a result of high raw material prices, controlled selling prices and stricter food safety regulations.

ELECTRONICS & PRECISION ENGINEERING

This segment comprises mainly of component manufacturers for the Electronics, Personal Computers, Hard Disk Drive and Consumer Products industries.

Revenue from this segment decreased by 16.3% to $22.2 million for the year ended 31 December 2014, compared with $26.5 million for the previous year. This customer segment faced weak industry demand and lower customer order level this financial year, in the face of continuing slowdown in global personal computer demand. The Group was also not able to participate in certain end customer programs due to more stringent material specifications.

Segment result decreased as a result of lower sales contribution and higher operational cost.

CONSTRUCTION & INFRASTRUCTURE

This segment comprises mainly of fabricators, contractors and stockists who serve the construction, civil engineering and infrastructure building industries.

Revenue from this segment increased by 13.3% to $1.9 million during the year, compared with $1.7 million for the previous year.

Segment result decreased as a result of higher operational cost amid ongoing price competition faced in this segment.

FORGED COMPONENTS

This segment consists of the Group's China subsidiary which is in the business of producing forged metal components.

Revenue from this segment increased by 20.1% to $3.3 million during the year, compared with $2.8 million for the previous year.

Segment loss increased due to higher operating costs.

OTHERS SEGMENT

Revenue from this segment relates to service fee income from associated company. Segment loss in FY2014 relates to impairment on associate. (For more details please refer to the notes under "Recap of Financial Year ended 31 December 2014" on top of this section.)

ALUMINIUM PRICE

LME Aluminium price started the year at the level of US$1,755.50, and closed the year slightly higher at US$1,831.50 on 31 December 2014. However, premiums charged by our suppliers for conversion of aluminium to billet continued to rise significantly in FY2014.

Future aluminium price will depend on industry demand and supply situations, ongoing global economic conditions as well as energy prices. Fluctuations in aluminium price and billet premiums will continue to have significant impact on the Group's operating margin and financial results.

STATEMENT OF CORPORATE GOVERNANCE

The Company is committed to maintaining high standards of corporate governance and has adopted the corporate governance practices contained in the Code of Corporate Governance ("**Code**") so as to ensure greater transparency and protection of shareholders' interests.

This report outlines the Company's corporate governance practices with reference to the revised Code of Corporate Governance 2012.

BOARD MATTERS

BOARD'S CONDUCT OF ITS AFFAIRS

Principle 1: Every company should be headed by an effective Board to lead and control the company. The Board is collectively responsible for the long-term success of the company. The Board works with Management to achieve this objective and the Management remains accountable to the Board.

The present Board comprises five members. Of the five Board members, two are executive and three are independent directors.

	Board appointments		Board committees		
Name of director	Executive Director	Independent Director	Audit Committee	Nominating Committee	Remuneration Committee
Mr Yeung Koon Sang alias David Yeung		Board Chairman	Chairman	Member	Member
Mr Tan Chu En Ian	*				
Ms Sinta Muchtar	*				
Dr Vasoo Sushilan		*	Member	Member	Chairman
Mr Teng Cheong Kwee		*	Member	Chairman	Member

The Board's primary role is not only to protect but also to enhance long-term shareholder value. It provides entrepreneurial leadership, sets the overall strategy for the Company and supervises the management. To fulfill this role, the Board is responsible for the overall corporate governance of the Company including setting its strategic direction, establishing goals for management and monitoring the achievement of these goals. The Board also considers sustainability issues of its policies and procedures.

Delegation of Authority by the Board

To ensure efficient discharge of its responsibilities and to provide independent oversight of management, the Board has established the Audit Committee, Nominating Committee, Remuneration Committee, and Executive Committee.

The Board has identified and worked on a number of areas for which the Board has direct responsibility for decision-making. Major investments and funding decisions are approved by the Board.

These Committees function within clearly defined terms of references and operating procedures, which are reviewed on a regular basis. The effectiveness of each Committee is also constantly reviewed by the Board.

Matters reserved for Board's Approval

While the Committees assist the Board in carrying out and discharging its duties and responsibilities, there are certain matters which are specifically reserved to the Board for approval:

- half-yearly and year-end results announcement;
- annual operating plan and budget;
- annual reports and accounts;
- strategic policies of the Group;
- share issuances, interim dividends and other returns to shareholders;
- convening of shareholder's meetings;
- taking steps for audit control;
- material acquisitions and disposal of assets; and
- major investments, key human resource and funding.

The table below sets out the number of Board and Board Committee meetings which were convened during FY2014:

	Board	Audit Committee	Remuneration Committee	Nominating Committee
Number of meetings held	3	2	1	1
Name of Directors	**Number of meetings attended**			
Mr Yeung Koon Sang @ David Yeung	3	2	1	1
Mr Tan Chu En Ian	3	2*	NA	1*
Ms Sinta Muchtar	2	1*	NA	1*
Dr Vasoo Sushilan	3	2	1	1
Mr Teng Cheong Kwee	3	2	1	1

* Attended meetings as invitee.

Besides formal meetings, Board members also met at informal meetings to discuss specific issues related to the Company's development. While the Board considers Directors' attendance at Board meetings to be important, it does not consider that to be the only criterion to measure their contributions. Other than participating in these meetings, Board members also rendered guidance and advice on various matters relating to the Group.

STATEMENT OF CORPORATE GOVERNANCE

Orientation, briefings, updates and trainings for Directors

No new Director was appointed to the Board in FY2014. A new incoming independent Director will be issued a formal letter of appointment setting out his duties and obligations and where appropriate, incorporating processes to deal with possible conflicts of interest that may arise.

Incoming Directors joining the Board will be given briefing by the management, the Company Secretary and, where appropriate, the Company's legal advisers, on their duties and obligations as director, and on the Group's organization structure, business and governance practice and arrangements, including the Company's policies relating to the disclosure of interests in securities, disclosure of conflicts of interest in transactions involving the Company, prohibition on dealings in the Company's securities and restrictions on the disclosure of price-sensitive information.

The Directors are continually and regularly updated on the Group's business and governance practices. On a half-yearly basis, the Board is briefed on recent changes to the accounting standards and regulatory updates. The Company Secretary circulates to the Board articles, reports and press releases to keep the Directors updated on current industry trends and issues. Our Directors are also encouraged to become members of the Singapore Institute of Directors (SID) and participate in courses and seminars offered by SID. Briefings and updates provided for Directors in FY2014 include:

- At every AC meeting, the external auditors briefed the AC members on developments in accounting and governance standards.
- The Board was briefed on the requirements in the 2012 Code of Corporate Governance by the Company Secretary.
- The CEO updated the Board at each meeting on business and strategic developments.
- The management provided highlights on the salient issues as well as the risk management considerations and industry updates.
- The Directors may also attend other appropriate courses, conferences and seminars, at the Company's expense. These include programmes run by the Singapore Institute of Directors.
- At the Directors' request, management provided further explanations, briefings or information on any aspect of Group's operations or business issues from management.

BOARD COMPOSITION AND GUIDANCE

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

The Board of Directors currently comprises five Directors, three of whom are Independent Directors. As at the date of this Report, the Board members are:-

Mr Yeung Koon Sang alias David Yeung	(Non-executive Chairman and Independent Director)
Mr Tan Chu En Ian	(Executive Director and Chief Executive Officer)
Ms Sinta Muchtar	(Executive Director)
Dr Vasoo Sushilan	(Independent Director)
Mr Teng Cheong Kwee	(Independent Director)

The current Board members comprise persons who, as a group, possess diverse skills, and experience, providing core competencies such as finance and accounting, business management, industry knowledge and strategic planning. On an annual basis, the Nominating Committee would review the composition of the Board with a view to considering if it has the appropriate mix of expertise and experience and if, collectively, it possesses the necessary core competencies for effective functioning and informed decision-making.

Annual Review of Directors' Independence in 2014

The Board has a strong independent element with Independent Directors forming a majority of the Board. The criterion for independence is based on the definition given in the Code. The Code has defined an "independent" director as one who has no relationship with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgment with a view to the best interests of the company. Each of the Independent Directors, namely Dr Vasoo Sushilan, Mr David Yeung and Mr Teng Cheong Kwee, has confirmed his independence. The independence of each Director is reviewed annually by the Nominating Committee, taking into consideration the declaration provided by each Director.

Dr Vasoo, Mr Yeung and Mr Teng have each served the Board as Independent directors for more than nine years. Taking into account the views of the NC, the Board concurs with the NC that the length of service of a Director should not determine the effectiveness of independence of an Independent Director. In assessing the independence of a Director, the NC and the Board consider it more appropriate to have regard to the Director's contribution in terms of professionalism, integrity, objectivity and ability to exercise independence of judgment in his deliberation in the interest of the Company. The Board is of the view that the Independent Directors have over the years developed significant insights in the Group's business and operations, and can continue to provide significant and valuable contribution objectively to the Board as a whole. Dr Vasoo, Mr Yeung and Mr Teng have confirmed that they have no association with the Company, its related corporations, its 10% shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment. After taking into account all these factors, the Board has determined that Dr Vasoo, Mr Yeung and Mr Teng are independent. Each of Dr Vasoo, Mr Yeung and Mr Teng abstained from the NC's and Board's deliberation of his independence.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

The role of the Chairman and Chief Executive Officer ("**CEO**") are separate and distinct, each having his own areas of responsibilities. The Board believes that a distinctive separation of responsibilities between the Chairman and the CEO will ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

Since the Company's listing in 2004, Mr David Yeung has been serving as the Non-executive Chairman of the Board while Mr Tan Chu En Ian has been the CEO. Mr David Yeung and Mr Tan Chu En Ian are not related to each other.

The Non-executive Chairman ensures that the board meetings are held when necessary and sets the board meeting agenda in consultation with the CEO. The Non-executive Chairman reviews the board papers together with the CEO, prior to presenting them to the Board. The Non-executive Chairman and the CEO ensure that Board members are provided with complete, adequate and timely information on a regular basis to enable them to be fully apprised of the affairs of the Company. Board papers incorporating sufficient information from the management are forwarded to the Board members in advance of a Board Meeting to enable each member to be adequately prepared.

STATEMENT OF CORPORATE GOVERNANCE

In discharging his roles and responsibilities, Mr David Yeung consults with the other Board members, Audit Committee, Nominating Committee and Remuneration Committee on major issues and as such, the Board believes that there are adequate safeguards in place against any concentration of power and authority in a single individual or in a few individuals acting in concert.

As the Company's CEO, Mr Tan Chu En Ian heads the management and is responsible for the day-to-day management and business affairs of the Group. Mr Tan Chu En Ian reports to the Board and is responsible for ensuring that policies and strategies adopted by the Board are implemented.

BOARD MEMBERSHIP

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

The Nominating Committee ("**NC**") comprises three members, all of whom, including the Chairman, are independent. The members of the NC are:

Chairman	Mr Teng Cheong Kwee	(Independent Director)
Member	Mr Yeung Koon Sang alias David Yeung	(Independent Director)
Member	Dr Vasoo Sushilan	(Independent Director)

The NC operates in accordance with its terms of reference, which sets out the key functions of the NC as follows:

(a) review and recommend the nomination or re-nomination of Directors (including Independent Directors of the Company);

(b) determine annually whether a Director is independent, in accordance with the guidelines contained in the Code;

(c) review board succession plans for directors, in particular, the Chairman and the CEO;

(d) develop a process for evaluation of the performance of the Board, its committees and directors, and undertake assessment of the effectiveness of the Board, Board Committees and individual directors, including setting a limit on multiple board representations of directors where appropriate;

(e) review the training and professional development programs for the Board;

(f) On an annual basis, the Nominating Committee would review the composition of the Board to consider if the Board possesses the appropriate mix of expertise and experience, and whether, collectively, it possesses the necessary core competencies for effective functioning and informed decision-making. Where appropriate, the NC will consider new appointments or Board renewal as part of its review of board succession plans for directors. The NC will also review succession planning for its CEO, including appointing, training and mentoring successors.

Selection, Appointment and Re-appointment of Directors

When it is required to source and appoint a new Director to the Board, the NC would identify the core competencies in terms of the skills and experience that such a candidate should possesses. The Company would then source for candidates who would meet the established criteria through a network of contacts. Where necessary, external consultants would be engaged. The NC will review the candidates' curriculum vitae and background, including references, and conduct interviews. Selected candidate will be nominated to the Board for consideration and approval for appointment as a Director.

The Articles of Association of the Company require one-third of the Board to retire from office at each Annual General Meeting ("**AGM**"). Accordingly, a Director will retire, and may submit himself for re-nomination and re-election at least once every three years.

The NC has recommended to the Board the re-election of Ms Muchtar who will retire pursuant to the Articles of Association and the appointment of Dr Vasoo who will retire pursuant to Section 153(6) of the Companies Act, at the forthcoming annual general meeting. In making recommendation for the nomination of these Directors, the NC has taken into consideration these Directors' contribution and performance. Dr Vasoo, an NC member, has abstained from making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of his own performance and re-appointment as a Director. The Board has accepted the NC's recommendation to nominate Ms Muchtar and Dr Vasoo for re-election as Directors. Each of Ms Muchtar and Dr Vasoo has abstained from the Board's deliberation in respect of her nomination for re-election and his re-appointment as Director.

Multiple Board Representations

In assessing the Director's commitment to devote sufficient time and attention to the affairs of the Company in discharge of his duties, the Board is of the view that it would not be appropriate to set a limit on the number of listed company Board representations which that a Director may hold. Each Director should personally determine the demands of his competing directorships and obligations and ensure that sufficient time and attention is given to the affairs of the Group. The Board is of the view that it is more appropriate to consider the time and attention devoted by and contribution given by each Director to the affairs of the Company. In this respect, the Board is satisfied that each Director is able to and has been adequately carrying out his duties as a Director of the Company. The NC would continue to review from time to time the Board representations and other principal commitments of each Director to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

Key information regarding the Directors is given in the profile of the Board of Directors in the annual report.

BOARD PERFORMANCE

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

The NC is of the view that the Board's current size is satisfactory and that it is appropriate for effective decision making, taking into account the nature, size and scope of the Company's operations.

The NC reviews and evaluates the performance of the Board as a whole taking into consideration the attendance record at the meetings of the Board and Board Committees and also the contributions of each Director to the effectiveness of the Board. The NC, with the participation of the Executive Directors, carried out an evaluation, and reviewed and discussed the results of the evaluation of Board performance. The NC also reviewed and discussed each Director's performance and contribution to the effectiveness of the Board.

This process includes having the Directors complete a performance evaluation form seeking their evaluation on various aspects of Board performance, such as Board's level of governance, effective delegation to the Board committees, leadership and accountability. Each Director also carried out an assessment of the performance of each Board Committee, as well as a self-assessment of his own performance as a Director. The Company Secretary compiles the evaluation into a consolidated report. The report is discussed at the NC meeting and also shared with the entire Board. Apart from reviewing the Directors' assessment of the various aspects of the Board and Committee performance, the NC and the Board also discussed areas where enhancements could be considered.

STATEMENT OF CORPORATE GOVERNANCE

ACCESS TO INFORMATION

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

All Directors are, from time to time, furnished with information concerning the Company to enable them to be appraised of the decisions and actions of the Company's executive management and of major developments in the Group. The Board has unrestricted access to the Company's records and information.

Senior members of the management staff are available to provide explanatory information via informal briefings to the Directors or formal presentations at Board meetings. Where external consultants are engaged on specific projects, briefings may be provided by the consultants to the Board.

The Board has separate and independent access to the Company Secretaries and to other senior management executives of the Company and of the Group at all times in carrying out their duties.

The Company Secretaries attend all meetings of the Board and Board Committees of the Company and ensure that Board procedures are followed and that applicable rules and regulations are complied with. The minutes of all Board and Committees' meetings are circulated to the Board.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfill his duties and responsibilities as Director.

REMUNERATION MATTERS

Principle 7: There should be a formal and transparent procedure for developing policy on executive remuneration and for fixing the remuneration packages of individual directors. No director should be involved in deciding his or her own remuneration.

The RC comprises three members, all of whom are independent.

Chairman	Dr Vasoo Sushilan	(Independent Director)
Member	Mr Yeung Koon Sang alias David Yeung	(Independent Director)
Member	Mr Teng Cheong Kwee	(Independent Director)

The RC carried out their duties in accordance with the terms of reference which include the following:

(a) review and recommend to the Board a framework for remuneration for the directors and key executives of the Company.
(b) review and recommend directors' fees for approval at the AGM.
(c) determine specific remuneration packages for each Executive Director as well as key management personnel.
(d) review the Group's obligations arising in the event of termination of the executive directors' and key management personnel's contracts of service, to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous.
(e) review the remuneration of employees who are immediate family members of a director or the CEO to ensure that the remuneration of each such employee is commensurate with his or her duties and responsibilities, and no preferential treatment is given to him or her.

The RC recommends to the Board a framework for the Directors' and Executives Officers' remunerations, and determines specific remuneration package for each Executive Director. The RC's recommendations will be submitted for endorsement by the Board.

All aspects of remuneration, including but not limited to Director's fee, salaries, allowances, bonus, ex-gratia payments, options and benefits in kind will be reviewed by the RC. No member of the RC or any Director is involved in the deliberations in respect of any remuneration, compensation, options or any form of benefits to be granted to him. The RC's recommendations will be submitted for endorsement by the Board.

The RC is provided with access to expert professional advice on remuneration matters as and when necessary. The expenses of such service shall be borne by the Company.

LEVEL AND MIX OF REMUNERATION

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

In setting remuneration packages, the Remuneration Committee will take into consideration the pay and employment conditions within the industry and in comparable companies. The Company submits the proposed quantum of Directors' fee each year to the shareholders for approval at each AGM. The Executive Director have service agreements. The service agreements cover the terms of employment, salaries and other benefits. The Non-Executive Directors have no service contract, other than letters of appointment as non-Executive Directors.

The RC considers that the level and structure of remuneration of the Executive Directors is aligned with the long-term interest and risk policies of the company, and is appropriate to attract, retain and motivate the key management personnel to successfully manage the company.

Remuneration of Executive Directors and Key Management Personnel

A significant and appropriate proportion of Executive Directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Such performance-related remuneration is aligned with the interests of shareholders and promotes the long-term success of the company.

They are paid a basic salary and a performance-related profit sharing bonus pursuant to their respective service agreements. Key management personnel are paid a variable bonus which is determined annually based firstly on the Company's performance and secondly on the performance of the personnel which contributes to the Company's performance.

Directors' Fees

The RC has reviewed the fee structure for directors taking into account their responsibilities and work commitments and recommends the directors fee for Financial Year 2014 for shareholders' approval at the Company's annual general meeting.

STATEMENT OF CORPORATE GOVERNANCE

Executive Committee ("EXCO")

The EXCO was constituted on 17 December 2004 and has three members, comprising the following:-

Mr Tan Chu En Ian	(Executive Director and Chief Executive Officer)
Ms Sinta Muchtar	(Executive Director)
Mr Ngiam Zee Moey	(Company Secretary)

The EXCO's role is to execute strategies approved by the Board, oversee the execution of all operational matters for the attainment of targets and action plans set out in the Annual Plan and Budget and to look into new business ventures that have the prospect to create value for the Group and the shareholders.

DISCLOSURE ON REMUNERATION

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

Remuneration of Directors and the CEO

The remuneration paid to or accrued to each individual director and the CEO for FY2014 is as follows:

	Fee	Salary	Bonus	Other benefits	Total
	%	%	%	%	%
$500,000 to $750,000					
Mr Tan Chu En Ian (also CEO)	8.21	74.00	17.79	0	100.00
Ms Sinta Muchtar	8.93	73.22	17.85	0	100.00
Below $250,000					
Mr Yeung Koon Sang @ David Yueng	100.00	0	0	0	100.00
Dr Vasoo Sushilan	100.00	0	0	0	100.00
Mr Teng Cheong Kwee	100.00	0	0	0	100.00

* Other benefits refer to benefits-in-kind such as car, housing allowances, club membership, etc. made available to directors, as appropriate.

Remuneration of Key Management Personnel (who are not Directors or CEO)

Remuneration of key executives (who are not directors or the CEO) for the financial year ended 31 December 2014 are set out in bands of $250,000.

	Fee	Salary	Bonus	Other benefits & allowances	Total
	%	%	%	%	%
$250,000 - $500,000					
Employee 1	0	81.43	18.57	0	100.00
Below $250,000					
Employee 2	0	82.46	17.54	0	100.00
Employee 3	0	78.02	8.11	13.87	100.00
Employee 4	0	79.15	6.65	14.20	100.00
Employee 5	0	85.87	14.13	0	100.00

The total aggregated remuneration including basic/fixed salary, variable bonuses, benefit-in-kinds, allowances, CPF etc. paid to the top five key management personnel (who are not directors or the CEO) for the year ended 31 December 2014 were $848,637.93.

Due to competitive industry reasons, confidentiality and sensitivity of remuneration matters, the Company has only disclosed the remuneration mix and remuneration band of each individual director on a named based and, in the case of the key management staff, on an unnamed basis. The manpower landscape of the electronic industry in Singapore and the region has become more competitive in the recent years and as such any information on remuneration for key management staff could be used by competitors to poach talents which are critical for efficient manufacturing operation of the electronic end products.

The Board is of the view that the information disclosed would be sufficient for shareholders to have an adequate understanding of the Company's remuneration policies and practice. The Board believes that the disclosure provided is in the interest of the Company as it would prevent a situation where the information might be used by the competitors to the detriment of the Company, while allowing directors and key management staff to maintain a reasonable degree of their personal confidentiality on remuneration matters.

Remuneration of Immediate Family Member of Directors or the CEO

Save for Mr Tan Chu En Ian and Ms Sinta Muchtar who are spouses, there are no other employee of the Group who is an immediate family member of the Directors or Substantial Shareholders whose remuneration exceeds $50,000.

STATEMENT OF CORPORATE GOVERNANCE

Performance Share Plan

The Company also has in place a long term incentive scheme under the AEI Performance Share Plan which was approved and adopted at the shareholders' meeting held on 28 April 2014. As at date of this report, no shares have been issued.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

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

The Board is accountable to the shareholders and is mindful of its obligations to furnish timely, adequate and reliable information and to ensure full disclosure of material information to shareholders in compliance with statutory requirements and the Listing Manual of the SGX-ST.

Price sensitive information will be publicly released either before the Company meets with any group of investors or analysts or simultaneously with such meetings. Financial results and annual report will be announced or issued within legally prescribed periods.

The Board also reviews regulatory compliance reports from management to ensure that the Group complies with the relevant regulatory requirements.

AUDIT COMMITTEE

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

The AC comprises the following three independent directors:

Chairman	Mr Yeung Koon Sang alias David Yeung	(Non-Executive Chairman and Independent Director)
Member	Mr Teng Cheong Kwee	(Independent Director)
Member	Dr Vasoo Sushilan	(Independent Director)

The Chairman of the AC, Mr David Yeung has over 20 years' experience in public accountancy and had worked previously with Deloitte & Touche, UK and Ernst & Young, Singapore. The other members of the AC have many years of experience in business management and finance. The Board is satisfied that the members of the AC have recent and relevant accounting or related financial management expertise or experience to discharge the AC's functions.

The AC functions under the terms of reference that sets out its responsibilities include:

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

(b) review with the internal auditor its internal audit plans and internal audit findings;

(c) review the half-yearly and annual financial statements and results announcements before submission to the Board for approval, focusing in particular, on changes in accounting policies and practices, major risk areas, significant adjustments resulting from the audit, the going concern statement, compliance with accounting standards as well as compliance with any stock exchange and statutory/regulatory requirements;

(d) review the internal control and procedures and ensure co-ordination between the external auditors and the management, review the assistance given by management to the auditors and discuss problems and concerns, if any, arising from the interim and final audits, and any matters which the auditors may wish to discuss (in the absence of management where necessary);

(e) review and discuss with the external auditors any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact on the Company's operating results or financial position, and the management's response;

(f) consider and recommend the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;

(g) review interested person transactions falling within the scope of Chapter 9 of the SGX-ST Listing Manual ("Listing Manual");

(h) review potential conflicts of interest, if any;

(i) undertake such other reviews and projects as may be requested by the Board and report to the Board its findings from time to time on matters arising and requiring the attention of the AC; and

(j) generally undertake such other functions and duties as may be required by the statute or the SGX-ST Listing Manual, or by such amendments as may be made thereto from time to time.

The AC has the power to conduct or authorize investigations into any matters within the AC's scope of responsibility. The AC is authorized to obtain independent professional advice if it deems it necessary in the discharge of its responsibilities. Such expenses are to be borne by the Company.

Each member of the AC shall abstain from voting any resolutions in respect of matters he is interested in.

The AC meets with both the external and internal auditors without the presence of the Management at least once a year.

In appointing the auditors of the Group, the AC is satisfied that the Company complies with Rules 712, 715 and 716 of the Listing Manual in engaging Ernst & Young LLP as the external auditors of the Company and of its subsidiaries and other suitable audit firms for its foreign subsidiaries. The AC reviews the independence of the external auditors annually. During the year, the fees paid to the external auditors of the Company was approximately S$147,000, of which non-audit fees amounted to approximately S$41,000. Having reviewed the range and value of non-audit services performed by the Ernst & Young LLP, and the AC was satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors. The AC has recommended that Ernst & Young LLP be nominated for re-appointment as Auditors at the forthcoming AGM.

STATEMENT OF CORPORATE GOVERNANCE

Whistle-blowing

The Company has in place a whistle-blowing procedure which allows staff of the Company to raise concerns about improprieties or potential improprieties to the AC Chairman on a confidential basis.

Employees are free to bring Complaints to the attention of their supervisors or the Human Resources, as they would in any other workplace concern. The recipient of such Complaints shall forward them promptly to the AC Chairman. The Group will treat all information received confidentially and protect the identity and the interest of all whistleblowers. Following investigation and evaluation of a complaint, the AC Chairman shall report to the AC on recommended disciplinary or remedial action, if any. The action determined by the AC to be appropriated shall then be brought to the Board or to appropriate members of senior management for authorisation and implementation respectively.

The policy is communicated to all employees as part of the Group's efforts to promote awareness of fraud control.

RISK MANAGEMENT AND INTERNAL CONTROLS

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

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

The primary objectives of the internal audit reviews are to:-

(a) assess if adequate systems of internal controls are in place to protect the funds and assets of the Company and to control commitment and disbursement of expenditure and other outlay and to ensure such control procedures are complied with;
(b) assess if operations of the business processes under review are conducted efficiently and effectively, and in compliance with the Company's internal procedures and controls; and
(c) identify internal control improvement opportunities.

The internal auditors report to the Chairman of the AC. The internal auditors' findings and recommendations were submitted to and reviewed and discussed by the AC. Material non-compliance and internal control weaknesses noted during their audit are reported to the Audit Committee together with their recommendations. Management would follow up on the auditors' recommendations so as to strengthen the Group's internal control systems.

Risks arising from the Group's financial operations are separately discussed in Note 31 to the Financial Statements on pages 84 to 91.

For the financial year ended 31 December 2014, the Board has received letters of assurance from the CEO and the Chief Financial Officer ("CFO") that the financial records had been properly maintained and the financial statements gave a true and fair view of the Group's operations and finances, and regarding the effectiveness of the company's risk management and internal controls system.

In assessing the effectiveness of internal controls, the AC's key objectives are to check that material assets are properly safeguarded, fraud or errors in the accounting records are prevented or detected, accounting records are accurate and complete, and reliable financial information is prepared in compliance with applicable internal policies, laws and regulations.

Based on the review of the key risks identified, and the internal controls established and maintained by the Group, work performed by the internal auditors and the review undertaken by the external auditors, and the aforesaid assurances from the CEO and the CFO, the Board, with the concurrence of the Audit Committee, is of the opinion that the system of internal controls is adequate to address the material risks of the Group in its current business environment, including financial, operational compliance risks, information technology controls risks.

SHAREHOLDER RIGHTS

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

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

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

In line with continuous obligations of the Company pursuant to the SGX-ST's Listing Rules, the Board's policy is that all shareholders be informed of all major developments that have material impact on the Group.

Information is disseminated to shareholders on a timely basis through:

a. SGXNET announcements and news release;
b. Annual Report prepared and issued to all shareholders;
c. Press release on major developments of the Group;
d. Notice of and explanatory memorandum for AGM and extraordinary general meetings ("EGM"); and
e. Company's website at www.aei.com.sg where shareholders can access information on the Group.

The Company's AGM are the principal forums for dialogues with shareholders. The Chairman of the Audit, Remuneration and Nomination Committees as well as the external auditors are normally present at the AGM to address shareholders' queries, if any.

Shareholders are encouraged to attend AGM / EGM to ensure high level of accountability and to stay apprised of the Group's strategy and goals. Notice of the meetings will be advertised in newspapers and announced on SGXNET.

The Company's Articles of Association allows all shareholders to appoint up to two proxies to attend general meetings and vote on their behalf.

STATEMENT OF CORPORATE GOVERNANCE

Dividends
The details of dividend payment would be disclosed via the release of the announcements through SGXNET.

Interested Person Transactions
The Company has established internal control policies to ensure that transactions with interested persons are properly reviewed and approved and are conducted at arms' length basis.

Pursuant to Rule 907 of the SGX-ST Listing Manual, there was no IPT for the financial year ended 31 December 2014.

DEALINGS IN SECURITIES
The Company has in place a policy prohibiting share dealings by Directors and employees of the Company for the period of one month before the announcement of the Company's half yearly and yearly financial statements. Directors and employees who are in possession of unpublished material price-sensitive information of the Group should not deal in the Company's securities on short term consideration and are expected to observe the insider trading laws at all times even when dealing in securities within permitted trading period.

MATERIAL CONTRACTS
There was no material contracts of the Company involving the interests of the Chief Executive Officer, each Director or controlling shareholder entered into since the end of the previous financial year.

FINANCIAL REVIEW

DIRECTORS' REPORT

The directors are pleased to present their report to the members together with the audited consolidated financial statements of AEI Corporation Ltd. (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet of the Company for the financial year ended 31 December 2014.

DIRECTORS

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

Yeung Koon Sang alias David Yeung
Tan Chu En Ian
Sinta Muchtar
Dr Vasoo Sushilan
Teng Cheong Kwee

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Singapore Companies Act, Chapter 50, an interest in shares of the Company as stated below:

	Ordinary shares of the Company			
	Direct interest		Deemed interest	
Name of Director	**At the beginning of financial year**	**At the end of financial year**	**At the beginning of financial year**	**At the end of financial year**
Tan Chu En Ian	700,000	3,200,000	37,092,079	37,092,079
Sinta Muchtar	–	–	79,271,314	81,771,314
Yeung Koon Sang alias David Yeung	100,000	100,000	–	–
Dr Vasoo Sushilan	100,000	100,000	–	–
Teng Cheong Kwee	100,000	100,000	–	–

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2015.

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

DIRECTORS' REPORT

DIRECTORS' CONTRACTUAL BENEFITS

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

Tan Chu En Ian and Sinta Muchtar have employment relationships with the Company and have received remuneration in those capacities.

AEI PERFORMANCE SHARE PLAN

At an Extraordinary General Meeting held on 28 April 2014, shareholders approved the adoption of AEI Performance Share Plan ("Plan") as a compensation scheme that promotes higher performance goals and recognizes exceptional achievement. The Company believes the Plan will strengthen the overall effectiveness of the Group's remuneration and benefits to its employees.

The Plan will be administered by the Remuneration Committee and the Plan shall continue in force at the discretion of the Remuneration Committee, subject to a maximum period of up to ten years.

No share has been issued under the Plan.

AUDIT COMMITTEE

The audit committee (AC) carried out its functions in accordance with Section 201B (5) of the Singapore Companies Act, Chapter 50, including the following:

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

DIRECTORS' REPORT

AUDIT COMMITTEE (CONT'D)

The AC, having reviewed all non-audit services provided by the external auditors to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditors. The AC has also conducted a review of interested person transactions.

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

AUDITOR

Ernst & Young LLP have expressed their willingness to accept reappointment as auditor.

On behalf of the board of directors:

Tan Chu En Ian
Director

Sinta Muchtar
Director

Singapore
31 March 2015

STATEMENT BY DIRECTORS

We, Tan Chu En Ian and Sinta Muchtar, being two of the directors of AEI Corporation Ltd., do hereby state that, in the opinion of the directors,

(i) the accompanying balance sheets, consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results of the business, changes in equity and cash flows of the Group for the year ended on that date, and

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

On behalf of the board of directors:

Tan Chu En Ian
Director

Sinta Muchtar
Director

Singapore
31 March 2015

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF AEI CORPORATION LTD.

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of AEI Corporation Ltd. (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 35 to 94, which comprise the balance sheets of the Group and the Company as at 31 December 2014, and the statement of changes in equity, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2015

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

	Note	2014 $'000	2013 $'000
Revenue	3	**27,401**	30,957
Cost of sales		**(25,448)**	(27,841)
Gross profit		**1,953**	3,116
Other operating income	4	**4,103**	5,051
Selling and distribution costs		**(811)**	(863)
General and administrative expenses		**(5,465)**	(4,918)
Other operating expenses		**(6,732)**	–
(Loss)/profit from operating activities	5	**(6,952)**	2,386
Finance cost	6	**(106)**	(114)
Share of results of associate		**(1,281)**	(16)
Finance income	7	**102**	129
(Loss)/profit before tax		**(8,237)**	2,385
Income tax benefit/(expense)	8	**17**	(501)
(Loss)/profit net of tax		**(8,220)**	1,884
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**(149)**	22
Share of foreign currency translation of associated company		**73**	66
Other comprehensive income for the year, net of tax		**(76)**	88
Total comprehensive income for the year		**(8,296)**	1,972
(Loss)/profit net of tax attributable to:			
Owners of the Company		**(7,893)**	2,012
Non-controlling interests		**(327)**	(128)
		(8,220)	1,884
Total comprehensive income attributable to:			
Owners of the Company		**(7,977)**	2,098
Non-controlling interests		**(319)**	(126)
		(8,296)	1,972
Basic and diluted (loss)/earnings per share attributable to owners of the Company (cents)	9	**(3.10)**	0.80

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

BALANCE SHEETS

AS AT 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Non-current assets					
Property, plant and equipment	11	**11,206**	13,691	**10,763**	11,979
Investment in subsidiaries	12	**–**	–	**955**	8,062
Investment in associate	13	**2,543**	7,251	**–**	–
Leasehold land	14	**4,928**	–	**–**	–
		18,677	20,942	**11,718**	20,041
Current assets					
Loan receivable	15	**–**	–	**–**	–
Inventories	16	**11,402**	12,464	**10,370**	11,303
Prepaid operating expenses		**49**	122	**41**	47
Trade receivables	17	**5,917**	4,684	**4,525**	2,764
Other receivables	18	**147**	358	**69**	47
Loan to associates	19	**25**	329	**6**	6
Loan to subsidiaries	19	**–**	–	**2,230**	3,444
Cash and cash equivalents	20	**22,678**	25,134	**21,089**	23,554
		40,218	43,091	**38,330**	41,165
Current liabilities					
Trade payables	21	**2,864**	1,221	**2,210**	482
Other payables	21	**3,299**	2,207	**1,311**	1,507
Amounts due to subsidiaries	19	**–**	–	**517**	561
Finance leases	22	**–**	269	**–**	269
Term loans	22	**478**	1,561	**–**	229
Income tax payable		**270**	524	**269**	515
		6,911	5,782	**4,307**	3,563
Net current assets		**33,307**	37,309	**34,023**	37,602
Non-current liabilities					
Term loans	22	**4,128**	672	**–**	–
Deferred tax	23	**1,649**	1,820	**1,633**	1,793
		5,777	2,492	**1,633**	1,793
Net assets		**46,207**	55,759	**44,108**	55,850

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

BALANCE SHEETS

AS AT 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Equity attributable to owners of the Company					
Share capital	24	**46,465**	46,465	**46,465**	46,465
Treasury shares	25	**(1,697)**	(1,697)	**(1,697)**	(1,697)
Asset revaluation reserve	26	**1,296**	1,296	**1,296**	1,296
Foreign currency translation reserve	27	**(55)**	29	**–**	–
Retained earnings		**836**	9,985	**(1,956)**	9,786
		46,845	56,078	**44,108**	55,850
Non-controlling interests		**(638)**	(319)	**–**	–
Total equity		**46,207**	55,759	**44,108**	55,850

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

		Attributable to owners of the Company							
	Note	Share capital (Note 24)	Treasury shares (Note 25)	Asset revaluation reserve (Note 26)	Foreign currency translation reserves (Note 27)	Retained earnings	Total	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
Opening balance at 1 January 2014		**46,465**	**(1,697)**	**1,296**	**29**	**9,985**	**56,078**	**(319)**	**55,759**
Profit for the year		–	–	–	–	(7,893)	(7,893)	(327)	(8,220)
Other comprehensive income:									
- Foreign currency translation		–	–	–	(157)	–	(157)	8	(149)
- Share of foreign currency translation of associated company		–	–	–	73	–	73	–	73
Other comprehensive income for the year, net of tax		–	–	–	(84)	–	(84)	8	(76)
Total comprehensive income for the year		–	–	–	(84)	(7,893)	(7,977)	(319)	(8,296)
Contributions by and distributions to owners									
Dividends on ordinary shares	10	–	–	–	–	(1,256)	(1,256)	–	(1,256)
Total contributions by and distributions to owners		–	–	–	–	(1,256)	(1,256)	–	(1,256)
Total transactions with owners in their capacity as owners		–	–	–	–	(1,256)	(1,256)	–	(1,256)
Closing balance at 31 December 2014		**46,465**	**(1,697)**	**1,296**	**(55)**	**836**	**46,845**	**(638)**	**46,207**

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

		Attributable to owners of the Company							
	Note	Share capital (Note 24)	Treasury shares (Note 25)	Asset revaluation reserve (Note 26)	Foreign currency translation reserves (Note 27)	Retained earnings	Total	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group									
Opening balance at 1 January 2013		46,465	(1,697)	1,296	(57)	10,485	56,492	(193)	56,299
Profit for the year		–	–	–	–	2,012	2,012	(128)	1,884
Other comprehensive income:									
- Foreign currency translation		–	–	–	20	–	20	2	22
- Share of foreign currency translation of associated company		–	–	–	66	–	66	–	66
Other comprehensive income for the year, net of tax		–	–	–	86	–	86	2	88
Total comprehensive income for the year		–	–	–	86	2,012	2,098	(126)	1,972
Contributions by and distributions to owners									
Dividends on ordinary shares	10	–	–	–	–	(2,512)	(2,512)	–	(2,512)
Total contributions by and distributions to owners		–	–	–	–	(2,512)	(2,512)	–	(2,512)
Total transactions with owners in their capacity as owners		–	–	–	–	(2,512)	(2,512)	–	(2,512)
Closing balance at 31 December 2013		46,465	(1,697)	1,296	29	9,985	56,078	(319)	55,759

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

	Note	Share capital (Note 24) $'000	Treasury shares (Note 25) $'000	Asset revaluation reserve (Note 26) $'000	Retained earnings $'000	Total equity $'000
Company						
Opening balance at 1 January 2013		46,465	(1,697)	1,296	9,241	55,305
Profit net of tax for the year, representing total comprehensive income for the year		–	–	–	3,057	3,057
Contributions by and distributions to owners						
Dividends on ordinary shares	10	–	–	–	(2,512)	(2,512)
Total contributions by and distributions to owners		–	–	–	(2,512)	(2,512)
Total transactions with owners in their capacity as owners		–	–	–	(2,512)	(2,512)
Closing balance at 31 December 2013 and opening balance at 1 January 2014		46,465	(1,697)	1,296	9,786	55,850
Loss net of tax for the year, representing total comprehensive income for the year		–	–	–	(10,486)	(10,486)
Contributions by and distributions to owners						
Dividends on ordinary shares	10	–	–	–	(1,256)	(1,256)
Total contributions by and distributions to owners		–	–	–	(1,256)	(1,256)
Total transactions with owners in their capacity as owners		–	–	–	(1,256)	(1,256)
Closing balance at 31 December 2014		46,465	(1,697)	1,296	(1,956)	44,108

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

	Note	Group 2014 $'000	Group 2013 $'000
Operating activities:			
(Loss)/profit before tax		**(8,237)**	2,385
Adjustments for:			
Depreciation of property, plant and equipment	11	**2,176**	2,595
Loss/(gain) on disposal of property, plant and equipment	5	**85**	(91)
Interest expense	6	**106**	114
Interest income	7	**(102)**	(129)
Write-back on loan receivable	5	**–**	(500)
Foreign currency translation adjustments		**(66)**	(118)
Write-down/(write-back) of inventories, net	5	**42**	(4)
Allowance for doubtful debts - trade	5	**–**	9
Share of results of associate		**1,281**	16
Impairment loss on associate's operations	5	**3,890**	–
Impairment loss on China operations	5	**1,538**	–
Operating cash flows before changes in working capital		**713**	4,277
(Increase)/decrease in receivables		**(1,011)**	1,800
Decrease in inventories		**1,021**	6,717
Increase/(decrease) in payables		**2,795**	(8,371)
Cash flows from operations		**3,518**	4,423
Interest paid		**(167)**	(106)
Income taxes paid		**(408)**	(601)
Interest received		**99**	140
Net cash flows from operating activities		**3,042**	3,856
Investing activities:			
Proceeds from disposal of property, plant and equipment		**50**	216
Purchase of property, plant and equipment	11	**(1,217)**	(816)
Leasehold land		**(5,039)**	–
Loan to associate		**(152)**	–
Net cash flows used in investing activities		**(6,358)**	(600)
Financing activities:			
Proceeds from recovery of loan receivable		**–**	500
Dividends paid on ordinary shares	10	**(1,256)**	(2,512)
Proceeds from term loans		**5,552**	518
Repayment of term loans		**(3,179)**	(433)
Repayment of obligations under finance leases		**(269)**	(529)
Net cash flows from/(used in) financing activities		**848**	(2,456)
Net (decrease)/increase in cash and cash equivalents		**(2,468)**	800
Effect of exchange rate changes on cash and cash equivalents		**12**	48
Cash and cash equivalents at 1 January		**25,134**	24,286
Cash and cash equivalents at 31 December	20	**22,678**	25,134

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

1. CORPORATE INFORMATION

AEI Corporation Ltd. (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange.

The registered office and principal place of business of the Company is located at 12 Penjuru Lane, Jurong Town Industrial Estate, Singapore 609192.

The principal activities of the Company are those of manufacturers, importers and exporters of aluminium extrusion sections, metal materials and other related products. There have been no significant changes in the nature of these activities during the financial year. The principal activities of the subsidiaries are disclosed in Note 12 to the financial statements.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet of the Company have been prepared in accordance with Singapore Financial Reporting Standards ("FRS").

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

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

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual financial periods beginning on or after 1 January 2014. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company except as discussed below.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.3 *Standards issued but not yet effective*

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

Description	Effective for annual periods beginning on or after
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 *Share Based Payment*	1 July 2014
(b) Amendments to FRS 108 *Operating Segments*	1 July 2014
(c) Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets*	1 July 2014
(d) Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 *Business Combinations*	1 July 2014
(b) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
Amendments to FRS 16 and FRS 38: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Amendments to FRS 111: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
Amendments to FRS 110 & FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations – changes in methods of disposal*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments: Disclosure – servicing contracts; applicability of the amendments* to FRS 107 to condensed interim financial statements	1 January 2016
(c) Amendments to FRS 19 *Employee Benefits – regional market issue regarding discount rate*	1 January 2016
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
Amendments to FRS 27: *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

As FRS 115 and FRS 109 have only been issued recently, management has only started reviewing the financial implications of the standards. Except for the above, the directors expect that the adoption of the other standards will have no material impact on the financial statements in the period of initial application.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.4 Basis of consolidation

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

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

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

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

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

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

2.5 Transactions with non-controlling interests

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.6 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

2.7 Property, plant and equipment

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

Buildings and improvements are measured at fair value less accumulated depreciation and impairment losses recognised after the date of the revaluation. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the buildings and improvements at the end of the reporting period.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the asset revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the asset revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the asset revaluation reserve in respect of an asset is transferred directly to retained earnings on retirement or disposal of the asset.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.7 Property, plant and equipment (cont'd)

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

- Buildings and improvements – the remaining lease period of 28.5 years
- Plant and machinery – 10 to 20 years
- Renovation – 4 to 5 years
- Motor vehicles – 5 to 10 years
- Furniture and fittings – 3 to 10 years
- Office equipment – 3 to 10 years
- Dies and moulds – 6.7 years

Assets under construction included in plant and equipment are not depreciated as these assets are not yet available for use.

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

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

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

2.8 Leasehold land

Leasehold land is initially measured at cost. Following initial recognition, leasehold land is measured at cost less accumulated amortisation. The leasehold land is amortised on a straight-line basis over the lease term of 21.4 years.

2.9 Impairment of non-financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.9 Impairment of non-financial assets (cont'd)

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

2.10 Subsidiaries

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

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

2.11 Associates

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

The Group account for its investments in associates using the equity method from the date on which it becomes an associate.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.12 Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

<u>Loans and receivables</u>

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

De-recognition

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

2.13 Impairment of financial assets

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

Financial assets carried at amortised cost

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.13 Impairment of financial assets (cont'd)

Financial assets carried at amortised cost (cont'd)

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

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

2.14 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand and fixed deposits in banks which are subject to an insignificant risk of changes in value.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

– Raw materials: purchase costs on a weighted average cost basis;

– Finished goods and work-in-progress: costs of direct materials and labour and a proportion of manufacturing overheads based on normal operating capacity. These costs are assigned on a weighted average cost basis.

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

Net realisable value is the estimated selling price in the ordinary course of business, less estimated costs of completion and estimated costs necessary to make the sale.

2.16 Provisions

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.17 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

2.18 Borrowing costs

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

2.19 Employee benefits

Defined contribution plan

The Group participates in the national pension schemes as defined by the laws of the countries in which it has operations. In particular, the Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

Employee leave entitlement

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.20 Leases

Finance leases which transfer to the Group substantially all the risks and rewards incidental to ownership of the leased item, are capitalised at the inception of the lease at the fair value of the leased asset or, if lower, at the present value of the minimum lease payments. Any initial direct costs are also added to the amount capitalised. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged to profit or loss. Contingent rents, if any, are charged as expenses in the periods in which they are incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and the lease term, if there is no reasonable certainty that the Group will obtain ownership by the end of the lease term.

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

2.21 Revenue recognition

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

(a) Sale of goods

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

(b) Rendering of services

Revenue from the provision of anodising services and accounting services is recognised upon rendering of services.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Government grants

Cash grants received from the government are recognised upon receipt and are recorded as 'other operating income' in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries, associates and interests in joint ventures, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

(c) Sales tax

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

- Where the sales tax incurred on a purchase of assets or services is not recoverable from the taxation authority, in which case the sales tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and

- Receivables and payables that are stated with the amount of sales tax included.

2.23 Segment reporting

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.24 Share capital and share issuance expense

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

2.25 Treasury shares

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

2.26 Contingencies

A contingent liability is:

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

(b) a present obligation that arises from past events but is not recognised because:

- (i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

- (ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Significant accounting judgments and estimates

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

Judgments made in applying accounting policies

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

Determination of functional currency

The Group measures foreign currency transactions in the respective functional currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgment is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. Management has determined the currency of the primary economic environment in which the Company operates i.e. functional currency to be SGD.

Impairment of loan receivable

The Group classifies its loan receivable as a financial asset under loans and receivables. Management has in the current year exercised judgment based on the observable data relating to the possible events that may have caused a decline in value to determine whether the decline in value is an impairment that should be recognised in profit or loss. The carrying amount of the Group's loan receivable at the end of the reporting period is disclosed in Note 15 to the financial statements.

Taxes

Significant judgment is involved in determining the group–wide provision for income taxes. There are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's tax payables and deferred tax liabilities at 31 December 2014 were $270,000 (2013: $524,000) and $1,649,000 (2013: $1,820,000) respectively. The carrying amounts of the Company's tax payables and deferred tax liabilities at 31 December 2014 were $269,000 (2013: $515,000) and $1,633,000 (2013: $1,793,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Significant accounting judgments and estimates (cont'd)

Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

Useful lives of property, plant and equipment

The cost of property, plant and equipment for the manufacture of aluminium components is depreciated on a straight-line basis over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be within 3 to 28.5 years. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives of these assets, therefore future depreciation charges could be revised. The carrying amounts of the Group's and Company's property, plant and equipment at 31 December 2014 are disclosed in Note 11 to the financial statements. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 1.4% (2013: 5.7%) variance in the Group's (loss)/profit before tax.

Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The fair value less costs of disposal calculation is based on fair valuation of the assets less incremental costs for disposing the asset. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the budget for the next three years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

Further details of the key assumptions applied in the impairment assessment of property, plant and equipment, investment in subsidiaries and investment in associate are given in Note 11, 12 and 13 to the financial statements respectively.

Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables at the end of the reporting period is disclosed in Note 17 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

3. REVENUE

	Group	
	2014 **$'000**	**2013** **$'000**
Sale of goods	**27,355**	30,910
Rendering of services	**46**	47
	27,401	30,957

4. OTHER OPERATING INCOME

	Group	
	2014 **$'000**	**2013** **$'000**
Sale of aluminium scrap	**2,974**	3,456
Sale of metal scrap	**63**	117
Government grant income	**30**	29
Gain on foreign exchange, net	**872**	643
Gain on disposal of property, plant and equipment	**–**	91
Sundry income	**164**	215
Proceeds from recovery of loan receivable	–	500
	4,103	5,051

Government grant income relates to Productivity and Innovation Credit ("PIC") bonus received by the Group during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

5. PROFIT FROM OPERATING ACTIVITIES

The following items have been included in arriving at profit from operating activities:

		Group	
	Note	2014 $'000	2013 $'000
Audit fees:			
- auditors of the Company		**106**	104
- other auditors		**41**	24
Non-audit fees paid to auditors of the Company		**41**	26
Depreciation of property, plant and equipment	11	**2,176**	2,595
Directors' emoluments			
- fees		**235**	235
- remuneration		**962**	1,157
Gain on foreign exchange, net		**(875)**	(643)
Loss/(gain) on disposal of property, plant and equipment		**85**	(91)
Write down/(write back) of inventories, net	16	**42**	(4)
Operating lease expense		**471**	531
Allowance for doubtful debts – trade, net	17	**–**	9
Staff costs (excluding directors' remuneration)			
- defined contribution plans		**625**	582
- salaries, bonuses and other wages		**7,215**	7,227
Write back on loan receivable	15	**–**	(500)
Impairment loss on associate's operations		**3,890**	–
Impairment loss on China operations		**1,538**	–
Accrual of China operation expenses		**1,300**	–

6. FINANCE COST

	Group	
	2014 $'000	2013 $'000
Interest expense on finance leases	**3**	20
Interest expense on term loan	**103**	94
	106	114

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

7. FINANCE INCOME

	Group	
	2014 **$'000**	**2013** **$'000**
Interest income on short-term deposits	**102**	129

8. INCOME TAX (BENEFIT)/EXPENSE

Major components of income tax (benefit)/expense

The major components of income tax (benefit)/expense for the years ended 31 December 2014 and 2013 are:

		Group	
	Note	**2014** **$'000**	**2013** **$'000**
Consolidated income statement:			
Current income tax			
- current income taxation		**207**	523
- over provision in respect of previous years		**(53)**	(3)
		154	520
Deferred income tax			
- origination and reversal of temporary differences	23	**(180)**	(216)
- under provision in respect of previous years	23	**9**	197
		(171)	(19)
Income tax (benefit)/expense recognised in profit or loss		**(17)**	501

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

8. INCOME TAX EXPENSE (CONT'D)

Reconciliation between tax (benefit)/expense and accounting profit

A reconciliation between the tax expense and the product of accounting (loss)/profit multiplied by the applicable corporate tax rate for the years ended 31 December 2014 and 2013 is as follows:

	Group	
	2014 $'000	**2013 $'000**
(Loss)/profit before tax	**(8,237)**	2,385
Tax at the applicable tax rate of 17% (2013: 17%)	**(1,400)**	405
Adjustments:		
Differences in tax rates	**(256)**	(94)
Income not subject to taxation	**(222)**	(168)
Non-deductible expenses	**1,254**	301
Effect of partial tax exemption and tax relief	**(87)**	(164)
Under/(over) provision in respect of previous years	**(44)**	194
Deferred tax assets not recognised	**527**	20
Share of results of associate	**218**	3
Others	**(7)**	4
Income tax (benefit)/expense recognised in profit or loss	**(17)**	501

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

The Group has tax losses of approximately $6,958,000 (2013: $4,713,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these tax losses is subjected to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

The tax losses of the subsidiary in the People's Republic of China can only be utilised within a 5-year period commencing from the year in which the loss is incurred. As at balance sheet date, tax losses amounting to $507,000, $1,114,000, $1,667,000, $1,239,000 and $1,815,000 will expire in the financial years ending 31 December 2015, 2016, 2017, 2018 and 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

9. (LOSS)/EARNINGS PER SHARE

Basic and diluted (loss)/earnings per share amounts are calculated by dividing (loss)/profit, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year. The Company did not have any dilutive potential ordinary shares during the financial year (2013: $nil).

The following table reflects the profit and share data used in the computation of basic and diluted (loss)/earnings per share for the years ended 31 December:

	Group	
	2014 $'000	**2013 $'000**
(Loss)/profit net of tax, attributable to owners of the Company	**(7,893)**	2,012
	2014 '000	**2013 '000**
Weighted average number of ordinary shares for basic and diluted earnings per share computation	**251,197**	251,197
Basic and diluted (loss)/earnings per share (cents)	**(3.10)**	0.80

10. DIVIDENDS

	Group and Company	
	2014 $'000	**2013 $'000**
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2013: 0.5 cents (2012: 1.0 cents) per share	**1,256**	2,512
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
- Final exempt (one-tier) dividend for 2014: nil cent (2013: 0.5 cents) per share	**–**	1,256

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

11. PROPERTY, PLANT AND EQUIPMENT

	At valuation	At cost			
	Buildings and improvements $'000	Plant, equipment and other assets $'000	Asset under construction $'000	Renovations $'000	Total $'000
Group					
Cost or valuation:					
At 1 January 2013	7,485	37,669	–	786	45,940
Additions	–	729	74	13	816
Disposals	–	(2,354)	–	(3)	(2,357)
Exchange difference	–	125	2	17	144
At 31 December 2013 and 1 January 2014	7,485	36,169	76	813	44,543
Additions	–	764	544	20	1,328
Disposals	–	(418)	–	–	(418)
Exchange difference	–	54	2	6	62
At 31 December 2014	7,485	36,569	622	839	45,515
Accumulated depreciation:					
At 1 January 2013	1,434	28,552	–	452	30,438
Charge for the year (Note 5)	200	2,205	–	190	2,595
Disposals	–	(2,229)	–	(3)	(2,232)
Exchange difference	–	41	–	10	51
At 31 December 2013 and 1 January 2014	1,634	28,569	–	649	30,852
Charge for the year (Note 5)	204	1,838	–	134	2,176
Disposals	–	(283)	–	–	(283)
Impairment loss	–	1,354	100	20	1,474
Exchange difference	–	78	4	8	90
At 31 December 2014	1,838	31,556	103	812	34,309
Net carrying amount:					
At 31 December 2014	5,647	5,013	518	27	11,206
At 31 December 2013	5,851	7,600	76	164	13,691

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At valuation	At cost			
	Buildings and improvements $'000	Plant, equipment and other assets $'000	Asset under construction $'000	Renovations $'000	Total $'000
Company					
Cost or valuation:					
At 1 January 2013	7,485	35,208	–	407	43,100
Additions	–	426	–	–	426
Disposals	–	(2,353)	–	–	(2,353)
At 31 December 2013 and 1 January 2014	7,485	33,281	–	407	41,173
Additions	–	467	181	–	648
Disposals	–	(412)	–	–	(412)
At 31 December 2014	7,485	33,336	181	407	41,409
Accumulated depreciation:					
At 1 January 2013	1,434	27,548	–	283	29,265
Charge for the year	200	1,862	–	95	2,157
Disposals	–	(2,228)	–	–	(2,228)
At 31 December 2013 and 1 January 2014	1,634	27,182	–	378	29,194
Charge for the year	204	1,497	–	29	1,730
Disposals	–	(278)	–	–	(278)
At 31 December 2014	1,838	28,401	–	407	30,646
Net carrying amount:					
At 31 December 2014	5,647	4,935	181	–	10,763
At 31 December 2013	5,851	6,099	–	29	11,979

Other assets comprise motor vehicles, furniture and fittings and office equipment.

The Group's office equipment included $nil (2013: $12,000) which relate to expenditure for the development of information system.

The buildings and improvements are stated at Directors' valuation at 31 December 2013. The Group engaged Knight Frank Pte Ltd, an independent valuer with a recognised and relevant professional qualification and with experience in the location and category of properties being valued, to determine the fair value of the buildings and improvements. Details of valuation techniques and inputs are disclosed in Note 33.

If the buildings and improvements stated at valuation had been included in the financial statements at cost less accumulated depreciation, the net carrying amount would have been $3,785,000 (2013: $3,925,000).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

11. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

Assets held under finance leases

During the financial year, the Group did not acquire any plant and equipment by means of finance leases (2013: $nil). The carrying amount of plant and equipment held under finance leases as at year end was $nil (2013: $2,416,000).

Asset under construction

The Group's asset under construction relates to plant and equipment and construction of an industrial building on the leasehold land situated at Tuas South. Included in asset under construction is an amount of $111,000 relating to amortisation of leasehold land.

The Group's asset under construction also includes borrowing costs arising from a term loan borrowed to obtain leasehold land for the purpose of constructing an industrial building. During the financial year, the borrowing costs capitalised as cost of asset under construction amounted to $38,000 (2013: $nil). The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.13% (2013: nil%), which is the effective interest rate of the term loan.

The cash outflow on acquisition of property, plant and equipment amounted to $1,217,000 (2013: $816,000).

Impairment of assets

During the financial year, a subsidiary of the Group within the forged components segment, Form Tecknik Shanghai Co Ltd, carried out a review of the recoverable amount of its plant and equipment and other assets, asset under construction and renovations because it has been persistently making losses. An impairment of $1,474,000 (2013: $nil), representing the write-down of these assets was recognised in impairment loss on China operations (Note 5) and was included in other operations line item of profit or loss for the financial year ended 31 December 2014. The recoverable amount of the assets was based on its value in use and the pre-tax discount rate used was 15.0% (2013: 15.0%)

12. INVESTMENT IN SUBSIDIARIES

	Company	
	2014 $'000	**2013 $'000**
Unquoted shares, at cost	**9,955**	9,955
Allowance of impairment	**(9,000)**	(1,893)
Net carrying value	**955**	8,062
Movement in allowance account		
At 1 January	**1,893**	1,893
Impairment loss	**7,107**	–
At 31 December	**9,000**	1,893

NOTES TO THE FINANCIAL STATEMENTS

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12. INVESTMENT IN SUBSIDIARIES (CONT'D)

The Group has the following investment in subsidiaries:

			Proportion of ownership interest	
	Name of company (Country of incorporation)	**Principal activities (Place of business)**	**2014 %**	**2013 %**
	Held by the Company:			
*	AEI Engineering Pte Ltd (Singapore)	Manufacturing of engineering components (Singapore)	**95.5**	95.5
*	AEI (China) Holdings Pte Ltd (Singapore)	Investment holding (Singapore)	**100**	100
	Held through AEI (China) Holdings Pte Ltd:			
*	Form Tecknik Pte Ltd (Singapore)	Investment holding (Singapore)	**90**	90
	Held through Form Tecknik Pte Ltd:			
**	Form Tecknik (Shanghai) Co Ltd (People's Republic of China)	Manufacturing of automotive and industrial components (People's Republic of China)	**100**	100

* Audited by Ernst & Young LLP, Singapore

** Audited by Ernst & Young, Shanghai, People's Republic of China

Impairment testing of investment in subsidiaries

During the financial year, management performed an impairment test for the investment in Form Tecknik (Shanghai) Co Ltd, Form Tecknik Pte Ltd and AEI (China) Holdings Pte Ltd as the subsidiary, Form Tecknik (Shanghai) Co Ltd, has been making losses and the latter two subsidiaries are the immediate and intermediate holding companies. An impairment loss of $7,107,000 (FY2013: $nil) was recognised for the year ended 31 December 2014 to write down the subsidiaries to their recoverable amounts. The recoverable amounts of the subsidiaries are determined based on value in use calculation using cash flow projections from financial budgets approved by management covering a three-year period. The pre-tax discount rate applied to the cash flow projection and the forecasted growth rate used to extrapolate cash flow projections beyond the three-year period are 15% (2013: 15%) and 3.9% (2013: 4.2%) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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13. INVESTMENT IN ASSOCIATE

	Group	
	2014 $'000	**2013 $'000**
Investment in associate	**7,221**	7,221
Share of post-acquisition reserves	**(1,317)**	(36)
Exchange differences	**73**	66
Impairment of associate	**(3,434)**	–
	2,543	7,251
Movement in allowance account		
At 1 January	**–**	–
Impairment loss	**3,434**	–
At 31 December	**3,434**	–

Investment in associate comprises of investment in unquoted equity shares at cost and negative goodwill.

Details of the associate at 31 December are:

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest 2014 %	Proportion of ownership interest 2013 %
Held by through AEI (China) Holdings Pte Ltd:			
# Global Tongyi (Singapore) Pte. Ltd. (Singapore)	Manufacturing and general wholesale trade of vegetable and animal oils and fats (Singapore)	**50**	50
Held through Global Tongyi (Singapore) Pte Ltd			
* Well Global Foods (Anyang) Pte. Ltd. (People's Republic of China)	Sale of edible oil (People's Republic of China)	**100**	100

Audited by Ernst & Young LLP, Singapore

* Audited by Henan Shengyi Accounting Firm

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

13. INVESTMENT IN ASSOCIATE (CONT'D)

The summarised financial information of the associate, based on its FRS financial statements and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Global Tongyi (Singapore) Pte. Ltd.	
	2014 $'000	**2013 $'000**
Current assets	**3,401**	3,967
Non-current assets excluding goodwill	**3,958**	5,654
Goodwill	**137**	3,571
Total assets	**7,496**	13,192
Current liabilities	**(2,180)**	(1,924)
Non-current liabilities	**(30)**	–
Total liabilities	**(2,210)**	(1,924)
Net assets	**5,286**	11,268
Net assets excluding goodwill	**5,149**	7,697
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets	**2,574**	3,848
Goodwill on acquisition	**137**	3,571
Other adjustments	**(168)**	(168)
Carrying amount of the investment	**2,543**	7,251

Summarised statement of comprehensive income

	Global Tongyi (Singapore) Pte. Ltd.	
	2014 $'000	**2013 $'000**
Revenue	**–**	199
Loss after tax from continuing operations	**(2,563)**	(32)
Other comprehensive income	**15**	93
Total comprehensive income	**(2,548)**	61

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13. INVESTMENT IN ASSOCIATE (CONT'D)

Impairment testing of investment in associate

During the financial year, management performed an impairment test for the investment in Global Tongyi (Singapore) Pte. Ltd. An impairment loss of $3,434,000 (2013: $nil) was recognised for the year ended 31 December 2014 to write down the associate to its recoverable amounts. The recoverable amount of this associate was based on fair value less costs of disposal of assets owned by Global Tongyi (Singapore) Pte. Ltd. and Well Global Foods (Anyang) Pte. Ltd. at 31 December 2014 using replacement cost method. The fair value measurement was categorised as a Level 3 fair value as the inputs to the valuation technique used were unobservable. The Company engaged an independent valuer, Henan Fangxin Asset Appraisal Firm Co., Ltd., to determine the fair value of the assets.

14. LEASEHOLD LAND

	Group	
	2014 $'000	**2013 $'000**
Cost:		
At 1 January	–	–
Additions	**5,039**	–
At 31 December	**5,039**	–
Accumulated amortisation:		
At 1 January	–	–
Amortisation for the year	**111**	–
At 31 December	**111**	–
Net carrying amount	**4,928**	–

The Group has leasehold land situated at Tuas South for the purpose of constructing an industrial building. The leasehold land is not transferable and has a remaining tenure of 21.0 years (2013: nil). The amortisation of the leasehold land is included in asset under construction as disclosed in Note 11.

Leasehold land is mortgaged to secure the Group's term loan as disclosed in Note 22.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

15. LOAN RECEIVABLE

	Group and Company	
	2014 $'000	**2013 $'000**
Loan receivable		
Loan to M2B World Asia Pacific Pte. Ltd.	**1,981**	1,897
Less: Allowance made – M2B World Asia Pacific Pte. Ltd.	**(1,981)**	(1,897)
	–	–
Movement in allowance account:		
At 1 January	**(1,897)**	(2,501)
Write back for the year	**–**	500
Exchange difference	**(84)**	104
At 31 December	**(1,981)**	(1,897)

Loan receivable is denominated in USD.

16. INVENTORIES

	Group		Company	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Balance sheet:				
Raw materials and consumables	**9,708**	10,314	**9,290**	9,870
Work-in-progress	**938**	1,085	**488**	577
Finished goods	**756**	1,065	**592**	856
Total inventories at lower of cost and net realisable value	**11,402**	12,464	**10,370**	11,303
Profit or loss:				
Inventories recognised as an expense in cost of sales	**14,974**	9,767	**13,710**	8,471
Inclusive of the following charge/(credit):				
- inventories written down	**91**	66	**88**	40
- reversal of write-down of inventories	**(49)**	(70)	**–**	–

The reversal of write-down of inventories was made when the related inventories were subsequently sold off above their carrying amounts.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

17. TRADE RECEIVABLES

		Group		Company	
	Note	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade receivables		**5,917**	4,684	**4,525**	2,764
Add:					
Other receivables	18	**147**	358	**69**	47
Loan to subsidiaries	19	**–**	–	**2,230**	3,444
Loan to associates	19	**25**	329	**6**	6
Cash and cash equivalents	20	**22,678**	25,134	**21,089**	23,554
		28,767	30,505	**27,919**	29,815
Less: Sales tax receivables		**(571)**	(351)	**(476)**	(11)
Total loans and receivables		**28,196**	30,154	**27,443**	29,804

Trade receivables are non-interest bearing and are normally settled on average 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Trade receivables denominated in foreign currencies as at 31 December are as follows:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
United States Dollars	**3,525**	2,310	**3,525**	2,310
Renminbi	**1,379**	1,796	**–**	–
British Pound	**15**	125	**–**	–

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FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

17. TRADE RECEIVABLES (CONT'D)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $1,710,000 (2013: $2,511,000) that are past due at the end of the reporting period but not impaired. These receivables are unsecured and the analysis of their aging at each end of the reporting period is as follows:

	Group	
	2014 $'000	**2013 $'000**
Trade receivables past due but not impaired:		
Lesser than 30 days	**1,397**	1,718
30 to 60 days	**298**	341
61 to 90 days	**15**	289
91 to 120 days	**–**	163
	1,710	2,511

Receivables that are impaired

The Group's movement of the allowance for doubtful debts – trade used to record the impairment is as follows:

	Group	
	2014 $'000	**2013 $'000**
Movement in allowance account:		
At 1 January	**–**	–
Charge for the year	**–**	9
Written off	**–**	(9)
At 31 December	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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18. OTHER RECEIVABLES

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Deposits	**68**	55	**19**	2
Amount due from non-controlling interests	**4**	127	**–**	–
Interest receivables	**41**	38	**44**	38
Other receivables	**34**	138	**6**	7
	147	358	**69**	47

The amount due from non-controlling interests relates to issued but not paid up ordinary shares of a subsidiary due from a non-controlling shareholder, who is also the executive director of the subsidiary. The amount was repayable on or before 27 January 2013. In February 2013, the Group and the non-controlling shareholder agreed on a repayment plan of at least $2,000 monthly starting from March 2013. The amount is non-interest bearing and is secured by ordinary shares of the subsidiary.

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

	Group	
	2014 $'000	2013 $'000
Other receivables – nominal amounts	**66**	–
Less: Allowance for impairment	**(64)**	–
Exchange difference	**(2)**	–
	–	–
Movement in allowance account:		
At 1 January	**–**	–
Charge for the year	**64**	–
At 31 December	**64**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

19. LOAN TO ASSOCIATE LOAN TO SUBSIDIARIES AMOUNTS DUE TO SUBSIDIARIES

	Group		Company	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Loan to associate	**481**	329	**6**	6
Less: Allowance for impairment	**(456)**	–	**–**	–
	25	329	**6**	6
Loan to subsidiaries	**–**	–	**2,230**	3,444
Amounts due to subsidiaries				
- trade	**–**	–	**(230)**	(415)
- non-trade	**–**	–	**(287)**	(146)
	–	–	**(517)**	(561)

Amounts due to subsidiaries and loan to subsidiaries and associate are unsecured, non-interest bearing and is repayable on demand.

The movement of the allowance account used to record to impairment on loans to associate are as follows:

	Group	
	2014 $'000	**2013 $'000**
Movement in allowance account:		
At 1 January	**–**	–
Charge for the year	**456**	–
At 31 December	**456**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

20. CASH AND CASH EQUIVALENTS

	Group		Company	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Cash at banks and on hand	**14,630**	11,639	**13,041**	10,059
Short-term deposits	**8,048**	13,495	**8,048**	13,495
Cash and cash equivalents	**22,678**	25,134	**21,089**	23,554

Cash at banks and on hand does not earn interest in financial years ended 2014 and 2013.

Short-term deposits are made for varying periods of between three months to one year (2013: three months to one year) depending on the immediate cash requirements of the Group, and earn interests at the respective short-term deposit rates. The weighted average effective interest rate of short-term deposits denominated in Singapore dollars and United States dollars are 0.24% (2013: 0.99%) per annum and 1.19% (2013: 1.21%) per annum.

Cash and cash equivalents deposits denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
United States Dollars	**14,114**	14,714	**14,066**	14,668
Renminbi	**77**	600	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

21. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Trade payables		**2,864**	1,221	**2,210**	482
Other payables		**3,098**	2,006	**1,311**	1,507
Loan from non-controlling interests		**201**	201	**–**	–
Total other payables		**3,299**	2,207	**1,311**	1,507
Add: Finance leases	22	**–**	269	**–**	269
Add: Term loans	22	**4,606**	2,233	**–**	229
Add: Amounts due to subsidiaries	19	**–**	–	**517**	561
Total financial liabilities carried at amortised cost		**10,769**	5,930	**4,038**	3,048

Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 60 days' terms.

Trade payables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
United States Dollars	**1,690**	30	**1,690**	30
Renminbi	**600**	656	**–**	–

Other payables

Other payables are non-interest bearing and have an average term of one month.

Loan from non-controlling interests

Loan from non-controlling interests relates to loan given by a non-controlling shareholder who is also the director of a subsidiary. The loan is unsecured, non-interest bearing and repayable on demand.

NOTES TO THE FINANCIAL STATEMENTS

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(IN SINGAPORE DOLLARS)

22. LOANS AND BORROWINGS

		Group		Company	
	Note	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Current:					
Term loans:					
- SGD loan at cost of funds + 1.75%	(a)	–	229	–	229
- SGD loan at cost of funds + 2.00%	(b)	**244**	245	–	–
- RMB loan at 115% of China's Currency Market's Benchmark Interest Rate	(c)	**234**	1,087	–	–
		478	1,561	–	229
Obligations under finance leases (Note 28(c))		–	269	–	269
Non-current:					
Term loans:					
- SGD loan at cost of funds + 2.00%	(b)	**428**	672	–	–
- SGD loan at cost of funds + 1.75%	(d)	**3,700**	–	–	–
		4,128	672	–	–
Total term loans	21	**4,606**	2,233	–	229
Total obligations under finance leases	21	–	269	–	269

Notes:

(a) This loan is unsecured and bears interest at a floating rate of cost of funds + 1.75% per annum (2013: cost of funds + 1.75%). The loan is repayable in 48 monthly equal instalments and was fully repaid in November 2014.

(b) This loan is secured by a corporate guarantee from the Company as well as a non-controlling shareholding, who is also the director of a subsidiary. It bears interest at a floating rate of cost of funds + 2.00% per annum (2013: cost of funds + 2.00%). The first instalment was repayable in April 2013 with final repayment in September 2017.

(c) This loan is secured by a corporate guarantee from the Company as well as the director of the subsidiary. It bears interest at 115% of the Benchmark Interest Rate of the China's Currency Market. The loan is repayable on 5 January 2015 and 16 January 2015. (2013: 3 January 2014 till 10 June 2014).

(d) This loan is secured by a corporate guarantee from the Company and a mortgage over the leasehold land. It bears interest at floating rate of cost of funds + 1.75%. The loan is repayable in 120 monthly equal instalments and repayment will commence upon the final draw down of the term loan or by 1 June 2016, whichever is earlier.

NOTES TO THE FINANCIAL STATEMENTS

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(IN SINGAPORE DOLLARS)

23. DEFERRED TAX

		Group		Company	
	Note	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Opening balance at 1 January		**1,820**	1,839	**1,793**	1,803
Under provision in respect of previous year	8	**9**	197	**12**	197
Movement in temporary differences	8	**(180)**	(216)	**(172)**	(207)
Closing balance at 31 December		**1,649**	1,820	**1,633**	1,793

The deferred tax arises as a result of:

	Group		Company	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Deferred tax liabilities arise as a result of:				
Excess of net book value over tax written down value of property, plant and equipment	**1,305**	1,485	**1,288**	1,457
Asset revaluation reserve	**345**	355	**345**	355
	1,650	1,840	**1,633**	1,812
Deferred tax assets arise as a result of:				
Provisions	**(1)**	(20)	**–**	(19)
	(1)	(20)	**–**	(19)
Net deferred tax liabilities	**1,649**	1,820	**1,633**	1,793

No deferred tax liability (2013: $nil) has been recognised for taxes that would be payable on undistributed earnings on the Group's subsidiary.

There are no income tax consequences (2013: $nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 10).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

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24. SHARE CAPITAL

	Group and Company	
	2014 $'000	2013 $'000
Issued and fully paid ordinary shares:		
At beginning and end of year 251,196,667 ordinary shares	**46,465**	46,465

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

25. TREASURY SHARES

	Group and Company			
	2014		2013	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 January and 31 December	**10,000**	**1,697**	10,000	1,697

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

The Company acquired 10,000,000 shares in FY2010 in the Company through purchases on the Singapore Stock Exchange during the financial year. Consideration paid to purchase the shares amounted to $1,697,000 which was presented as a component within shareholder's equity.

26. ASSET REVALUATION RESERVE

The asset revaluation reserve represents increases in the fair value of buildings and improvements, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

27. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of a foreign operation whose functional currency is different from that of the Group's presentation currency.

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(IN SINGAPORE DOLLARS)

28. COMMITMENTS AND CONTINGENCIES

(a) *Capital commitments*

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		Company	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Capital commitments in respective of property, plant and equipment	**213**	–	**213**	–
	213	–	**213**	–

(b) *Operating lease commitments – as lessee*

The Group has entered into operating lease agreements for certain property and office equipment with tenure of between 3 to 5 years. As at 31 December 2014, the Group has aggregate minimum lease commitment as follows:

	Group	
	2014 $'000	**2013 $'000**
Not later than one year	**656**	858
Later than one year but not later than five years	**4,465**	3,704
Later than five years	**15,977**	16,412
	21,098	20,974

The lease rental for the above lease is subject to revision every year not exceeding 5.5% (2013: 5.5%) of the annual rent of each immediate preceding year.

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28. COMMITMENTS AND CONTINGENCIES (CONT'D)

(c) Finance lease commitments

The Group has finance leases for certain items of plant and equipment. These leases have terms of renewal but no purchase options and escalation clauses. Renewals are at the option of the specific entities that hold the leases.

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

	Group and Company			
	2014		2013	
	Minimum lease payments $'000	Present value of payments (Note 22) $'000	Minimum lease payments $'000	Present value of payments (Note 22) $'000
Not later than one year	–	–	271	269
Total minimum lease payments	–	–	271	269
Less: Amounts representing finance charges	–	–	(2)	–
Present value of minimum lease payments	–	–	269	269

(d) Contingent liabilities

Corporate guarantees given to financial institutions in relation with banking facilities granted to:

	Company	
	2014 $'000	2013 $'000
Subsidiaries	**16,200**	4,500

At the end of the reporting period, $4,606,000 (2013: $2,004,000) of the facilities were utilised by the subsidiaries.

The Group has banker's guarantee amounting to $200,000 (2013: $244,000) in favour of third party in respect of the Group's business.

NOTES TO THE FINANCIAL STATEMENTS

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29. RELATED PARTY DISCLOSURES

(a) *Sale of services*

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

	Company	
	2014 $'000	**2013 $'000**
Service rendered to an associate	**9**	18

(b) *Compensation of key management personnel*

	Group	
	2014 $'000	**2013 $'000**
Short-term employee benefits	**937**	1,130
Central Provident Fund contributions	**25**	27
Other short-term benefits	**235**	235
Total compensation paid to key management personnel	**1,197**	1,392
Comprise amounts paid to:		
Directors of the Company	**1,174**	1,392

30. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

Electronics and precision engineering segment

This segment comprises mainly of precision aluminium extrusions that form components of sophisticated products of the high-tech electronics and precision engineering industries. Products manufactured include electronic components, clean room accessories, automation equipment and industrial machinery.

Construction and infrastructure building segment

This segment comprises mainly of public infrastructure, building construction, interior fixtures (including certain office equipment), signage and advertising panels in the construction, civil engineering and infrastructure building industries.

Forged components segment

This segment comprises mainly of forged metal components, which are used mainly in automotive components, electronic equipment and appliances as well as other industrial products.

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30. SEGMENT INFORMATION (CONT'D)

(a) *Business segments*

	Electronics and precision engineering		Construction and infra-structure building		Forged components		Others		Eliminations		Consolidated	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Revenue												
External customers	**22,169**	26,495	**1,887**	1,666	**3,336**	2,778	**9**	18	**–**	–	**27,401**	30,957
Inter-segment [1]	**1,108**	2,047	**–**	–	**–**	–	**–**	–	**(1,108)**	(2,047)	**–**	–
Total revenue	**23,277**	28,542	**1,887**	1,666	**3,336**	2,778	**9**	18	**(1,108)**	(2,047)	**27,401**	30,957
Results:												
Segment result	**2,856**	5,165	**376**	463	**(987)**	(776)	**(208)**	38	**–**	–	**2,037**	4,890
Impairment loss on China Operations	**–**	–	**–**	–	**(1,538)**	–	**–**	–	**–**	–	**(1,538)**	–
Impairment loss on associate's operations	**–**	–	**–**	–	**–**	–	**(3,890)**	–	**–**	–	**(3,890)**	–
Accrual of China operations expense	**–**	–	**–**	–	**(1,300)**	–	**–**	–	**–**	–	**(1,300)**	–
Depreciation	**(1,669)**	(1,938)	**(136)**	(116)	**(371)**	(341)		(200)			**(2,176)**	(2,595)
(Loss)/gain on disposal of property, plant and equipment	**(78)**	86	**(7)**	5	**–**	–	**–**	–	**–**	–	**(85)**	91
Finance income											**102**	129
Finance cost											**(106)**	(114)
Share of results of associate											**(1,281)**	(16)
Profit before tax											**(8,237)**	2,385
Income tax benefit/(expense)											**17**	(501)
Profit net of tax											**(8,220)**	1,884
Assets												
Segment assets	**14,169**	20,967	**1,212**	1,914	**1,394**	3,454	**7,808**	–	**–**	–	**24,583**	25,615
Unallocated assets [2]											**34,312**	38,418
Total assets											**58,895**	64,033
Liabilities												
Segment liabilities	**2,083**	451	**180**	19	**1,901**	594	**–**	–	**–**	–	**4,164**	1,064
Unallocated liabilities [3]											**8,524**	7,210
Total liabilities											**12,688**	8,274

(1) Inter-segment revenue are eliminated on consolidation

(2) Unallocated assets comprise of jointly used assets

(3) Unallocated liabilities comprise of jointly used liabilities

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30. SEGMENT INFORMATION (CONT'D)

(a) *Business segments (cont'd)*

	Electronics and precision engineering		Construction and infra-structure building		Forged components		Others		Consolidated	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Other information										
Capital expenditure	**600**	404	**51**	25	**339**	387	**337**	–	**1,327**	816
Unallocated capital expenditure									**4,928**	–
Total capital expenditure									**6,255**	816
Depreciation	**1,669**	1,938	**136**	116	**371**	341	**–**	–	**2,176**	2,395
Unallocated depreciation [4]									**–**	200
Total depreciation									**2,176**	2,595

[4] Unallocated depreciation relates to depreciation charge on buildings

(b) *Geographical segments*

	Singapore		Greater China		Malaysia		Other countries		Consolidated	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**	**2014 $'000**	**2013 $'000**
Revenue	**3,804**	3,903	**7,448**	9,877	**5,442**	7,149	**10,707**	10,028	**27,401**	30,957
Segment assets	**57,501**	60,579	**1,394**	3,454	**–**	–	**–**	–	**58,895**	64,033
Capital expenditure	**5,915**	429	**339**	387	**–**	–	**–**	–	**6,254**	816

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30. SEGMENT INFORMATION (CONT'D)

The following items are added to segment assets to arrive at total assets reported in the consolidated balance sheet:

	Group	
	2014 $'000	**2013 $'000**
Inventories	**11,402**	12,464
Prepaid operating expenses	**49**	122
Cash and cash equivalents	**22,678**	25,134
Other receivables	**183**	698
	34,312	38,418

The following items are added to segment liabilities to arrive at total liabilities reported in the consolidated balance sheet:

	Group	
	2014 $'000	**2013 $'000**
Finance leases	**–**	269
Term loans	**4,606**	2,233
Income tax payable	**270**	524
Deferred tax	**1,649**	1,820
Other payables	**1,999**	2,364
	8,524	7,210

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks are credit risk, foreign currency risk, liquidity risk and interest rate risk. The audit committee provides independent oversight to the effectiveness of risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken, where appropriate and cost efficient. The Group does not apply hedge accounting.

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

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31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

There has been no change to the Group's and Company's exposure to these financial risks or the manner in which it manages and measures the risks, excepts as disclosed below:

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a party default on its obligations.

The Company's exposure to credit risk arises primarily from loan receivable and trade and other receivables. No other financial assets carry a significant exposure to credit risk.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group has adopted the policy of dealing with customers with an appropriate credit history as a means of mitigating the credit risk exposures. Credit evaluation which takes into account qualitative and quantitative profile of each customer is performed and approved by management before credit is being granted. The Group also closely monitors customers' payment pattern and credit exposures on an on-going basis.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by:

- The carrying amount of each class of financial assets recognised in the balance sheet.

- A nominal amount of $4,606,000 (2013: $2,004,000) relating to corporate guarantees provided by the Company to financial institutions on subsidiaries' loans and banking facilities.

Credit risk concentration profile

At the end of the reporting period,

- approximately 5.6% (2013: 4.2%) of the Group's trade receivables were due from 3 major customers who are located in Singapore.

- 100% (2013: 100%) of the Group's loan receivable was due from debtor located in Singapore.

Financial assets that are neither past due nor impaired

Loan receivable and trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and short-term deposits are placed with or entered into with reputable financial institutions with high credit ratings.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired disclosed in Note 15 (loan receivable) and Note 17 (trade receivables).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(b) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the functional currencies of the Company and the respective entities in the Group. The foreign currency in which these transactions are denominated are in USD. Approximately 84.4% (2013: 83.0%) of the Group's sales are denominated in USD whilst almost 80.4% (2013: 75.9%) of purchases are denominated in USD. Selling and distribution costs, administrative expenses and other operating expenses are predominantly measured in SGD. The trade receivable and trade payable balances at the end of each reporting period have similar exposures.

Exposure to foreign currency risk is monitored on an on-going basis and the Group endeavours to keep the net exposure at an acceptable level. The Group and Company also hold cash and cash equivalents denominated in USD for working capital purposes. At the end of each reporting period, USD balances amounted to $14,114,000 (2013: $14,714,000) and $14,066,000 (2013: $14.668,000) for the Group and the Company respectively.

Sensitivity analysis for foreign currency risk

The following table denominates the sensitivity to a reasonably possible change in the USD, with all other variables held constant, of the Group's (loss)/profit before tax.

	Group	
	2014 $'000	**2013 $'000**
United States Dollar:		
- strengthened 5%	**797**	848
- weakened 5%	**(797)**	(848)
Renminbi:		
- strengthened 5%	**44**	79
- weakened 5%	**(44)**	(79)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities. As at the end of the reporting period, the Group and Company has stand-by credit facilities amounting to $31.5 million (2013: $31.5 million).

The Group manages its liquidity risk by monitoring its net operating cash flow and maintains an adequate amount of committed credit facilities from financial institutions. The Group assesses the concentration risk with respect to refinancing its debt and concluded it to be low.

Analysis of financial instruments by remaining contractual maturities

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

	1 year or less $'000	Over 1 to 5 years $'000	Over 5 years $'000	Total $'000
Group				
2014				
Financial assets				
Trade receivables (excluding sales tax receivables)	5,346	–	–	5,346
Other receivables	147	–	–	147
Loan to associate	25	–	–	25
Cash and cash equivalents	22,678	–	–	22,678
Total undiscounted financial assets	28,196	–	–	28,196
Financial liabilities				
Trade payables	(2,864)	–	–	(2,864)
Other payables	(3,299)	–	–	(3,299)
Term loans	(570)	(2,025)	(2,534)	(5,129)
Total undiscounted financial liabilities	(6,733)	(2,025)	(2,534)	(11,292)
Total net undiscounted financial assets/(liabilities)	21,463	(2,025)	(2,534)	16,904

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

	1 year or less $'000	Over 1 year $'000	Total $'000
Group			
2013			
Financial assets			
Trade receivables (excluding sales tax receivables)	4,333	–	4,333
Other receivables	358	–	358
Loan to associate	329	–	329
Cash and cash equivalents	25,134	–	25,134
Total undiscounted financial assets	30,154	–	30,154
Financial liabilities			
Trade payables	(1,221)	–	(1,221)
Other payables	(2,207)	–	(2,207)
Finance leases	(271)	–	(271)
Term loans	(1,598)	(672)	(2,270)
Total undiscounted financial liabilities	(5,297)	(672)	(5,969)
Total net undiscounted financial assets/(liabilities)	24,857	(672)	24,185

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) Liquidity risk (cont'd)

	1 year or less $'000	Over 1 year $'000	Total $'000
Company			
2014			
Financial assets			
Trade receivables (excluding sales tax receivables)	**4,049**	**–**	**4,049**
Other receivables	**69**	**–**	**69**
Loan to associate	**6**	**–**	**6**
Loan to subsidiaries	**2,230**	**–**	**2,230**
Cash and cash equivalents	**21,089**	**–**	**21,089**
Total undiscounted financial assets	**27,443**	**–**	**27,443**
Financial liabilities			
Trade payables	**(2,210)**	**–**	**(2,210)**
Other payables	**(1,311)**	**–**	**(1,311)**
Amounts due to subsidiaries	**(517)**		**(517)**
Total undiscounted financial liabilities	**(4,038)**	**–**	**(4,038)**
Total net undiscounted financial assets	**23,405**	**–**	**23,405**
2013			
Financial assets			
Trade receivables (excluding sales tax receivables)	2,753	–	2,753
Other receivables	47	–	47
Loan to associate	6	–	6
Loan to subsidiaries	3,444	–	3,444
Cash and cash equivalents	23,554	–	23,554
Total undiscounted financial assets	29,804	–	29,804
Financial liabilities			
Trade payables	(482)	–	(482)
Other payables	(1,507)	–	(1,507)
Finance leases	(271)	–	(271)
Term loans	(231)	–	(231)
Amounts due to subsidiaries	(561)		(561)
Total undiscounted financial liabilities	(3,052)	–	(3,052)
Total net undiscounted financial assets	26,752	–	26,752

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(c) *Liquidity risk (cont'd)*

The table below shows the contractual expiry by maturity of the Group and Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	1 year or less $'000	Over 1 to 5 years $'000	Over 5 years $'000	Total $'000
Group				
2014				
Banker's guarantee	**200**	**–**	**–**	**200**
2013				
Banker's guarantee	244	–	244	244
Company				
2014				
Corporate guarantees	**478**	**1,754**	**2,374**	**4,606**
2013				
Corporate guarantees	1,332	672	–	2,004

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

31. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONT'D)

(d) *Interest rate risk*

Interest rate risk is the risk that changes in interest rates will have an adverse financial effect on the Group's financial results. The Group's exposure to interest rate risk arises primary from its finance leases, term loans and cash surpluses.

Interest rate risk is managed by the Group on an on-going basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

Sensitivity analysis for interest rate risk

At the end of the reporting period, the following table demonstrates the sensitivity to a reasonably possible change in interest rates with all other variables held constant, of the Group's (loss)/profit before tax:

	Group	
	Increase/ decrease in basis points	**Effect on profit before tax increase/ (decrease) $'000**
2014		
Singapore Dollar	**+15**	**6,909**
Singapore Dollar	**-15**	**6,909**
2013		
Singapore Dollar	+15	3,350
Singapore Dollar	-15	3,350

32. FAIR VALUE OF FINANCIAL INSTRUMENTS

Financial instruments whose carrying amount approximates fair value

Management has determined that the carrying amounts of cash and short-term deposits, current trade and other receivables, loan receivable, loan to subsidiaries, current trade and other payables, amounts due to subsidiary, finance leases and term loans reasonably approximate their fair values because these are mostly short-term in nature or are repriced frequently to market interest rates.

The fair value of finance leases is estimated by discounting expected future cash flows at rates determined in the lease arrangements at the end of the reporting period. Information regarding finance leases is disclosed in Note 28.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

33. FAIR VALUE OF ASSETS AND LIABILITIES

(a) *Fair value hierarchy*

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

Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

Level 2 – Inputs other that quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

Level 3 – Unobservable inputs for the asset or liability.

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

(b) *Assets measured at fair value*

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

		Fair value measurements at the end of the reporting period using significant unobservable inputs (Level 3)	
	Note	**2014 $'000**	**2013 $'000**
Group			
Assets measured at fair value			
Non-financial asset:			
Property, plant and equipment			
– Buildings and improvements	11	**5,647**	5,851
Non-financial asset as at 31 December		**5,647**	5,851

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

33. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(c) Level 3 fair value measurements

(i) Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3)

Description	Fair value at 31 December 2014	Fair value at 31 December 2013	Valuation techniques
Recurring fair value measurements			
Property, plant and equipment:			
Buildings and improvements	**5,647**	5,851	Market comparable approach

For buildings and improvements, a significant increase (decrease) in yield adjustments based on management's assumptions would result in a significantly higher (lower) fair value measurement.

(ii) Movements in Level 3 asset measured at fair value

The reconciliation for non-financial assets measured at fair value based on significant unobservable inputs (Level 3) is as disclosed in Note 11.

(iii) Valuation policies and procedures

The management oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures as described in Note 2.7. In this regard, the management reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and FRS 113 *fair value measurement guidance* to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions that are relevant to the valuation if such information are reasonably available.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2014

(IN SINGAPORE DOLLARS)

33. FAIR VALUE OF ASSETS AND LIABILITIES (CONT'D)

(c) Level 3 fair value measurements (cont'd)

(iii) Valuation policies and procedures (cont'd)

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The management documents and reports its analysis and results of the external valuations to the Audit Committee in the financial year that valuation is carried out. The Audit Committee performs a high-level independent review of the valuation process and results and recommends if any revisions need to be made before presenting the results to the Board of Directors for approval.

34. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to safeguard the Group's ability to continue as a going concern, so that it continues to provide returns for shareholders and benefits for other stakeholders.

The Group aims to obtain an optimal capital structure by balancing capital efficiency and financial flexibility. The Group manages the capital structure in the light of changes in economic conditions and the risk characteristics of the underlying assets. In order to adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or raise funds through debt market.

35. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 15 January 2015, the Group completed the issue and allotment of 20,000,000 Placement Shares at an issue price of $0.13 for each Placement Shares. No treasury shares were re-issued for the period ended 31 December 2014.

On 13 March 2015, the Group announced a proposed share consolidation to consolidate every ten existing shares to one. The share consolidation would facilitate the Group's ability to satisfy the prospective continuing listing requirement to be imposed by the SGX-ST for issuers listed on the SGX Mainboard to have a minimum trading price per share of $0.20. This proposed share consolidation will be subjected to shareholders' approval by way of an ordinary resolution at an extraordinary general meeting subsequent to the issuance of the financial statements.

36. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 31 March 2015.

STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2015

Issued and fully paid-up capital	-	S$ 49,007,558*
Total number of shares	-	281,196,667
Total number of Shares excluding Treasury Shares	-	271,196,667
Treasury Shares	-	10,000,000
Class of Shares	-	Ordinary
Voting Rights (excluding treasury shares)	-	One Vote Per Share

* Net of direct share issuance costs

DISTRIBUTION OF SHAREHOLDINGS

Size of shareholdings	No. of shareholders	%	No. of shares	%
1 - 99	2	0.12	78	0.00
100 - 1,000	116	7.06	114,357	0.04
1,001 - 10,000	429	26.13	2,765,000	1.02
10,001 - 1,000,000	1,065	64.86	81,983,228	30.23
1,000,001 AND ABOVE	30	1.83	186,334,004	68.71
TOTAL	**1,642**	**100.00**	**271,196,667**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares	%
1	LAUW & SONS HOLDINGS PTE LTD	41,479,235	15.29
2	TREADSTONE HOLDINGS PTE LTD	28,092,079	10.36
3	DB NOMINEES (SINGAPORE) PTE LTD	20,000,000	7.37
4	DBS NOMINEES (PRIVATE) LIMITED	19,614,690	7.23
5	RAFFLES NOMINEES (PTE) LIMITED	13,585,000	5.01
6	CIMB SECURITIES (SINGAPORE) PTE. LTD.	5,555,000	2.05
7	CHEW PECK KHOON	5,428,000	2.00
8	HONG LEONG FINANCE NOMINEES PTE LTD	5,165,000	1.90
9	UOB KAY HIAN PRIVATE LIMITED	4,271,000	1.57
10	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	3,970,000	1.46
11	HO KEE	3,814,000	1.41
12	THAM MUN CHEE	3,765,000	1.39
13	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	3,460,000	1.28
14	TAN CHU EN IAN	3,200,000	1.18
15	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,540,000	0.94
16	MAYBANK KIM ENG SECURITIES PTE. LTD.	2,078,000	0.77
17	LEW WING KIT	2,038,000	0.75
18	HUASHIN INVESTMENTS PTE LTD	1,849,000	0.68
19	OCBC SECURITIES PRIVATE LIMITED	1,833,000	0.68
20	MCCALLUM JOHN CHARLES	1,800,000	0.66
	TOTAL	**173,537,004**	**63.98**

STATISTICS OF SHAREHOLDINGS

AS AT 20 MARCH 2015

SUBSTANTIAL SHAREHOLDERS

Name of Substantial Shareholders	Direct Interest	Deemed Interest
Tan Chu En Ian [1]	3,200,000	37,092,079
Sinta Muchtar [1] [2]	-	81,771,314
Lauw & Sons Holdings Pte Ltd	41,479,235	-
Treadstone Holdings Pte Ltd [3]	28,092,079	9,000,000

Notes

(1) Tan Chu En Ian and Sinta Muchtar are spouses. Tan Chu En Ian and Sinta Muchtar each owns 50% of the issued share capital of Treadstone Holdings Pte. Ltd. They are therefore deemed to be interested in Treadstone Holdings Pte Ltd's shareholdings in the Company.

(2) Ms. Sinta Muchtar owns 12.5% of the issued share capital of Lauw & Sons Holdings Pte Ltd. She is deemed to have an interest in the 41,479,235 shares owned by Lauw & Sons Pte Ltd, and the 3,200,000 shares owned by her spouse, Mr Tan Chu En Ian.

(3) 9,000,000 shares owned by Treadstone Holdings Pte Ltd are held through a nominee.

PUBLIC FLOAT

Based on information available to the Company as at 20 March 2015, approximately 69.70% of the total number of issued shares of the Company is held in the hands of public, and therefore, Rule 723 of the Listing Manual of the Singapore Exchange Securities Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

AEI CORPORATION LTD. • (INCORPORATED IN THE REPUBLIC OF SINGAPORE) • CO. REGISTRATION NO. 198300506G

NOTICE IS HEREBY GIVEN that the Annual General Meeting of AEI Corporation Ltd., will be held at 12 Penjuru Lane, Jurong Town Industrial Estate, Singapore 609192 on Monday, 27 April 2015 at 9:00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

1. To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2014 and the Reports of the Directors and Auditors thereon. **(Resolution 1)**

2. To approve the Directors' fees of S$211,500 (2013: S$235,000) for the financial year ended 31 December 2014. **(Resolution 2)**

3. To re-elect Ms Sinta Muchtar, a Director retiring under Article 104 of Articles of Association of the Company. **(Resolution 3)**

4. To re-appoint Dr Vasoo Sushilan, a Director retiring under Section 153(6) of the Companies Act (Cap. 50), to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company. **(Resolution 4)**

   Dr Vasoo Sushilan will, upon re-appointment as Director of the Company, remain as a member of the Audit Committee. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited. He will also remain as the Chairman of the Remuneration Committee and a member of the Nominating Committee.

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

NOTICE OF ANNUAL GENERAL MEETING

AEI CORPORATION LTD. • (INCORPORATED IN THE REPUBLIC OF SINGAPORE) • CO. REGISTRATION NO. 198300506G

AS SPECIAL BUSINESS

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

6. **Authority to issue and allot shares**

“(a) That pursuant to Section 161 of the Companies Act, Cap. 50, and the Listing Manual of the Singapore Exchange Securities Trading Limited (“SGX-ST”), approval be and is hereby given to the Directors of the Company at any time to such persons and upon such terms and for such purposes as the Directors may in their absolute discretion deem fit, to:

(i) issue shares in the capital of the Company whether by way of rights, bonus or otherwise;

(ii) make or grant offers, agreements or options that might or would require shares to be issued or other transferable rights to subscribe for or purchase shares (collectively, “**Instruments**”) including but not limited to the creation and issue of warrants, debentures or other instruments convertible into shares;

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues; and

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

(i) the aggregate number of shares to be issued pursuant to this Resolution (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed 50% of the total number of issued shares (excluding treasury shares), of which the aggregate number of shares (including shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed 20% of the total number of issued shares (excluding treasury shares), and for the purpose of this Resolution, the total number of issued shares (excluding treasury shares) shall be the Company’s total number of issued shares (excluding treasury shares) at the time this Resolution is passed, after adjusting for:

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

(B) new shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

(C) any subsequent bonus issue, consolidation or subdivision of the Company’s shares; and

(ii) such authority shall, unless revoked or varied by the Company at a general meeting, continue in force until the conclusion of the next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.”

(Resolution 6)
(See Explanatory Note 1)

NOTICE OF ANNUAL GENERAL MEETING

AEI CORPORATION LTD. • (INCORPORATED IN THE REPUBLIC OF SINGAPORE) • CO. REGISTRATION NO. 198300506G

7. **Authority to grant awards and issue shares under the Performance Share Plan**

That approval be and is hereby given to the directors to grant awards in accordance with the provisions of the Performance Share Plan (the "**Share Plan**") and to allot and issue from time to time such number of fully paid-up shares in the capital of the Company as may be required to be allotted and issued pursuant to the vesting of awards under the Share Plan, provided that the aggregate number of new shares to be allotted and issued when added on to the shares issued and issuable in respect of all awards granted pursuant to the Share Plan, shall not exceed fifteen per centum (15%) of the total number of issued and paid-up shares (excluding treasury shares) in the capital of the Company on the day preceding the date on which the award shall be granted, 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.

(Resolution 7)
(See Explanatory Note 2)

8. **Renewal of the Share Buy-Back Mandate**

"(a) That for the purposes of Sections 76C and 76E of the Companies Act, the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued Shares each fully paid up not exceeding in aggregate the Maximum Limit (as hereafter defined), at such price or prices as may be determined by the Directors of the Company from time to time up to the Maximum Price (as hereafter defined), whether by way of:

(i) on-market purchase(s) ("**On-Market Purchases**") transacted through the SGX-ST or on another stock exchange on which the Shares are listed (as defined in Section 76E of the Companies Act); and/or

(ii) off-market purchase(s) ("**Off-Market Purchases**") effected pursuant to an equal access scheme (as defined in Section 76C of the Companies Act) as may be determined or formulated by the Directors as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Companies Act and the Listing Manual of the SGX-ST,

otherwise in accordance with all laws and regulations and rules of the SGX-ST as may for the time being be applicable, be and is hereby authorised and approved generally and unconditionally (the "**Share Buy-Back Mandate**").

(b) The authority conferred on the Directors pursuant to the Share Buy-Back Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of this Resolution and expiring on the earliest 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 authority contained in the renewed Share Buy-Back Mandate is varied or revoked by ordinary resolution of the Company in general meeting; or

(iii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buy-Back Mandate are carried out to the full extent mandated.

NOTICE OF ANNUAL GENERAL MEETING

AEI CORPORATION LTD. • (INCORPORATED IN THE REPUBLIC OF SINGAPORE) • CO. REGISTRATION NO. 198300506G

(c) In this Resolution:

"**Maximum Limit**" means that number of issued Shares representing 10% of the issued ordinary shares of the Company as at the date of the passing of this Resolution (excluding any treasury shares which may be held by the Company from time to time); and

"**Maximum Price**" means that the purchase price (excluding brokerage, stamp duties, applicable goods and services tax and other related expenses) to be paid for a Share in the event of any Share Buy-Back shall be determined by the Directors, but in any event, shall not exceed the maximum price, which:

(i) in the case of an On-Market Purchase, shall mean the price per Share based on not more than five per cent (5%) above the average of the closing market prices of the Shares over the last five (5) Market Days on the SGX-ST, on which transactions in the Shares were recorded immediately preceding the day of the On-Market Purchase and deemed to be adjusted for any corporate action occurring after such 5-market day period; and

(ii) in the case of an Off-Market Purchase, shall mean the price per Share based on not more than 20% above the average of the closing market prices of the Shares over the last five (5) Market Days on the SGX-ST, on which transactions in the Shares were recorded immediately preceding the day on which the Company makes an announcement of an offer under an equal access scheme.

(d) The Directors and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required) as they and/or he may consider expedient, incidental, necessary or in the interests of the Company to give effect to the transactions contemplated and/or authorised by this Resolution."

(Resolution 8)
(See Explanatory Note 3)

ANY OTHER BUSINESS

9. To transact any other business that may normally be dealt with at an Annual General Meeting.

By Order of the Board

Ngiam Zee Moey
Foo Soon Soo
Company Secretaries

Singapore, 10 April 2015

NOTICE OF ANNUAL GENERAL MEETING

AEI CORPORATION LTD. • (INCORPORATED IN THE REPUBLIC OF SINGAPORE) • CO. REGISTRATION NO. 198300506G

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:-

1. Resolution 6, if passed, will empower the Directors of the Company from the date of the above Meeting until the next Annual General Meeting to issue shares and convertible securities in the Company up to an amount not exceeding in aggregate 50% of the total number of issued shares (excluding treasury shares) of the Company of which the total number of convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed 20% of the total number of issued shares (excluding treasury shares) of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. The total number of issued shares (excluding treasury shares) of the Company for this purpose shall be the total number of issued shares (excluding treasury shares) at the time this Resolution is passed (after adjusting for new shares arising from the conversion or exercise of convertible securities or share options which are outstanding or subsisting at the time this Resolution is passed and any subsequent bonus issues, consolidation or subdivision of the Company's shares). This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

2. Resolution 7, if passed, will empower the Directors effective until the conclusion of the next Annual General Meeting of the Company is required by law or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to offer and grant awards under the Share Plan which was approved at the extraordinary general meeting of the Company held on 28 April 2014, and to allot and issue shares in the capital of the Company pursuant to the Share Plan, provided that the aggregate number of shares issued and to be issued under the Share Plan when added on to the shares issued and issuable in respect of all awards granted under the Share Plan, does not exceed 15% of the total number of issued shares excluding treasury shares in the capital of the Company on the day preceding the date on which the award shall be granted.

3. Resolution 8, if passed, will renew the Share Buy-Back Mandate and will authorise the Company to purchase or otherwise acquire Shares on the terms and subject to the conditions of the resolution. The rationale for, the authority and limitation on, the sources of funds to be used and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buy-Back Mandate based on the audited accounts of the Company and the Group for the financial year ended 31 December 2014 are set out in greater detail in the Appendix enclosed together with the Annual Report.

NOTES:

1. A member of the Company entitled to attend and vote at the above meeting may appoint no more than two proxies to attend and vote on his behalf and such proxy need not be a member of the Company. Where a member appoints more than one proxy, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.

2. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorized officer or attorney.

3. The instrument appointing a proxy, together with the power of attorney (if any) under which it is signed or a notarially certified or office copy thereof must be deposited at the registered office of the Company at 12 Penjuru Lane, Jurong Town Industrial Estate, Singapore 609192 not later than 48 hours before the time appointed for the Annual General Meeting.

NOTICE OF ANNUAL GENERAL MEETING

AEI CORPORATION LTD. • (INCORPORATED IN THE REPUBLIC OF SINGAPORE) • CO. REGISTRATION NO. 198300506G

PERSONAL DATA PRIVACY:

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

AEI CORPORATION LTD.

(Incorporated in the Republic of Singapore)
Co. Registration No. 198300506G

ANNUAL GENERAL MEETING
PROXY FORM

IMPORTANT

1. For investors who have used their CPF monies to buy AEI CORPORATION LTD. shares, the Annual Report is forwarded to them at the request of their CPF Approved Nominees, and is sent solely FOR INFORMATION ONLY.
2. This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Annual General Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ____ (Name)

of ____ (Address)

being *a member/members of AEI CORPORATION LTD. (the "**Company**"), hereby appoint

Name	Address	NRIC / Passport No.	Proportion of shareholdings to be represented by proxy (%)	
			No. of Shares	%

*and/or

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

or failing him/her/them*, the Chairman of the Annual General Meeting as *my/our *proxy/proxies, to vote for *me/us on *my/our behalf and, if necessary, to demand a poll at the Annual General Meeting of the Company to be held at 12 Penjuru Lane, Jurong Town Industrial, Singapore 609192 on Monday, 27 April 2015 at 9:00 a m. and at any adjournment thereof.

*I/We direct *my/our *proxy/proxies to vote for or against the Ordinary Resolutions to be proposed at the Annual General Meeting as indicated with an "√ " in the spaces provided hereunder. If no specified directions as to voting are 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/their discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No	Ordinary Resolutions	For	Against
1.	To receive and adopt the Audited Financial Statements for the financial year ended 31 December 2014 and the Reports of the Directors and Auditors thereon.		
2.	To approve the Directors' fees of S$211,500 (2013: S$235,000) for the financial year ended 31 December 2014.		
3.	To re-elect Ms Sinta Muchtar, a Director retiring under Article 104 of the Articles of Association of the Company.		
4.	To re-appoint Dr Vasoo Sushilan, a Director retiring under Section 153(6) of the Companies Act, Cap. 50.		
5.	To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
6.	To authorise Directors to issue and allot shares pursuant to Section 161 of the Companies Act, Chapter 50.		
7.	To authorise the grant of awards and issue shares under the renewal of the Performance Share Plan.		
8.	To approve the renewal of the Share Buy-Back Mandate.		
9.	To transact any other business that may normally be dealt with at an Annual General Meeting.		

Dated this ______________ day of ______________ 2015.

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

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

IMPORTANT: PLEASE READ NOTES BEFORE COMPLETING THIS PROXY FORM

NOTES:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his stead. Such proxy need not be a member of the Company.
2. Where a member of the Company appoints two proxies, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy. If no percentage is specified, the first named proxy shall be deemed to represent 100 per cent of the shareholding and the second named proxy shall be deemed to be on alternate the first named or at the Company's option to treat the instrument of proxy as invalid.
3. This instrument appointing a proxy or proxies must be under the hand of the appointor or his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed under its common seal or under the hand of its attorney duly authorised in writing or a duly authorised officer of the corporation. 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.
4. A corporation which is a member of the Company may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Annual General Meeting, in accordance with its Articles of Association and Section 179 of the Companies Act, Chapter 50 of Singapore.
5. The instrument appointing proxy or proxies, together with the power of attorney or other authority (if any) under which it is signed, or notarially certified copy thereof, must be deposited at the registered office of the Company at 12 Penjuru Lane, Jurong Town Industrial Estate, Singapore 609192 not later than 48 hours before the time set for the Annual General Meeting.
6. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), he should insert that number of shares. If the member has shares registered in his name in the Register of Members of the Company, he should insert the number of shares. If the member has shares entered against his name in the Depository Register and shares registered in his name in the Register of Members of the Company, he should insert the aggregate number of shares. If no number of shares is inserted, this form of proxy will be deemed to relate to all the shares held by the member of the Company.
7. 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 members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register 48 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
8. A Depositor shall not be regarded as a member of the Company entitled to attend the Annual General Meeting and to speak and vote thereat unless his name appears on the Depository Register 48 hours before the time set for the Annual General Meeting.
9. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Annual General Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the Annual General 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 Annual General Meeting.
10. Any alteration made to this proxy form must be initialed by the person who signs it.

Fold here

Affix
Postage
Stamp

The Company Secretary
AEI CORPORATION LTD.
12 Penjuru Lane
Jurong Town Industrial Estate
Singapore 609192

Fold along this line and glue overleaf

CORPORATE INFORMATION

DIRECTORS
Yeung Koon Sang alias David Yeung
Tan Chu En Ian
Sinta Muchtar
Dr Vasoo Sushilan
Teng Cheong Kwee

SECRETARIES
Foo Soon Soo
Ngiam Zee Moey

REGISTERED OFFICE
12 Penjuru Lane
Jurong Town Industrial Estate
Singapore 609192
Tel: (65) 6261 2244
Fax: (65) 6264 0080
Email: aei@aei.com.sg
Website: www.aei.com.sg

AUDITORS
Ernst & Young LLP
Lim Tze Yuen
Audit Partner
(Appointed since financial year
ended 31 December 2012)

SHARE REGISTRAR AND SHARE TRANSFER OFFICE
Boardroom Corporate &
Advisory Services Pte. Ltd.
50 Raffles Place #32-01
Singapore Land Tower
Singapore 048623

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AEI Corporation Ltd.
(Incorporated in the Republic of Singapore)
Registration No. 198300506G

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