our competitive edge

innovation, focus, teamwork

AEI CORPORATION LTD.
Annual Report 2015

CONTENTS

our competitive edge

innovation
focus
teamwork

our relentless pursuit

innovation

Our quality is excellent. Our track record is proven. Our passion to innovate, relentless. This unquenchable thirst that drives us on and fires our enthusiasm everyday enables us to mould the material needs of tomorrow, today.

our disciplined approach

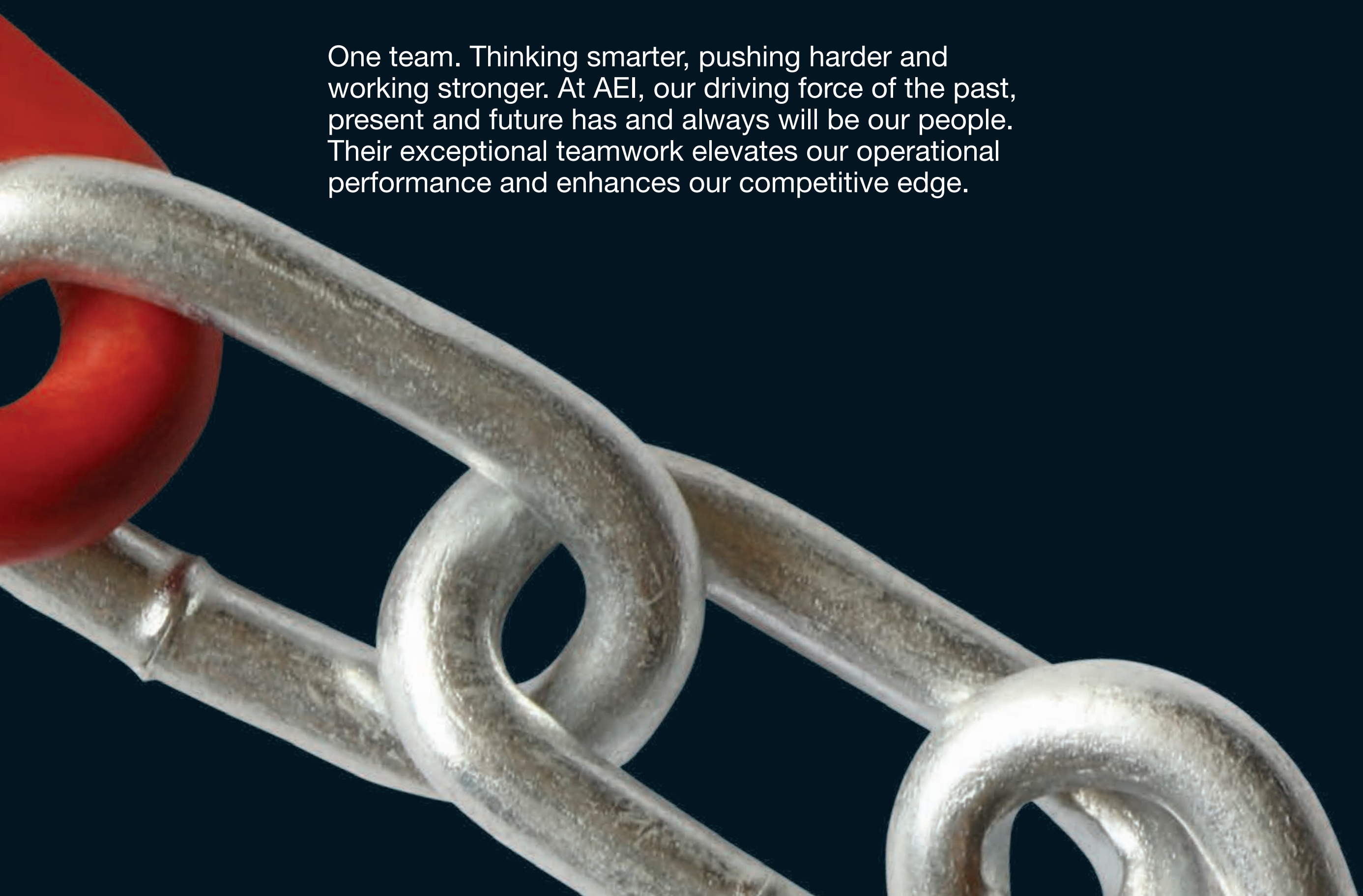
focus

A singular word aptly describes our approach to attaining our goals and targets… focus. It provides us with the agility to adapt to market trends - giving us the momentum to deliver value to our partners and shareholders.

our driving force

teamwork

One team. Thinking smarter, pushing harder and working stronger. At AEI, our driving force of the past, present and future has and always will be our people. Their exceptional teamwork elevates our operational performance and enhances our competitive edge.



CEO'S MESSAGE

Dear Fellow Shareholders

Global business climate in the year 2015 continued to be challenging, not only for the electronics and personal computer industries, but for many other sectors in the global market as well. Worries of ongoing economic slowdown in China, the world's manufacturing hub for all sorts of products, from consumer products to the latest high-tech electronic products, continued to plaque the global markets. In addition, prospects of rising interest rate in the US posed further uncertainty and volatility to an already nervous world market.

Amid a subdued business year, the Group registered total business turnover of $19.2 million for FY2015 (from continuing operations), 20.2% lower than the previous year. In this financial year, the Group also posted profit before tax of $753,000 (from continuing operations), compared to loss before tax of $5.3 million in the previous year.

You can refer to the Operations Review section of this annual report for a detailed review of the Group's financial results in FY2015.

TAN CHU EN IAN
CHIEF EXECUTIVE OFFICER

Going forward, the Group will continue its approach to improve top line by actively managing its strategic product mix and pricing, at the same time working on enhancing its bottom line through effective operational execution, efficiency improvements and costs controls, in order to achieve optimal contribution to the Company and returns to our shareholders.

The Year 2015 in Summary

In FY2015, global demand for personal computers and hard disk drive products continued its weak trend. Consequently, the Group's core business segment, the Electronic and Precision Engineering segment, faced lower business turnover in FY2015. As of this writing, outlook for the personal computers and hard disk drive industries is expected to remain muted.

In second half of FY2015, the Group was able to get qualified for certain customer programs with more stringent new material specifications which it was not able to take part in last year. We hope to eventually target to bring back some of the lost sales revenue in this customer segment.

The Group intends to continue to invest in strengthening our capability as well as human resource development, in order to position ourselves as a leading player, so that we will be in the best position for the recovery of this key industry which continues to play an important role in this age of social media and connectivity. AEI will continue to provide our customers with the best quality product offering that meets the future of their material needs.

Completion of Share Consolidation Exercise

In April 2015, the Group received approval from SGX for the consolidation of every 10 existing issued ordinary shares in the capital of the Group into 1 ordinary share. The share consolidation exercise was completed and effective 11 May 2015.

Completion of Business Transfer Agreement to AEI Corporation (Singapore) Pte. Ltd. / Increase of Issued and Paid Up Capital in AEI (Singapore) Pte. Ltd.

The Group also completed a sale and transfer agreement of its extrusion business and assets of AEI Corporation Ltd. to AEI Corporation (Singapore) Pte. Ltd. (AEICS), a wholly owned subsidiary of the Group in October 2015, by issuance of 16,346,581 fully paid ordinary shares by AEICS of $1 each to the Group.

At the same time, the Group further increased its investment in AEICS by subscribing for an additional 3,653,417 shares of $1 each in its share capital, paid fully in cash.

The transfer represents an internal restructuring involving transfer of business, assets and property from the Group to wholly-owned subsidiaries, and is expected to present the Group with a more efficient corporate structure, by creating distinct business units, each with its distinct business focus within the Group.

Divestment of Our Regional Business – Form Tecknik Shanghai Co., Ltd.

Form Tecknik (Shanghai) Co., Ltd. (FTS), a former subsidiary of the Group in China, produced precision forged metal components for the automotive and industrial sectors.

The Group had on 2 February 2016 completed the sales and purchase agreement to divest all shareholding interest in FTS, having earlier entered into the agreement with Lik Sang Industrial Company Limited back in December 2015.

Total consideration for the transaction was RMB 3,000,000 which was arrived at after negotiation between the Group and the purchaser, fully settled by payment in cash.

The automotive industry in China continues to be challenging. At the same time, as with many other Chinese business sectors, FTS faced headwind in the midst of slowdown in China's economy, while at the same time rising operating and labour costs. The divestment represented part of the Group's plan to reduce underperforming assets.

New Manufacturing Site

The development of the Group's new factory at Tuas South Street 13 is ongoing, and is expected to complete later this year. Preparation is now underway for the relocation of our main extrusion operation. The Group is actively managing all efforts involved in the moving of plant machinery, equipment and office. We are making all necessary arrangements to minimize disruptions to daily business and production downtime.

Going forward

The manufacturing environment in Singapore remains challenging, with continuing tight control on labour market, as well as high operating costs.

The global economy and industries are expected to continue to face fresh challenges and uncertainties in the year 2016.

Energy prices continued to see volatility as we entered the first quarter of 2016, as the world continues to grapple with historical demand and supply situation and inventory levels, amidst political maneuvering.

Aluminium prices and processing premium have eased to some extent in line with broad retreat in commodities market, after elevating to record high levels in 2014. They will continue to be a factor to be monitored and managed carefully. Ongoing volatility may have an impact on the Group's profitability.

The HDD industry may not be expected to see sharp growth this year, however it still presents the Group with attractive business prospects, given its high volume as it remains the favourable and lowest cost medium of storage for both personal and enterprise storage needs.

I am confident that the Group's strong and experienced Board and Management will continue to help the Group remain resilient, and do a good job in leading the Group through the challenges ahead.

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, Citi Envirotech Limited (formerly known as 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 27 April 2015. 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 27 April 2015. 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, First Resources Limited and AVIC International Maritime Holdings Limited.

OPERATIONS REVIEW

Recap of Financial Year ended 31 December 2015

The Group's main customer segment, i.e. the Electronics & Precision Engineering segment, saw decrease in business turnover in the financial year ended 31 December 2015, following continued weak worldwide demand for personal computer and hard disk drive products, as well as more intensified price competition from overseas extrusion manufacturers.

For FY2015, the Group registered total business turnover of $19.2 million (from continuing operations), a decrease of 20.2% compared to $24.1 million reported in the previous year. For the same financial year, the Group also achieved lower gross profit of $0.1 million, compared with $2.2 million achieved in the previous year. The decrease was mainly caused by the Group writing down its inventories by $2.0 million (FY2014: $0.1 million) to net realizable value as a result of decline in aluminium price and its premium during the period.

As a whole, at the pre-tax level, the Group's continuing operations reported a profit of $0.8 million, compared with a loss of $5.3 million over the same period in FY2014. After taking into account income tax and non-controlling interests and other comprehensive income, net income attributable to shareholders in FY2015 was $0.9 million.

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

(i) Other operating income increased by 28.8% to $5.1 million, compared to $4.0 million in FY2014. The increase was mainly due to the write-back of accrual for China operation which was no longer needed following the disposal of a China subsidiary. Other operating income also include proceeds from sale of production scrap and foreign exchange gain.

(ii) There was no other operating expenses recorded in FY2015. Other operating expenses of $5.2 million were recognized in FY2014 due to impairment of investment in associate as well as accrual of expenses for the Group's China operation.

(iii) Share of loss of associated company for FY2015 was $0.2 million, compared with share of loss of $1.3 million in FY2014. The higher share of loss in FY2014 was mainly due to the provision for impairment made by the 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 hygiene 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 19.8% to $17.8 million for the year ended 31 December 2015, compared with $22.2 million for the previous year. This main customer segment continued to face slowdown in global personal computer demand and lower customer order level during the financial year. For the most of first half of the financial year, the Group was not able to participate in certain end customer programs which required more stringent material specifications. The Group was subsequently qualified to supply certain of these customer programs in the second half of the financial year after meeting the specifications. Segment result decreased as a result of lower sales contribution.

Construction & Infrastructure

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

Revenue from this customer segment decreased by 24.8% to $1.4 million during the year, compared with $1.9 million for the previous year.

Segment result decreased as a result of lower sales and lower contribution margin amid ongoing price competition faced in this customer segment.

Others Segment

Revenue from this segment relates to service fee income from associated company. Segment profit for FY2015 relates to write back on accrual of expenses for a China operation. Segment loss in FY2014 relates to impairment on associate.

Discontinued Operation

This segment previously consisted of the Group's China subsidiary which was in the business of producing forged metal components.

The Group had on 16 December announced that its subsidiary had entered into a sale and purchase agreement to dispose an indirect subsidiary. The agreement for the proposed disposal, as subsequently announced by the Group on 15 February 2016, had been completed on 2 February 2016.

Aluminium Price

LME Aluminium price started the year at the level of US$1,821.50, and went on to reach the highest price point for the year at $1,919.00 on 1 May, before going on a downtrend to close the year at US$1,507.50 on 31 December 2015.

Premiums charged by our suppliers for conversion of aluminium to billet also dropped in the second half of FY2015 in line with weaker market condition and lower energy prices.

Ongoing 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 recommends workable and sustainable 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 various Board's 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.

To facilitate operational and management efficiency, the Board has delegated certain of its powers and authority to the Management. Subject to such delegation of authority, certain matters, such as major acquisitions, investments and disposals, and funding decisions require the approval of 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 for the Board's approval:

- half-yearly and year-end results announcement;
- annual operating plan and budget;
- annual reports and accounts;
- strategic policies of the Group;
- share issuances, 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 matters and funding.

The table below sets out the number of Board and Board Committee meetings which were convened during FY2015:

	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*	1*	1*
Ms Sinta Muchtar	2	2*	1*	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 and convened discussions when needed.

Orientation, briefings, updates and trainings for Directors

No new Director was appointed to the Board in FY2015. 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.

STATEMENT OF CORPORATE GOVERNANCE

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 to Directors in FY2015 include:

- At every AC meeting, the external auditors briefed the AC members on developments in accounting and governance standards.
- The Board was briefed on changes to the Singapore Exchange Securities Trading Limited ("SGX-ST") Listing Manual ("Listing Manual"), the Code of Corporate Governance and relevant legislation, including the Companies Act 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 aspects of the 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, and core competencies such as finance and accounting, business management, industry knowledge and strategic planning. On an annual basis, the Nominating Committee ("**NC**") 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 2015

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 on 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 continues 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 assessed 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 to maintain their independence.

Details of the Board members' qualifications and experience are presented under the profile of the Board of Directors in the annual report.

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 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 and to make informed judgment on matters tabled before the Board. 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.

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. 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.

STATEMENT OF CORPORATE GOVERNANCE

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 reviewing multiple board representations of directors ;
(e) review the training and professional development programs for directors;
(f) 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.

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 Constitution of the Company requires one-third of the Board to retire from office at the 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 Mr David Yeung and Mr Tan Chu En Ian who will retire by rotation pursuant to Article 104 of the Constitution of the Company, and the re-appointment of Dr Vasoo Sushilan, an independent Director, who will retire pursuant to Section 153(6) of the Companies Act which was in force immediately preceding 3 January 2016, at the forthcoming AGM. In making recommendation for the nomination of these Directors, the NC has taken into consideration these Directors' contribution and performance. Dr Vasoo and Mr Yeung, who are NC members, had abstained from making any recommendation and/or participating in any deliberation of the NC in respect of the assessment of their own performance and re-appointment as a Director. The Board has accepted the NC's recommendation to nominate Mr Yeung, Mr Tan and Dr Vasoo for re-election/re-appointment as Directors. Mr Yeung, Mr Tan and Dr Vasoo has each abstained from the Board's deliberation in respect of his nomination for re-election.

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 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 commitment of time, attention and diligence required from each director in the discharge of their duties as a director of the Board.

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 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. This process entailed 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 compiled the evaluation into a consolidated report which was submitted to the NC. The NC, with the participation of the Executive Directors reviewed and discussed the results of the evaluation of Board and Committee performance, as well as individual director's self-assessment. 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 further information and details 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 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 its 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 Directors 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.

STATEMENT OF CORPORATE GOVERNANCE

Directors' Fees

The RC has reviewed the fee structure for directors taking into account their responsibilities and work commitments. The proposed directors fee for Financial Year 2015 will be subject to shareholders' approval at the Company's forthcoming annual general meeting.

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 FY2015 is as follows:

	Fee	Salary	Bonus	Other benefits	Total
	%	%	%	%	%
$500,000 to $750,000					
Mr Tan Chu En Ian (also CEO)	7.37	80.26	12.37	0.00	100.00
Ms Sinta Muchtar	7.60	81.04	11.36	0.00	100.00
Below $250,000					
Mr Yeung Koon Sang @ David Yueng	100.00	0.00	0.00	0.00	100.00
Dr Vasoo Sushilan	100.00	0.00	0.00	0.00	100.00
Mr Teng Cheong Kwee	100.00	0.00	0.00	0.00	100.00

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 2015 are set out in bands of $250,000.

	Fee	Salary	Bonus	Other benefits & allowances	Total
	%	%	%	%	%
$250,000 - $500,000					
Employee 1	0.00	92.77	7.23	0.00	100.00
Below $250,000					
Employee 2	0.00	93.04	6.96	0.00	100.00
Employee 3	0.00	79.43	5.80	14.77	100.00
Employee 4	0.00	79.69	5.70	14.61	100.00
Employee 5	0.00	92.19	7.81	0.00	100.00

The aggregate 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 2015 was $755,982.

Given the keen competition for labour in the industry, coupled with 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 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.

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

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 during FY2015.

STATEMENT OF CORPORATE GOVERNANCE

AEI Performance Share Plan

The Company has adopted the AEI Performance Share Plan ("APSP") which will serve as a means to incentivize staff to achieve higher performance goals and to recognize exceptional achievement as well as to reward, retain and motivate employees. The APSP was approved by the shareholders at the Extraordinary General Meeting held on 28 April 2014. To-date, no shares have been granted to any controlling shareholders and their associates, directors or employees under the APSP.

ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY

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

Undertaking by the Board and Executive Officer on compliance with Listing Manual

The Board is mindful of its obligations to ensure compliance with the Listing Rules of the SGX-ST. The Directors have each signed an undertaking in the form set out in Appendix 7.7 of the Listing Manual to use their best endeavours to comply with the Listing Rules and to procure that the Company shall so comply. The Directors have also procured a similar undertaking by the CFO and in-house Company Secretary in their capacity as Executive Officers.

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.

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, which include:

(a) reviewing 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) reviewing with the internal auditor its internal audit plans and internal audit findings;
(c) reviewing 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) reviewing the internal control and procedures and ensuring co-ordination between the external auditors and the management, reviewing 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) reviewing and discussing 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) considering and recommending the appointment or re-appointment of the external auditors and matters relating to the resignation or dismissal of the auditors;
(g) reviewing interested person transactions falling within the scope of Chapter 9 of the Listing Manual;
(h) reviewing potential conflicts of interest, if any;
(i) undertaking such other reviews and projects as may be requested by the Board and reporting to the Board its findings from time to time on matters arising and requiring the attention of the AC; and
(j) generally undertaking such other functions and duties as may be required by the statute or the 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.

The AC is satisfied that the engagement of Ernst & Young LLP as the external auditors of the Company and of its subsidiaries and of other suitable audit firms for its foreign subsidiaries is in compliance with Rules 712, 715 and 716 of the Listing Manual. 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$179,000 (inclusive of discontinued operations), of which non-audit fees amounted to approximately S$50,000. Having reviewed the range and value of non-audit services performed by the Ernst & Young LLP, the AC was satisfied that the nature and extent of such services would 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 AC shall review the matter and report to the Board on its finding and recommendation on the action to be taken by the Board or by appropriate members of senior management.

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;
(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 Company outsourced internal audit function to Nexia TS Risk Advisory Pte Ltd. The internal auditors report to the Chairman of the AC. The internal auditors' findings on material non-compliance and internal control weaknesses and recommendations, together with management's response on follow up actions to be taken, would be submitted to the AC for review. The focus of the AC would be on the degree of severity of the non-compliance and internal control weakness, if any, the circumstances which led to such occurrence and the steps to be taken to strengthen the Group's internal control systems to prevent a recurrence.

Risks arising from the Group's financial operations are separately discussed in Note 32 to the Financial Statements on pages 88 to 95.

For the financial year ended 31 December 2015, 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 that 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 systems 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, the internal controls established and information maintained by the Group, work performed by the external and internal auditors, the assurances from the CEO and the CFO, and reviews performed by management, various Board committees and the Board, the Audit Committee and the Board are of the opinion that the Group's risk management and internal control systems, including financial, operational, information technology and compliance controls, addressing financial, operational and compliance risks as at 31 December 2015 were adequate and effective.

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 the Company's obligations 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 will have separate resolutions at general meetings on each distinct issue. The Company's Constitution allows a member (other than a relevant intermediary as defined in section 181 of the Companies Act) to appoint one or two proxies to attend and vote at its general meetings. The Companies Act allows relevant intermediaries who include CPF Approved Nominees to appoint multiple proxies, and empower CPF investors to attend and vote at general meetings of the Company as their CPF Approved Nominees' proxies.

All resolutions at the forthcoming AGM would be put to vote by poll. This will allow greater transparency and more equitable participation by shareholders.

STATEMENT OF CORPORATE GOVERNANCE

Dividends

The details of dividend payment, if any, 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.

Name of Interested Person	Aggregate value of all interested person transactions conducted (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transactions less than $100,000)
NIL	NIL	NIL

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

The Company has not entered into any contract during the financial year that involved the interests of the Chief Executive Officer, a Director or the controlling shareholder.

FINANCIAL REVIEW

DIRECTORS' STATEMENT

The directors are pleased to present their statement 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 2015.

OPINION OF THE DIRECTORS

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 financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date, and

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

DIRECTORS

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

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' STATEMENT

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	3,200,000	320,000	37,092,079	3,709,207
Sinta Muchtar	–	–	81,771,314	8,177,130
Yeung Koon Sang alias David Yeung	100,000	10,000	–	–
Dr Vasoo Sushilan	100,000	10,000	–	–
Teng Cheong Kwee	100,000	10,000	–	–

A share consolidation exercise of 10 to 1 ordinary share was conducted and effective from 11 May 2015.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2016.

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' 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.

DIRECTORS' STATEMENT

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

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	**Sinta Muchtar**
Director	Director

Singapore
31 March 2016

INDEPENDENT AUDITOR'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2015
(IN SINGAPORE DOLLARS)

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 34 to 98, which comprise the balance sheets of the Group and the Company as at 31 December 2015, and the statement of changes in equity of the Group and the Company, 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 financial statements and to maintain accountability of assets.

Auditor's Responsibility

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

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

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

Opinion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Ernst & Young LLP
Public Accountants and
Chartered Accountants

Singapore
31 March 2016

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015
(IN SINGAPORE DOLLARS)

	Note	2015 $'000	2014 $'000
Continuing operations			
Revenue	3	**19,199**	24,065
Cost of sales		**(19,152)**	(21,826)
Gross profit		**47**	2,239
Other operating income	4	**5,111**	3,969
Selling and distribution costs		**(631)**	(745)
General and administrative expenses		**(3,716)**	(4,330)
Other operating expenses		**–**	(5,190)
Profit/(loss) from operating activities	5	**811**	(4,057)
Finance cost	6	**(15)**	(24)
Share of results of associate		**(161)**	(1,281)
Finance income	7	**118**	101
Profit/(loss) before tax from continuing operations		**753**	(5,261)
Income tax benefit	8	**278**	17
Profit/(loss) from continuing operations, net of tax		**1,031**	(5,244)
Discontinued operation			
Loss from discontinued operation, net of tax	9	**(147)**	(2,976)
Profit/(loss) for the year		**884**	(8,220)
Other comprehensive income:			
Items that may be reclassified subsequently to profit or loss			
Foreign currency translation		**(85)**	(149)
Share of foreign currency translation of associated company		**78**	73
Other comprehensive income for the year, net of tax		**(7)**	(76)
Total comprehensive income for the year		**877**	(8,296)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2015
(IN SINGAPORE DOLLARS)

	Note	2015 $'000	2014 $'000
Profit/(loss) for the year attributable to:			
Owners of the Company			
Profit/(loss) from continuing operations, net of tax		**1,008**	(5,237)
Loss from discontinued operation, net of tax		**(110)**	(2,656)
		898	(7,893)
Non-controlling interests			
Profit/(loss) from continuing operations, net of tax		**23**	(7)
Loss from discontinued operation, net of tax		**(37)**	(320)
		(14)	(327)
Total comprehensive income attributable to:			
Owners of the Company		**892**	(7,977)
Non-controlling interests		**(15)**	(319)
		877	(8,296)
Attributable to:			
Owners of the Company			
Total comprehensive income from continuing operations, net of tax		**1,086**	(5,164)
Total comprehensive income from discontinued operation, net of tax		**(194)**	(2,813)
		892	(7,977)
Basic and diluted earnings/(loss) per share from continuing operations attributable to owners of the Company (cents)	10	**3.7**	(20.9)
Basic and diluted earnings/(loss) per share attributable to owners of the Company (cents)	10	**3.7**	(20.9)

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

BALANCE SHEETS

AS AT 31 DECEMBER 2015
(IN SINGAPORE DOLLARS)

	Note	Group		Company	
		2015 $'000	2014 $'000	2015 $'000	2014 $'000
Non-current assets					
Property, plant and equipment	12	**13,204**	11,206	**5,437**	10,763
Investment in subsidiaries	13	**–**	–	**20,955**	955
Investment in associate	14	**2,387**	2,543	**–**	–
Leasehold land	15	**4,692**	4,928	**–**	–
		20,283	18,677	**26,392**	11,718
Current assets					
Loan receivable	16	**–**	–	**–**	–
Inventories	17	**9,865**	11,402	**419**	10,370
Prepaid operating expenses		**41**	49	**11**	41
Trade receivables	18	**2,590**	5,917	**119**	4,525
Other receivables	19	**120**	147	**54**	69
Amount due from subsidiaries	20	**–**	–	**5,050**	–
Loan to associates	20	**80**	25	**7**	6
Loan to subsidiaries	20	**–**	–	**1,944**	2,230
Cash and cash equivalents	21	**23,504**	22,678	**14,295**	21,089
		36,200	40,218	**21,899**	38,330
Assets of disposal group classified as held for sale	9	**1,675**	–	**–**	–
		37,875	40,218	**21,899**	38,330
Total assets		**58,158**	58,895	**48,291**	50,048
Current liabilities					
Trade payables	22	**536**	2,864	**51**	2,210
Other payables	22	**1,478**	3,299	**455**	1,311
Amounts due to subsidiaries	20	**–**	–	**651**	517
Loans and borrowings	23	**644**	478	**–**	–
Income tax payable		**74**	270	**74**	269
		2,732	6,911	**1,231**	4,307
Liabilities directly associated with disposal group classified as held for sale	9	**998**	–	**–**	–
		3,730	6,911	**1,231**	4,307
Net current assets		**34,145**	33,307	**20,668**	34,023

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

BALANCE SHEETS

AS AT 31 DECEMBER 2015
(IN SINGAPORE DOLLARS)

	Note	Group		Company	
		2015 $'000	2014 $'000	**2015 $'000**	2014 $'000
Non-current liabilities					
Loans and borrowings	23	**3,484**	4,128	**–**	–
Deferred tax	24	**1,358**	1,649	**772**	1,633
		4,842	5,777	**772**	1,633
Total liabilities		**8,572**	12,688	**2,003**	5,940
Net assets		**49,586**	46,207	**46,288**	44,108
Equity attributable to owners of the Company					
Share capital	25	**49,007**	46,465	**49,007**	46,465
Treasury shares	26	**(1,697)**	(1,697)	**(1,697)**	(1,697)
Asset revaluation reserve	27	**1,296**	1,296	**1,296**	1,296
Foreign currency translation reserve	28	**78**	(55)	**–**	–
Retained earnings		**1,743**	836	**(2,318)**	(1,956)
Reserve of disposal group classified as held for sale	9	**(139)**	–	**–**	–
		50,288	46,845	**46,288**	44,108
Non-controlling interests		**(702)**	(638)	**–**	–
Total equity		**49,586**	46,207	**46,288**	44,108
Total equity and liabilities		**58,158**	58,895	**48,291**	50,048

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 2015
(IN SINGAPORE DOLLARS)

		Attributable to owners of the Company								
	Note	Share capital (Note 25)	Treasury shares (Note 26)	Asset revaluation reserve (Note 27)	Foreign currency translation reserve (Note 28)	Retained earnings	Total	Reserve of disposal group classified as held for sale	Non-controlling interests	Total equity
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group										
Opening balance at 1 January 2015		46,465	(1,697)	1,296	(55)	836	46,845	–	(638)	46,207
Profit for the year		–	–	–	–	898	898	–	(14)	884
Other comprehensive income:										
- Foreign currency translation		–	–	–	(84)	–	(84)	–	(1)	(85)
- Share of foreign currency translation of associated company		–	–	–	78	–	78	–	–	78
Other comprehensive income for the year, net of tax		–	–	–	(6)	–	(6)	–	(1)	(7)
Total comprehensive income for the year		–	–	–	(6)	898	892	–	(15)	877
Contributions by and distributions to owners										
Issuance of ordinary shares	25	2,600	–	–	–	–	2,600	–	–	2,600
Share issuance expense	25	(58)	–	–	–	–	(58)	–	–	(58)
Dividends on ordinary shares	11	–	–	–	–	–	–	–	–	–
Total contributions by and distributions to owners		2,542	–	–	–	–	2,542	–	–	2,542
Changes in ownership interests in subsidiaries										
Shares buy-back at subsidiary level		–	–	–	–	9	9	–	(49)	(40)
Total changes in ownership interests in subsidiaries		–	–	–	–	9	9	–	(49)	(40)
Others										
Reserve attributable to disposal group classified as held for sale	9	–	–	–	139	–	139	(139)	–	–
Total Others		–	–	–	139	–	139	(139)	–	–
Total transactions with owners in their capacity as owners		2,542	–	–	139	9	2,690	(139)	(49)	2,502
Closing balance at 31 December 2015		49,007	(1,697)	1,296	78	1,743	50,427	(139)	(702)	49,586

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 2015
(IN SINGAPORE DOLLARS)

		Attributable to owners of the Company							
	Note	Share capital (Note 25)	Treasury shares (Note 26)	Asset revaluation reserve (Note 27)	Foreign currency translation reserve (Note 28)	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
Loss 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	11	–	–	–	–	(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 2015
(IN SINGAPORE DOLLARS)

	Note	Share capital (Note 25) $'000	Treasury shares (Note 26) $'000	Asset revaluation reserve (Note 27) $'000	Retained earnings $'000	Total equity $'000
Company						
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	11	–	–	–	(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 and opening balance at 1 January 2015		46,465	(1,697)	1,296	(1,956)	44,108
Loss net of tax for the year, representing total comprehensive income for the year		–	–	–	(362)	(362)
Contributions by and distributions to owners						
Issue of Ordinary Shares	25	2,600	–	–	–	2,600
Share Issuance Expense	25	(58)	–	–	–	(58)
Dividends on ordinary shares	11	–	–	–	–	–
Total contributions by and distributions to owners		2,542	–	–	–	2,542
Total transactions with owners in their capacity as owners		2,542	–	–	–	2,542
Closing balance at 31 December 2015		49,007	(1,697)	1,296	(2,318)	46,288

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 2015
(IN SINGAPORE DOLLARS)

	Note	2015 $'000	2014 $'000
Operating activities:			
Profit/(loss) before tax from continuing operations		**753**	(5,261)
Loss before tax from discontinued operation	9	**(147)**	(2,976)
Profit/(loss) before tax, total		**606**	(8,237)
Adjustments for:			
Depreciation of property, plant and equipment	12	**1,504**	2,176
Loss on disposal of property, plant and equipment	5	**63**	85
Interest expense		**150**	106
Interest income		**(119)**	(102)
Foreign currency translation adjustments		**(7)**	(66)
Write-down of inventories, net		**2,054**	42
Write-back of doubtful debts - trade		**(13)**	–
Share of results of associate		**161**	1,281
Impairment loss on associate's operations	5	**–**	3,890
Impairment loss on China operations		**–**	1,538
Operating cash flows before changes in working capital		**4,399**	713
Decrease/(increase) in receivables		**2,121**	(1,011)
(Increase)/decrease in inventories		**(517)**	1,021
(Decrease)/increase in payables		**(3,187)**	2,795
Cash flows from operations		**2,816**	3,518
Interest paid		**(115)**	(167)
Income taxes paid		**(208)**	(408)
Interest received		**112**	99
Net cash flows generated from operating activities		**2,605**	3,042
Investing activities:			
Proceeds from disposal of property, plant and equipment		**–**	50
Purchase of property, plant and equipment	12	**(3,347)**	(1,217)
Leasehold land		**–**	(5,039)
Loan to associate		**(50)**	(152)
Net cash flows used in investing activities		**(3,397)**	(6,358)
Financing activities:			
Proceeds from issue of ordinary shares		**2,600**	–
Share issuance expenses	25	**(58)**	–
Shares buy-back at subsidiary level		**(40)**	–
Dividends paid on ordinary shares	11	**–**	(1,256)
Proceeds from term loans		**–**	5,552
Repayment of term loans		**(485)**	(3,179)
Repayment of obligations under finance leases		**–**	(269)
Net cash flows generated from financing activities		**2,017**	848
Net increase/(decrease) in cash and cash equivalents		**1,225**	(2,468)
Effect of exchange rate changes on cash and cash equivalents		**1**	12
Cash and cash equivalents at 1 January		**22,678**	25,134
Cash and cash equivalents at 31 December	21	**23,904**	22,678

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 2015
(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 and associate are disclosed in Note 13 and 14 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 2015. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
(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 applicable to the Group that have been issued but not yet effective:

Description	Effective for annual periods beginning on or after
FRS 114 *Regulatory Deferral Accounts*	1 January 2016
Amendments to FRS 1: *Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28: *Investment Entities: Applying the Consolidation Exception*	1 January 2016
Amendments to FRS 16 *Property, Plant and Equipment and FRS 41: Agriculture: Bearer Plants*	1 January 2016
Amendments to FRS 27: *Equity Method in Separate Financial Statements*	1 January 2016
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 Interest 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*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(c) Amendments to FRS 19 *Employee Benefits*	1 January 2016
(d) Amendments to FRS 34 *Interim Financial Reporting*	1 January 2016
Amendments to FRS 7: *Disclosure Initiative*	1 January 2017
Amendments to FRS 12: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
(IN SINGAPORE DOLLARS)

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

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

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

FRS 115 *Revenue from Contracts with Customers*

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

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

Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2018 with early adoption permitted. The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

FRS 109 *Financial Instruments*

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
(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 2015
(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 2015
(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 27.5 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 2015
(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 2015
(IN SINGAPORE DOLLARS)

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

2.12 Financial instruments

(a) 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

Loans and receivables

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

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.

(b) 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
(IN SINGAPORE DOLLARS)

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

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

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

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.

2.17 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.18 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.

2.19 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.

2.20 Assets held for sale and discontinued operations

Assets and disposal groups classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. A component of the Group is classified as a 'discontinued operation' when the criteria to be classified as held for sale have been met or it has been disposed of and such a component represents a separate major line of business or geographical area of operations or is part of a single coordinated plan to dispose of a separate major line of business or geographical area of operations.

Property, plant and equipment and intangible assets once classified as held for sale are not depreciated or amortised.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with and are recorded as 'other operating income' in the financial statements.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Taxes (cont'd)

(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.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.22 Taxes (cont'd)

(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 31, including the factors used to identify the reportable segments and the measurement basis of segment information.

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

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.

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:

<u>Determination of functional currency</u>

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Significant accounting judgments and estimates (cont'd)

Impairment of loan receivable

The Group classifies its loan receivable as a financial asset under loans and receivables. Management has 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 16 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 2015 were $74,000 (2014: $270,000) and $1,358,000 (2014: $1,649,000) respectively. The carrying amounts of the Company's tax payables and deferred tax liabilities at 31 December 2015 were $74,000 (2014: $269,000) and $772,000 (2014: $1,633,000) respectively.

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 27.5 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 2015 are disclosed in Note 12 to the financial statements. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 12.4% (2014: 1.4%) variance in the Group's profit/(loss) before tax.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
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2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

2.27 Significant accounting judgments and estimates (cont'd)

Key sources of estimation uncertainty (cont'd)

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.

Valuation of inventories

The valuation of the Group's inventories is assessed based on the best available facts and circumstances at the end of each reporting period, including but not limited to, the inventories' own physical conditions, their expected market selling prices, estimated costs of completion and estimated costs to be incurred for their sales. The value is re-evaluated and adjusted as additional information received affects the amount initially asessed. The carrying amount of the inventories as at 31 December 2015 is $9,865,000 (2014: $11,402,000).

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 18 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

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3. REVENUE

	Group	
	2015 $'000	2014 $'000
Sale of goods	**19,182**	24,019
Rendering of services	**17**	46
	19,199	24,065

4. OTHER OPERATING INCOME

	Group	
	2015 $'000	2014 $'000
Sale of aluminium scrap	**2,475**	2,974
Sale of metal scrap	**49**	63
Government grant income	**66**	30
Gain on foreign exchange, net	**1,145**	793
Gain on disposal of property, plant and equipment	**13**	–
Sundry income	**63**	109
Write-back on accrual of China operations	**1,300**	–
	5,111	3,969

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

The write-back on accrual of China operations relates to a previous accrual which was no longer needed following the disposal of the Company's China subsidiary, Form Tecknik.

NOTES TO THE FINANCIAL STATEMENTS

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5. PROFIT/(LOSS) BEFORE TAX

The following items have been included in arriving at profit/(loss) before tax from continuing operations:

	Note	Group	
		2015 $'000	2014 $'000
Audit fees:			
- auditors of the Company		**104**	106
- other auditors		**–**	20
Non-audit fees paid to auditors of the Company		**50**	41
Depreciation of property, plant and equipment	12	**1,504**	1,804
Directors' emoluments			
- fees		**188**	235
- remuneration		**418**	962
Loss on disposal of property, plant and equipment, net		**63**	85
Write down of inventories, net	17	**2,024**	88
Operating lease expense		**437**	298
Staff costs (excluding directors' remuneration)			
- defined contribution plans		**300**	307
- salaries, bonuses and other wages		**4,765**	5,702
Impairment loss on associate's operations		**–**	3,890
Accrual of China operation expenses		**(1,300)**	1,300

For audit fees in relation to the discontinued operations, a further $25,000 (2014: $21,000) was paid to other auditors during the year.

6. FINANCE COST

	Group	
	2015 $'000	2014 $'000
Interest expense on finance leases	**–**	3
Interest expense on term loan	**15**	21
	15	24

NOTES TO THE FINANCIAL STATEMENTS

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7. FINANCE INCOME

	Group	
	2015 $'000	**2014 $'000**
Interest income on current account	**7**	7
Interest income on short-term deposits	**112**	94
	119	101

8. INCOME TAX BENEFIT

Major components of income tax benefit

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

		Group	
	Note	**2015 $'000**	**2014 $'000**
Consolidated income statement:			
Current income tax – continuing operations:			
- current income taxation		**–**	207
- under/(over) provision in respect of previous years		**13**	(53)
		13	154
Deferred income tax – continuing operations:			
- origination and reversal of temporary differences	24	**(289)**	(180)
- (over)/under provision in respect of previous years	24	**(2)**	9
		(291)	(171)
Income tax benefit attributable to continuing operations		**(278)**	(17)
Income tax benefit attributable to discontinued operations		**–**	–
Income tax benefit recognised in profit or loss		**(278)**	(17)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
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8. INCOME TAX BENEFIT (CONT'D)

Reconciliation between tax benefit and accounting profit

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

		Group	
	Note	2015 $'000	2014 $'000
Profit/(loss) before tax from continuing operations		**753**	(5,261)
Loss before tax from discontinued operation	9	**(147)**	(2,976)
Accounting profit/(loss) before tax		**606**	(8,237)
Tax at the applicable tax rate of 17% (2014: 17%)		**103**	(1,400)
Adjustments:			
Differences in tax rates		**(12)**	(256)
Income not subject to taxation		**(475)**	(222)
Non-deductible expenses		**44**	1,254
Effect of partial tax exemption and tax relief		**–**	(87)
Under/(over) provision in respect of previous years		**13**	(44)
Benefits from unrecognised tax losses		**(56)**	–
Benefits from unutilised capital allowances		**(27)**	–
Deferred tax assets not recognised		**113**	527
Share of results of associate		**27**	218
Others		**(8)**	(7)
Income tax benefit recognised in profit or loss		**(278)**	(17)

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

The Group has tax losses of approximately $1,057,000 (2014: $6,958,000) 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.

NOTES TO THE FINANCIAL STATEMENTS

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9. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 14 December 2015, Form Tecknik Pte Ltd, a subsidiary, entered into a Sales and Purchase Agreement with a third party to dispose of its entire interest in Form Tecknik (Shanghai) Co Ltd ("FTS"). FTS has been underperforming in the past few years. This decision is consistent with the Group's plan to strengthen its balance sheet.

As at 31 December 2015, the assets (less inventories) and liabilities of FTS have been presented in the balance sheet as "Assets of disposal group classified as held for sale" and "Liabilities of disposal group classified as held for sale". The results of FTS are presented separately on the consolidated statement of comprehensive income as "Loss from discontinued operation, net of tax". The activities of FTS are included in the Forged Components Segment.

The disposal of FTS was completed on 2 February 2016.

Balance sheet disclosures

The major classes of assets and liabilities of FTS classified as held for sale and the related translation reserve as at 31 December are as follows:

	2015 $'000
Assets:	
Trade and other receivables	**1,185**
Prepaid operating expenses	**90**
Cash and short-term deposits	**400**
Assets of disposal group classified as held for sale	**1,675**
Liabilities:	
Trade and other payables	**(998)**
Liabilities directly associated with disposal group classified as held for sale	**(998)**
Net assets directly associated with disposal group classified as held for sale	**677**
Reserve:	
Translation reserve	**(139)**

NOTES TO THE FINANCIAL STATEMENTS

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9. DISCONTINUED OPERATION AND DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONT'D)

Statement of comprehensive income disclosures

The results of FTS for the years ended 31 December are as follows:

	2015 $'000	2014 $'000
Revenue	**2,744**	3,336
Expenses	**(2,767)**	(6,365)
Loss from operations	**(23)**	(3,029)
Other income	**10**	134
Finance income	**1**	1
Finance costs	**(135)**	(82)
Loss before tax from discontinued operation	**(147)**	(2,976)
Loss from discontinued operation, net of tax	**(147)**	(2,976)

Statement of cash flows disclosures

The cash flows attributable to FTS are as follows:

	2015 $'000	2014 $'000
Operating	**42**	(332)
Investing	**–**	(355)
Financing	**286**	172
Net cash inflows/(outflows)	**328**	(515)

Loss per share disclosures

	2015 $'000	2014 $'000
Loss per share from discontinued operation attributable to owners of the Company (cents per share)		
Basic	**(0.41)**	(1.06)
Diluted	**(0.41)**	(1.06)

The basic and diluted loss per share from discontinued operation are calculated by dividing the loss from discontinued operation, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings per share computation and weighted average number of ordinary shares for diluted earnings per share computation respectively. These loss and share data are presented in the tables in Note 10.

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10. EARNINGS/(LOSS) PER SHARE

Basic and diluted earnings/(loss) per share amounts are calculated by dividing profit/(loss), 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 (2014: $nil).

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

	Group	
	2015 $'000	2014 $'000
Profit/(loss) net of tax, attributable to owners of the Company	**898**	(7,893)
Add back: Loss from discontinued operation, net of tax, attributable to owners of the Company	**110**	2,656
Profit/(loss) from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic earnings per share from continuing operations	**1,008**	(5,237)

	2015 '000	2014 '000 (Restated)
Weighted average number of ordinary shares for basic and diluted earnings per share computation	**27,043**	25,120
Basic and diluted earnings/(loss) per share (cents)	**3.7**	(20.9)

For the purpose of comparison, loss per share for year ended 31 December 2014 has been adjusted retrospectively pursuant to the share consolidation exercise of 10 to 1 ordinary shares effective from 11 May 2015.

11. DIVIDENDS

	Group and Company	
	2015 $'000	2014 $'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2014: nil cents (2013: 0.5 cents) per share	**–**	1,256

No dividends are proposed for the financial year ended 31 December 2015 (2014: nil).

NOTES TO THE FINANCIAL STATEMENTS

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12. 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 2014	7,485	36,110	135	813	44,543
Additions	–	764	544	20	1,328
Disposals	–	(418)	–	–	(418)
Exchange difference	–	54	2	6	62
At 31 December 2014 and 1 January 2015	7,485	36,510	681	839	45,515
Reclassification	–	32	(32)	–	–
Additions	–	314	3,269	–	3,583
Disposals	–	(229)	–	(229)	
Exchange difference	–	23	1	3	27
Attributable to discontinued operations (Note 9)	–	(2,585)	(105)	(317)	(3,007)
At 31 December 2015	7,485	34,065	3,814	525	45,889
Accumulated depreciation:					
At 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 and 1 January 2015	1,838	31,556	104	811	34,309
Charge for the year (Note 5)	213	1,265	–	26	1,504
Disposals	–	(148)	–	–	(148)
Exchange difference	–	23	1	3	27
Attributable to discontinued operations (Note 9)	–	(2,585)	(105)	(317)	(3,007)
At 31 December 2015	2,051	30,111	–	523	32,685
Net carrying amount:					
At 31 December 2015	5,434	3,954	3,814	2	13,204
At 31 December 2014	5,647	5,013	518	28	11,206

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12. 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 2014	7,485	33,222	59	407	41,173
Additions	–	467	181	–	648
Disposals	–	(412)	–	–	(412)
At 31 December 2014 and 1 January 2015	7,485	33,277	240	407	41,409
Reclassification	–	32	(32)	–	–
Additions	–	81	140	–	221
Disposals	–	(66)	–	–	(66)
Transferred to a subsidiary	–	(33,324)	(345)	–	(33,669)
At 31 December 2015	7,485	–	3	407	7,895
Accumulated depreciation:					
At 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 and 1 January 2015	1,838	28,401	–	407	30,646
Charge for the year	213	608	–	–	821
Disposals	–	(20)	–	–	(20)
Transferred to a subsidiary	–	(28,989)	–	–	(28,989)
At 31 December 2015	2,051	–	–	407	2,458
Net carrying amount:					
At 31 December 2015	5,434	–	3	–	5,437
At 31 December 2014	5,647	4,935	181	–	10,763

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

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

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 34.

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 $4,110,000 (2014: $4,316,000).

Assets transferred to a subsidiary

During the year, the Company has transferred all plant, equipment and other assets and asset under construction to a subsidiary as part of internal restructuring. These assets were transferred at net carrying value on the date of transfer which amounts to a total of $4,860,000. This is represented by a cost of $33,669,000 less accumulated depreciation of $28,989,000 on date of transfer.

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 $347,000 (2014: $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 $99,000 (2014: $38,000). The rate used to determine the amount of borrowing costs eligible for capitalisation was 2.69% (2014: 2.13%), which is the effective interest rate of the term loan.

The cash outflow on acquisition of property, plant and equipment amounted to $3,347,000 (2014: $1,217,000).

13. INVESTMENT IN SUBSIDIARIES

	Company	
	2015 $'000	2014 $'000
Unquoted shares, at cost	**29,955**	9,955
Allowance of impairment	**(9,000)**	(9,000)
Net carrying value	**20,955**	955
Movement in allowance account		
At 1 January	**9,000**	1,893
Impairment loss	**–**	7,107
At 31 December	**9,000**	9,000

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13. INVESTMENT IN SUBSIDIARIES (CONT'D)

The Group has the following investments in subsidiaries:

			Proportion of ownership interest	
	Name of company (Country of incorporation)	**Principal activities (Place of business)**	**2015 %**	**2014 %**
	Held by the Company:			
*	AEI Engineering Pte Ltd (Singapore)	Manufacturing of engineering components (Singapore)	**100**	95.5
*	AEI (China) Holdings Pte Ltd (Singapore)	Investment holding (Singapore)	**100**	100
*	AEI Corporation (Singapore) Pte Ltd	Manufacturing of basic ferrous and non-ferrous metals (Singapore)	**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

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14. INVESTMENT IN ASSOCIATE

	Group	
	2015 $'000	2014 $'000
Investment in associate	**7,221**	7,221
Share of post-acquisition reserves	**(1,478)**	(1,317)
Exchange differences	**78**	73
Impairment of associate	**(3,434)**	(3,434)
	2,387	2,543
Movement in allowance account		
At 1 January	**3,434**	–
Impairment loss	**–**	3,434
At 31 December	**3,434**	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	
		2015	2014
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 Neihuang Gongxing Accounting Firm

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14. 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:

	Global Tongyi (Singapore) Pte. Ltd.	
	2015 $'000	**2014 $'000**
Summarised balance sheet		
Current assets	**3,273**	3,401
Non-current assets excluding goodwill	**3,820**	3,958
Goodwill	**137**	137
Total assets	**7,230**	7,496
Current liabilities	**(2,225)**	(2,180)
Non-current liabilities	**(30)**	(30)
Total liabilities	**(2,255)**	(2,210)
Net assets	**4,975**	5,286
Net assets excluding goodwill	**4,838**	5,149
Proportion of the Group's ownership	**50%**	50%
Group's share of net assets	**2,419**	2,574
Goodwill on acquisition	**137**	137
Other adjustments	**(169)**	(168)
Carrying amount of the investment	**2,387**	2,543
Summarised statement of comprehensive income		
Revenue	**–**	–
Loss after tax from continuing operations	**(322)**	(2,563)
Other comprehensive income	**10**	15
Total comprehensive income	**(312)**	(2,548)

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15. LEASEHOLD LAND

	Group	
	2015 $'000	2014 $'000
Cost:		
At 1 January	**5,039**	–
Additions	**–**	5,039
At 31 December	**5,039**	5,039
Accumulated amortisation:		
At 1 January	**111**	–
Amortisation for the year	**236**	111
At 31 December	**347**	111
Net carrying amount	**4,692**	4,928

The Group has a 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 20.0 years (2014: 21.0). The amortisation of the leasehold land is included in asset under construction as disclosed in Note 12.

Leasehold land is mortgaged to secure the Group's term loan as disclosed in Note 23.

16. LOAN RECEIVABLE

The Company has a loan receivable from M2B World Asia Pacific Pte. Ltd. of US$1,500,000 (2014: US$1,500,000) or equivalent to $2,122,000 (2014: $1,981,000). The loan has been fully provided.

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17. INVENTORIES

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Balance sheet:				
Raw materials and consumables	**7,863**	9,708	**419**	9,290
Work-in-progress	**818**	938	**–**	488
Finished goods	**1,184**	756	**–**	592
Total inventories at lower of cost and net realisable value	**9,865**	11,402	**419**	10,370
Profit or loss:				
Inventories recognised as an expense in cost of sales	**12,135**	14,974	**7,416**	13,710
Inclusive of the following charge/(credit):				
- inventories written down	**2,024**	91	**1,822**	88
- reversal of write-down of inventories	**–**	(49)	**–**	–

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

18. TRADE RECEIVABLES

	Note	Group		Company	
		2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade receivables		**2,590**	5,917	**119**	4,525
Add:					
Other receivables	19	**120**	147	**53**	69
Amount due from subsidiaries	20	**–**	–	**5,050**	–
Loan to subsidiaries	20	**–**	–	**1,944**	2,230
Loan to associates	20	**80**	25	**7**	6
Cash and cash equivalents	21	**23,504**	22,678	**14,295**	21,089
		26,294	28,767	**21,468**	27,919
Less: Sales tax receivables		**(213)**	(571)	**(72)**	(476)
Total loans and receivables		**26,081**	28,196	**21,396**	27,443

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.

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18. TRADE RECEIVABLES (CONT'D)

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

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
United States Dollars	**1,998**	3,525	**48**	3,525
Renminbi	**–**	1,379	**–**	–
British Pound	**–**	15	**–**	–

Receivables that are past due but not impaired

The Group has trade receivables amounting to $581,000 (2014: $1,710,000) 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	
	2015 $'000	2014 $'000
Trade receivables past due but not impaired:		
Lesser than 30 days	**559**	1,397
30 to 60 days	**22**	298
61 to 90 days	**–**	15
	581	1,710

Receivables that are impaired

The Group has no receivables (2014: Nil) that are impaired at the end of the reporting period.

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19. OTHER RECEIVABLES

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Deposits	**4**	68	**–**	19
Amount due from non-controlling interests	**–**	4	**–**	–
Interest receivables	**53**	41	**53**	44
Other receivables	**63**	34	**1**	6
	120	147	**54**	69

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. It is received in full during the year.

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	
	2015 $'000	2014 $'000
Other receivables – nominal amounts	**64**	66
Reclassified under assets of disposal group classified as held for sale	**(64)**	–
Less: Allowance for impairment	**–**	(64)
Exchange difference	**–**	(2)
	–	–
Movement in allowance account:		
At 1 January	**64**	–
Charge for the year	**–**	64
Reclassified under assets of disposal group classified as held for sale	**(64)**	–
At 31 December	**–**	64

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20. AMOUNT DUE FROM SUBSIDIARIES LOAN TO ASSOCIATE LOAN TO SUBSIDIARIES AMOUNTS DUE TO SUBSIDIARIES

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Amounts due from subsidiaries (trade)	**–**	–	**5,050**	–
Loan to associate	**536**	481	**7**	6
Less: Allowance for impairment	**(456)**	(456)	**–**	–
	80	25	**7**	6
Loan to subsidiaries	**–**	–	**1,944**	2,230
Amounts due to subsidiaries (trade)	**–**	–	**(651)**	(517)

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	
	2015 $'000	2014 $'000
Movement in allowance account:		
At 1 January	**456**	–
Charge for the year	**–**	456
At 31 December	**456**	456

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21. CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Cash at banks and on hand	**14,278**	14,630	**5,068**	13,041
Short-term deposits	**9,226**	8,048	**9,227**	8,048
Cash and cash equivalents	**23,504**	22,678	**14,295**	21,089

Cash at banks earns interest at floating rates based on daily bank deposit rates.

Short-term deposits are made for varying periods of between three months to one year (2014: 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 1.22% (2014: 0.24%) per annum and 1.10% (2014: 1.19%) per annum.

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

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
United States Dollars	**19,307**	14,114	**11,807**	14,066
Renminbi	**–**	77	**–**	–

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2015 $'000	2014 $'000
Cash and short-term deposit		
- Continuing operations	**23,504**	22,678
- Discontinued operation (Note 9)	**400**	–
Cash and cash equivalents	**23,904**	22,678

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22. TRADE AND OTHER PAYABLES

	Note	Group		Company	
		2015 $'000	2014 $'000	2015 $'000	2014 $'000
Trade payables		**536**	2,864	**51**	2,210
Other payables		**1,277**	3,098	**455**	1,311
Loan from non-controlling interests		**201**	201	**–**	–
Total other payables		**1,478**	3,299	**455**	1,311
Add: Loans and borrowings	23	**4,128**	4,606	**–**	–
Add: Amounts due to subsidiaries	20	**–**	–	**651**	517
Total financial liabilities carried at amortised cost		**6,142**	10,769	**1,157**	4,038

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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
United States Dollars	**54**	1,690	**47**	1,690
Renminbi	**–**	600	**–**	–

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.

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23. LOANS AND BORROWINGS

	Note	Group	
		2015 $'000	2014 $'000
Current:			
Term loans:			
- SGD loan at cost of funds + 1.75%	(a)	**216**	–
- SGD loan at cost of funds + 2.00%	(b)	**428**	244
- RMB loan at 115% of China's Currency Market's Benchmark Interest Rate	(c)	**–**	234
		644	478
Non-current:			
Term loans:			
- SGD loan at cost of funds + 1.75%	(a)	**3,484**	3,700
- SGD loan at cost of funds + 2.00%	(b)	**–**	428
		3,484	4,128
Total loans and borrowings	22	**4,128**	4,606

Notes:

(a) 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% (2014: 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.

(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 (2014: cost of funds + 2.00%). The first instalment was repayable in April 2013 with final repayment in September 2017.

(c) This loan was secured by a corporate guarantee from the Company as well as the director of the subsidiary. It bore interest at 115% of the Benchmark Interest Rate of the China's Currency Market. It was fully repaid during the year.

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24. DEFERRED TAX

	Note	Group		Company	
		2015 $'000	2014 $'000	2015 $'000	2014 $'000
Opening balance at 1 January		**1,649**	1,820	**1,633**	1,793
Under provision in respect of previous year	8	**(2)**	9	**(2)**	12
Movement in temporary differences	8	**(289)**	(180)	**(859)**	(172)
Closing balance at 31 December		**1,358**	1,649	**772**	1,633

The deferred tax arises as a result of:

	Note	Group		Company	
		2015 $'000	2014 $'000	2015 $'000	2014 $'000
Deferred tax liabilities arise as a result of:					
Excess of net book value over tax written down value of property, plant and equipment		**1,100**	1,305	**511**	1,288
Asset revaluation reserve		**335**	345	**335**	345
Accruals		**9**	–	**9**	–
		1,444	1,650	**855**	1,633
Deferred tax assets arise as a result of:					
Unutilized capital allowances and tax loss		**(85)**	–	**(83)**	–
Provisions		**(1)**	(1)	**–**	–
		(86)	(1)	**(83)**	–
Net deferred tax liabilities		**1,358**	1,649	**772**	1,633

No deferred tax liability (2014: $nil) has been recognised for taxes that would be payable on undistributed earnings on the Group's subsidiary.

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25. SHARE CAPITAL

	Group and Company			
	2015		2014	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares:				
At 1 January	**251,197**	**46,465**	251,197	46,465
Issue of ordinary shares	**20,000**	**2,600**	–	–
Share issuance expenses	**–**	**(58)**	–	–
	271,197	**49,007**	251,197	46,465
Shares consolidation exercise	**10 to 1**	**–**	–	–
At 31 December	**27,120**	**49,007**	251,197	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.

Issue of ordinary shares

The Company has, by way of private placement, issued 20,000,000 new ordinary shares at a price of $0.13 to Well Global Investments (Singapore) Pte. Ltd. A general share mandate has been obtained from the shareholders of the Company by way of ordinary resolution passed on the Annual General Meeting of the Company held on 28 April 2014. The issue and allotment of the 20,000,000 ordinary shares has been completed on 15 January 2015 and $58,000 of share issuance expenses has been incurred.

Shares consolidation exercise

A share consolidation exercise of 10 to 1 ordinary share is conducted and effective from 11 May 2015.

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26. TREASURY SHARES

	Group and Company			
	2015		2014	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 January	**10,000**	**1,697**	10,000	1,697
Shares consolidation exercise	**10 to 1**	**–**	–	–
At 31 December	**1,000**	**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. The 10,000,000 shares is consolidated to 1,000,000 shares following a share consolidation exercise on 11 May 2015.

27. 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.

28. 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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29. 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	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Capital commitments in respective of property, plant and equipment	**5,838**	213	**101**	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 2015, the Group has aggregate minimum lease commitment as follows:

	Group	
	2015 $'000	2014 $'000
Not later than one year	**460**	656
Later than one year but not later than five years	**4,333**	4,465
Later than five years	**15,231**	15,977
	20,024	21,098

The lease rental for the above lease is subject to revision every year not exceeding 5.5% (2014: 5.5%) of the annual rent of each immediate preceding year.

(c) *Contingent liabilities*

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

	Company	
	2015 $'000	2014 $'000
Subsidiaries	**14,200**	16,200

At the end of the reporting period, $4,128,000 (2014: $4,606,000) of the facilities were utilised by the subsidiaries.

The Group has banker's guarantee amounting to $187,000 (2014: $200,000) in favour of third party in respect of the Group's business.

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30. 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	
	2015 $'000	2014 $'000
Service rendered to an associate	**9**	9

(b) *Transfer of business*

On 3 March 2015, the Company incorporated AEI Corporation (Singapore) Pte Ltd ("AEICS") for the purpose of transferring the Company's operations to AEICS.

The Company entered into a Business Transfer Agreement ("BTA") with AEICS to transfer its business of producing precision extruded profiles and other precision metal components and specific assets and liabilities to AEICS ("the Transfer").

The consideration for the Transfer is based on the book values of specific assets and liabilities of the Company at 30 June 2015. The following items were transferred:

	2015 $'000
Fixed assets	4,680
Inventories	12,327
Other assets	82
Trade payables	(163)
Other payables	(579)
Total	16,347

The Transfer was completed on 23 October 2015.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
(IN SINGAPORE DOLLARS)

30. RELATED PARTY DISCLOSURES (CONT'D)

(c) *Compensation of key management personnel*

	Group	
	2015 $'000	2014 $'000
Short-term employee benefits	**396**	937
Central Provident Fund contributions	**22**	25
Other short-term benefits	**212**	235
Total compensation paid to key management personnel	**630**	1,197
Comprise amounts paid to:		
Directors of the Company	**608**	1,174

31. 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 (Discontinued operations)

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.

NOTES TO THE FINANCIAL STATEMENTS

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31. SEGMENT INFORMATION (CONT'D)

(a) *Business segments*

	Electronics and precision engineering		Construction and infra-structure building		Forged components (Discontinued operations)		Others		Eliminations		Consolidated	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Revenue												
External customers	17,771	22,169	1,419	1,887	2,744	3,336	9	9	(2,744)	(3,336)	19,199	24,065
Inter-segment [1]	1,266	1,108	–	–	–	–	–	–	(1,266)	(1,108)	–	–
Total revenue	19,037	23,277	1,419	1,887	2,744	3,336	9	9	(4,010)	(4,444)	19,199	24,065
Results:												
Segment result	1,043	2,856	135	375	(13)	(987)	(100)	(209)	13	987	1,078	3,022
Impairment loss on China Operations	–	–	–	–	–	(1,538)	–	–	–	1,538	–	–
Impairment loss on associate's operations	–	–	–	–	–	–	–	(3,890)	–	–	–	(3,890)
Write-back/(accrual) of China operations expense	–	–	–	–	–	–	1,300	(1,300)	–	–	1,300	(1,300)
Depreciation	(1,398)	(1,669)	(106)	(135)	–	(371)	–	–	–	371	(1,504)	(1,804)
Loss on disposal of property, plant and equipment	(57)	(78)	(6)	(7)	–	–	–	–	–	–	(63)	(85)
Finance income											118	101
Finance cost											(15)	(24)
Share of results of associate											(161)	(1,281)
Profit/(loss) before tax from continuing operations											753	(5,261)
Income tax benefit											278	17
Profit/ (loss) net of tax from continuing operations											1,031	(5,244)
Assets												
Segment assets	13,942	14,169	1,129	1,212	1,675	1,394	7,802	7,808	–	–	24,548	24,583
Unallocated assets [2]											33,610	34,312
Total assets											58,158	58,895
Liabilities												
Segment liabilities	501	2,083	35	180	998	1,901	–	–	–	–	1,534	4,164
Unallocated liabilities [3]											7,038	8,524
Total liabilities											8,572	12,688

(1) Inter-segment revenue are eliminated on consolidation

(2) Unallocated assets comprise of jointly used assets

(3) Unallocated liabilities comprise of jointly used liabilities

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
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31. SEGMENT INFORMATION (CONT'D)

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

	Electronics and precision engineering		Construction and infra-structure building		Forged components (Discontinued operations)		Others		Consolidated	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Other information										
Capital expenditure	**2,961**	600	**236**	51	**–**	339	**150**	337	**3,347**	1,327
Unallocated capital expenditure									**–**	4,928
Total capital expenditure									**3,347**	6,255
Depreciation	**1,398**	1,669	**106**	135	**–**	371	**–**	(371)	**1,504**	1,804
Total depreciation									**1,504**	1,804

(b) *Geographical segments*

	Singapore		Greater China		Malaysia		Other countries		Eliminations		Consolidated	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Revenue	**2,687**	3,804	**7,515**	7,448	**4,767**	5,442	**6,974**	10,707	**(2,744)**	(3,336)	**19,199**	24,065
Segment assets	**56,483**	57,501	**1,675**	1,394	**–**	–	**–**	–	**–**	–	**58,158**	58,895
Capital expenditure	**3,347**	5,915	**–**	340	**–**	–	**–**	–	**–**	–	**3,347**	6,255

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
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31. SEGMENT INFORMATION (CONT'D)

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

	Group	
	2015 $'000	2014 $'000
Inventories	**9,865**	11,402
Prepaid operating expenses	**41**	49
Cash and cash equivalents	**23,504**	22,678
Other receivables	**200**	183
	33,610	34,312

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

	Group	
	2015 $'000	2014 $'000
Term loans	**4,128**	4,606
Income tax payable	**74**	270
Deferred tax	**1,358**	1,649
Other payables	**1,478**	1,999
	7,038	8,524

32. 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
(IN SINGAPORE DOLLARS)

32. 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 $4,128,000 (2014: $4,606,000) 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 10.5% (2014: 5.6%) of the Group's trade receivables were due from 3 major customers who are located in Singapore.

- 100% (2014: 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 16 and Note 18.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
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32. 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 86.3% (2014: 84.4%) of the Group's sales are denominated in USD whilst almost 81.8% (2014: 80.4%) 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 $19,307,000 (2014: $14,114,000) and $11,807,000 (2014: $14,066,000) 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 profit/(loss) before tax.

	Group	
	2015 $'000	**2014 $'000**
United States Dollar:		
- strengthened 5%	**1,064**	797
- weakened 5%	**(1,064)**	(797)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
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32. 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 $23.5 million (2014: $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 year to 5 years $'000	Over 5 years $'000	Total $'000
Group				
2015				
Financial assets				
Trade receivables (excluding sales tax receivables)	2,377	–	–	2,377
Other receivables	120	–	–	120
Loan to associate	80	–	–	80
Cash and cash equivalents	23,504	–	–	23,504
Total undiscounted financial assets	26,081	–	–	26,081
Financial liabilities				
Trade payables	(536)	–	–	(536)
Other payables	(1,478)	–	–	(1,478)
Loans and borrowings	(757)	(1,799)	(2,160)	(4,716)
Total undiscounted financial liabilities	(2,771)	(1,799)	(2,160)	(6,730)
Total net undiscounted financial assets/(liabilities)	23,310	(1,799)	(2,160)	19,351

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2015
(IN SINGAPORE DOLLARS)

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

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

	1 year or less $'000	Over 1 year 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)
Loans and borrowings	(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

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32. 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			
2015			
Financial assets			
Trade receivables (excluding sales tax receivables)	**47**	**–**	**47**
Other receivables	**54**	**–**	**54**
Amount due from subsidiaries	**5,050**	**–**	**5,050**
Loan to associate	**7**	**–**	**7**
Loan to subsidiaries	**1,944**	**–**	**1,944**
Cash and cash equivalents	**14,295**	**–**	**14,295**
Total undiscounted financial assets	**21,397**	**–**	**21,397**
Financial liabilities			
Trade payables	**(51)**	**–**	**(51)**
Other payables	**(455)**	**–**	**(455)**
Amounts due to subsidiaries	**(651)**	**–**	**(651)**
Total undiscounted financial liabilities	**(1,157)**	**–**	**(1,157)**
Total net undiscounted financial assets	**20,239**	**–**	**20,239**
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

NOTES TO THE FINANCIAL STATEMENTS

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32. 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 year to 5 years $'000	Over 5 years $'000	Total $'000
Group				
2015				
Banker's guarantee	**187**	**–**	**–**	**187**
2014				
Banker's guarantee	200	–	–	200
Company				
2015				
Corporate guarantees	**644**	**1,480**	**2,004**	**4,128**
2014				
Corporate guarantees	478	1,754	2,374	4,606

NOTES TO THE FINANCIAL STATEMENTS

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32. 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 profit/(loss) before tax:

	Group	
	Increase/ decrease in basis points	Effect on profit/(loss) before tax increase/ (decrease)
2015		
Singapore Dollar	**+15**	**(6)**
Singapore Dollar	**-15**	**6**
2014		
Singapore Dollar	+15	(7)
Singapore Dollar	-15	7

33. 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, amounts due from subsidiaries, loan to subsidiaries and associate, current trade and other payables, amounts due to subsidiary, and current loans and borrowings reasonably approximate their fair values because these are mostly short-term in nature or are repriced frequently to market interest rates.

The estimated fair values of the Group's loans and borrowings approximate their carrying amounts based on borrowing rates which would be available to the Company at the end of each reporting period.

Non-financial asset and liability whose carrying amounts approximate fair values

Management has determined that the carrying amount of the assets and liabilities of disposal group held-for-sale reasonably approximate its fair value because they are mostly short-term in nature or are repriced frequently to market interest rates.

NOTES TO THE FINANCIAL STATEMENTS

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34. 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:

	Note	Fair value measurements at the end of the reporting period using Significant unobservable inputs (Level 3) 2015 $'000	2014 $'000
Group			
Assets measured at fair value			
Non-financial asset:			
Property, plant and equipment			
– Buildings and improvements	12	**5,434**	5,647
Non-financial asset as at 31 December		**5,434**	5,647

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34. 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 2015 \$'000	Fair value at 31 December 2014 \$'000	Valuation techniques
Recurring fair value measurements			
Property, plant and equipment:			
Buildings and improvements	**5,434**	5,647	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 12.

(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.

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.

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

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

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

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.

35. 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.

36. EVENTS OCCURRING AFTER THE REPORTING PERIOD

On 2 February 2016, the Group has completed the sale of its investment in subsidiary, Form Tecknik (Shanghai) Co. Ltd. ("FTS"). Following the sale, the Group ceased to have any shareholding interest in FTS.

37. AUTHORISATION OF FINANCIAL STATEMENTS FOR ISSUE

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

SHAREHOLDINGS STATISTICS

AS AT 16 MARCH 2016

Issued and fully paid-up capital	-	S$49,007,558*
Total number of shares including Treasury Shares	-	28,119,659
Total number of shares excluding Treasury Shares	-	27,119,659
Treasury Shares	-	1,000,000
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	6	0.38	170	0.00
100 - 1,000	525	33.10	277,600	1.02
1,001 - 10,000	862	54.35	3,684,792	13.59
10,001 - 1,000,000	188	11.85	10,871,326	40.09
1,000,001 AND ABOVE	5	0.32	12,285,771	45.30
TOTAL	**1,586**	**100.00**	**27,119,659**	**100.00**

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares	%
1	LAUW & SONS HOLDINGS PTE. LTD.	4,147,923	15.29
2	TREADSTONE HOLDINGS PTE. LTD.	2,809,207	10.36
3	DB NOMINEES (SINGAPORE) PTE LTD	2,000,000	7.37
4	DBS NOMINEES (PRIVATE) LIMITED	1,963,469	7.24
5	RAFFLES NOMINEES (PTE) LIMITED	1,365,172	5.03
6	THAM MUN CHEE	626,500	2.31
7	HONG LEONG FINANCE NOMINEES PTE LTD	616,500	2.27
8	CIMB SECURITIES (SINGAPORE) PTE. LTD.	573,263	2.11
9	CHEW PECK KHOON	542,800	2.00
10	UOB KAY HIAN PRIVATE LIMITED	427,100	1.57
11	HO KEE	381,400	1.41
12	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	373,500	1.38
13	TAN CHU EN IAN	320,000	1.18
14	LEW WING KIT	211,000	0.78
15	HUASHIN INVESTMENTS PTE LTD	184,900	0.68
16	MCCALLUM JOHN CHARLES	182,580	0.67
17	MAYBANK KIM ENG SECURITIES PTE. LTD.	168,800	0.62
18	ENG HSI KO PETER	156,366	0.58
19	SING INVESTMENTS & FINANCE NOMINEES (PTE.) LTD.	149,200	0.55
20	OCBC SECURITIES PRIVATE LIMITED	148,300	0.55
	TOTAL	**17,347,980**	**63.95**

SHAREHOLDINGS STATISTICS

AS AT 16 MARCH 2016

SUBSTANTIAL SHAREHOLDERS

Name of substantial shareholders	Direct interest	Deemed interest
Tan Chu En Ian [(1)]	320,000	3,709,207
Sinta Muchtar [(1)] [(2)]	-	8,177,130
Lauw & Sons Holdings Pte Ltd	4,147,923	-
Treadstone Holdings Pte. Ltd. [(3)]	2,809,207	900,000

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 4,147,923 shares owned by Lauw & Sons Holdings Pte. Ltd., and the 320,000 shares owned by her spouse, Mr Tan Chu En Ian.

(3) 900,000 shares owned by Treadstone Holdings Pte. Ltd. are held through a nominee.

PUBLIC FLOAT

Based on information available to the Company as at 16 March 2016, approximately 69.74% 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. (THE "**COMPANY**") • (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 Tuesday, 26 April 2016 at 9:00 a.m. for the following purposes:-

AS ORDINARY BUSINESS

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

2. To approve the Directors' fees of S$211,500 (2014: S$211,500) for the financial year ended 31 December 2015. **(Resolution 2)**

3. To re-elect Mr David Yeung, a Director retiring under Article 104 of the Constitution of the Company. **(Resolution 3)**

   Mr David Yeung will, upon re-appointment as Director of the Company, remain as a Chairman 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 member of the Remuneration Committee and the Nominating Committee.

4. To re-elect Mr Tan Chu En Ian, a Director retiring under Article 104 of the Constitution of the Company. **(Resolution 4)**

5. To re-appoint Dr Vasoo Sushilan who is retiring under Section 153(6) of the Companies Act, Cap. 50 which was in force immediately before 3 January 2016, as a Director of the Company. **(Resolution 5)** **(See Explanatory Note 1)**

   Dr Vasoo Sushilan will upon re-appointment continue to serve as a member of the Audit Committee and 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.

6. To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration. **(Resolution 6)**

NOTICE OF ANNUAL GENERAL MEETING

AEI CORPORATION LTD. (THE "**COMPANY**") • (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 amendments:-

7. **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,

(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 7)
(See Explanatory Note 2)

NOTICE OF ANNUAL GENERAL MEETING

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

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

"That approval be and is hereby given to the directors to grant awards in accordance with the provisions of the AEI Performance Share Plan (the "APSP") 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 APSP, provided that the aggregate number of shares to be allotted and issued pursuant to the APSP, when added on to the number of shares issued and issuable in respect of all awards granted under any other share-based incentive schemes adopted by the Company and for the time being in force, shall not exceed fifteen per centum (15%) of the total number of issued shares (excluding treasury shares) 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 8)
(See Explanatory Note 3)

9. **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; and

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. (THE "**COMPANY**") • (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,

and

(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 9)
(See Explanatory Note 4)

ANY OTHER BUSINESS

10. 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, 11 April 2016

NOTICE OF ANNUAL GENERAL MEETING

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

EXPLANATORY NOTES ON SPECIAL BUSINESS TO BE TRANSACTED:-

1. Resolution 5 is for the re-election of Dr Vasoo Sushilan who was reappointed at the last annual general meeting to hold office until the conclusion of the forthcoming annual general meeting under Section 153(6) of the Companies Act (which was in force immediately before 3 January 2016 and repealed on 3 January 2016). Accordingly Dr Vasoo Sushilan is retiring at the forthcoming annual general meeting and has been nominated for re-appointment. Upon re-appointment, Dr Vasoo Sushilan will then be subject to retirement by rotation under the Constitution of the Company.

2. Resolution 7, 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.

3. Resolution 8, 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 APSP and to allot and issue shares in the capital of the Company pursuant APSP, provided that the aggregate number of shares issued and to be issued under the APSP 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.

4. Resolution 9, 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 2015 are set out in greater detail in the Appendix enclosed together with the Annual Report.

NOTICE OF ANNUAL GENERAL MEETING

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

NOTES:

1. A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.
2. A member who is a relevant intermediary (as defined in Section 181 of the Companies Act, Chapter 50) is entitled to appoint more than two proxies to attend, speak and vote at the meeting.
3. A proxy need not be a member of the Company.
4. If the appointor is a corporation, the proxy must be executed under seal or the hand of its duly authorised officer or attorney.
5. 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.

PERSONAL DATA PRIVACY:

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

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

ANNUAL GENERAL MEETING
PROXY FORM

IMPORTANT
1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend the Meeting and vote.
2. For investors who have used their CPF moneys to buy shares in AEI CORPORATION LTD., this Annual Report is forwarded to them at the request of the CPF Approved Nominees.
3. This proxy form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name)

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 (%)

*and/or (delete as appropriate)

as *my/our *proxy/proxies, to vote for *me/us on *my/our behalf at the Annual General Meeting of the Company to be held at 12 Penjuru Lane, Jurong Town Industrial Estate, Singapore 609192 on Tuesday, 26 April 2016 at 9:00 a.m. and at any adjournment thereof.*I/We direct *my/our *proxy/proxies to vote for or against the resolutions to be proposed at the Annual General Meeting in the spaces provided hereunder. If no specified directions as to voting are given, the proxy/proxies will vote or abstain from voting at his/their discretion.

No	Ordinary Resolutions	No. of Votes or to indicate with a tick[1]	
		For	Against
	Ordinary Business		
1.	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2015 and Auditors' Report thereon.		
2.	To approve the Directors' fee of S$211,500 (2014: S$211,500) for the financial year ended 31 December 2015.		
3.	To re-elect Mr David Yueng as Director.		
4.	To re-elect Mr Tan Chu En Ian as Director.		
5.	To re-appoint Dr Vasoo Sushilan as Director.		
6.	To re-appoint Ernst & Young LLP as Auditors of the Company and to authorise the Directors to fix their remuneration.		
7.	To authorize Directors to issue and allot shares pursuant to Section 161 of the Companies Act, Chapter 50.		
8.	To authorize the grant of awards and issue shares under the AEI Performance Share Plan.		
9.	To approve the Share Buy-Back Mandate.		

1 All resolutions would be put to vote by poll in accordance with the listing rules of Singapore Exchange Securities Limited.

Please tick "√" or indicate the number of votes within the box provided. A tick would represent you are exercising all your votes "For" or "Against" the relevant resolution.

Dated this ____________ day of ____________ 2016.

Total Number of Shares Held

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

IMPORTANT: PLEASE READ NOTES BEFORE COMPLETING THIS PROXY FORM

Glue and seal firmly

Glue and seal firmly

First fold (this flap for sealing)

NOTES:

1. A member of the Company (other than a relevant intermediary as defined in Section 181 of the Companies Act, Cap.50) entitled to attend and vote at the meeting is entitled to appoint not more than two proxies to attend and vote on his stead. Such proxy need not be a member of the Company.
2. A relevant intermediary as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend the meeting and vote.
3. Where a member of the Company appoints more than one proxy in a proxy form, he shall specify the proportion of his shareholding (expressed as a percentage of the whole) to be represented by each such proxy.
4. Completion and return of this instrument appointing a proxy or proxies shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy, to the meeting.
5. This instrument appointing a proxy or proxies must be under the hand of the appointer or his attorney duly authorized 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 or duly authorised officer.
6. A corporation which is a member of the Company may authorize by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with its Articles of the Constitution of the Company and Section 179 of the Companies Act, Chapter 50 of Singapore.
7. 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.
8. A member should insert the total number of shares held. If the member has shares entered against his name in the Depository Register (maintained by The Central Depository (Pte) Limited), he should insert that number of shares. If the member has shares registered in his name in the Register of Members (maintained by or on behalf of the Company), he should insert 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.
9. 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 72 hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.
10. 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 72 hours before the time set for the Annual General Meeting.
11. Personal data privacy: By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting.

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Affix
Postage
Stamp

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

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

design & production by **Q-Plus Design**

AEI Corporation Ltd.
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Registration No. 198300506G

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