FEDERAL

GROWING OUR **PRESENCE**

ANNUAL REPORT 2014

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CORPORATE PROFILE

ESTABLISHED IN 1974 AND LISTED ON THE SGX MAINBOARD IN 2000, THE GROUP HAS GROWN FROM A TURNOVER OF $64.3 MILLION IN 2000 TO $131.6 MILLION IN 2014

Established in 1974 as a hardware trading business, Federal International (2000) Ltd (the "Company" and together with its subsidiaries the "Group") was listed on the SGX Mainboard in 2000. The Group's turnover grew to $131.6 million in 2014. The Group's businesses have also grown from hardware trading to include the design, manufacture, assembly, distribution and provision of flowline control products and services for the oil and gas, energy and marine industries. Our businesses also encompass the distribution of fire protection and detection systems and the chartering of vessels.

OUR VISION

We aim to be a growth-driven company supporting the oil and gas, energy and marine industries globally.

OUR MISSION

To be the preferred business partner and one-stop solutions provider, delivering quality and innovative products and services to our customers.

OUR MOTTO

We are committed to providing quality products and reliable services to our customers at competitive prices.

We adopt new mindsets and innovative ideas.

We focus on continuous process improvements and the alignment of our strategies with our vision and mission so as to deliver value to our customers, shareholders and employees.

LETTER TO SHAREHOLDERS

DEAR SHAREHOLDERS

FY2014 has been a challenging year for the oil and gas industry in general as oil prices plunged by more than 50% from its peak. As a result, upstream oil exploration and drilling activities were badly affected. Despite this, there was still a silver lining as focus shifts to improving the efficiency and yields from existing oil fields by harnessing advanced technology to optimise output.

We successfully exited from the SGX Watch List in June 2014. The Group returned to profitability in FY2013 on the strength of its core trading business, which remains the key focus of the Group. However, overrun cost incurred from the delay in the completion of the offshore commissioning of *Federal II* weighed down on our FY2014 results. The loss recorded on the disposal of *Federal II* included provisions for costs to complete the offshore commissioning works. We have been prudent to ensure that all expected costs have been fully provided for.

Nevertheless, we are positive that the charter of *Federal II* to China National Offshore Oil Corporation by PT Eastern Jason upon completion of the offshore commissioning would augur well for the Group. The Group holds a 30% stake in PT Eastern Jason.

FINANCIAL HIGHLIGHTS

In FY2014, we reported an increase in revenue of 3% to $131.6 million, which was largely due to contribution from our core trading business which comprised 97% of our total revenue. We recorded a loss before tax of $19.2 million as compared to a profit before tax of $5.0 million in the previous year. As a result, our net loss for the year stood at $21.5 million against a net profit of $3.4 million in FY2013.

The net loss of $21.5 million included a loss of $26.0 million arising from the disposal of *Federal II* and the Group's share of associates' losses of $5.9 million. As the Group's share of loss for an associate was greater than the carrying value of the investment, the entire cost of investment in the associate was fully impaired in the fourth quarter of FY2014.

The loss for FY2014 was due largely to non-recurring items which are not expected to recur in FY2015. Strategically, we will focus on growing the trading business in terms of product range and also, geographical reach. We will also focus on exploring suitable investment opportunities related to the oil and gas sectors.

LETTER TO SHAREHOLDERS

CONVERSION AND DISPOSAL OF *FEDERAL II*

The legal completion of the sale of *Federal II* to PT Eastern Jason was completed on 19 August 2014. However, the physical delivery of the vessel to PT Eastern Jason would be upon the completion of the offshore commissioning, which was affected by unfavourable weather conditions and other technical issues. We have made all efforts to expedite the commissioning process and to contain any further cost overrun. We target to handover the vessel by mid-2015.

PZH WASTEWATER TREATMENT PLANT

Under the Energy and Utilities business segment, we completed the disposal of the 99% shareholding in FEE Water (China-PZH) Ltd, which in turn wholly owned Federal Environmental (Panzhihua) Co. Ltd, on 12 March 2014. After this disposal, the only remaining asset under the Energy and Utilities business segment is the industrial waterplant in Xinjing County, Chengdu, People's Republic of China. The industrial water plant is in active operation and is covered under a minimum guarantee arrangement with the local government.

LAND DRILLING RIG

We are in the midst of securing a contract for the land drilling rig that was acquired in December 2013. We expect the rig to be deployed by mid-2015. The rig was demobilised after its last job in FY2014 and the rig is currently back in Jakarta undergoing routine maintenance.

FUTURE PROSPECTS

We foresee 2015 to be a competitive and challenging year as we expect the weakness in oil prices to continue into the year. Nevertheless, we remain cautiously optimistic that there could be a reversal of trend as we continue to build on our momentum to expand our products and geographical reach.

We will continue to maintain good relationships with our customers and principals as we pursue partnership and distribution opportunities within the region. In fact, our efforts have paid off as we managed to secure a few new product agencies from principals based in the United States and Europe.

We have also recently formed a joint venture with a listed company in Thailand to offer our oil and gas products and equipment to potential customers in Thailand. We are also exploring other suitable opportunities in the oil and gas sectors that could provide a long-term recurring income for the Group.

LETTER TO
SHAREHOLDERS

For the Trading business, $37 million relating to orders received in January 2014 is expected to be delivered and billed by mid-2015. The Group also has new orders of about $57 million on-hand as of 20 March 2015.

Going forward, the Group will persist to source for sales and projects in the coming year although we expect the industry to slow down due to the negative impact of falling oil prices.

ACKNOWLEDGEMENTS

On behalf of the Board, I would like to extend my appreciation to my fellow directors, our management and staff for their dedication and commitment which served as the driving force behind the Group. Additionally, I would also like to thank our bankers, business partners and associates, as well as shareholders for their staunch faith and support over the years.

MR KOH KIAN KIONG
Executive Chairman and
Chief Executive Officer

BOARD OF DIRECTORS

MR. KOH KIAN KIONG

Executive Chairman and Chief Executive Officer

Mr. Koh was first appointed to the Board of Directors on 13 November 1999 and was last re-elected on 30 April 2014. Mr. Koh is also the Executive Chairman and Chief Executive Officer of the Company. He is also a member of the Executive Committee and of the Nominating Committee. He is one of the original founders of the Group and has more than 45 years of experience in the oil and gas industry. Mr. Koh oversees the formulation of the Group's corporate strategies and expansion plans. Mr. Koh holds directorships in various subsidiaries of the Group.

Present Directorships/Chairmanship (as at March 2015)
Listed companies: **Federal International (2000) Ltd** *(Chairman)*
Others (Non-listed companies): Subsidiaries and associate companies of the Federal Group

Past Directorships/Chairmanship in listed companies held over the preceding three years (from March 2012 to March 2015)
Federal International (2000) Ltd

Other Principal Commitments
NIL

MS. MAGGIE KOH

Executive Director

Ms. Koh was first appointed to the Board of Directors on 19 June 2000 and was last re-elected on 30 April 2014. She has more than 18 years of experience in the oil and gas industry. She is also a member of the Executive Committee. She oversees the trading business of the Group. She also holds directorships in various subsidiaries of the Group. She has a Bachelor Degree in Business Administration and also holds a Master in Business Administration.

Present Directorships (as at March 2015)
Listed companies: **Federal International (2000) Ltd**
Others (Non-listed companies): Subsidiaries and associate companies of the Federal Group

Past Directorships in listed companies held over the preceding three years (from March 2012 to March 2015)
Federal International (2000) Ltd

Other Principal Commitments
NIL

BOARD OF DIRECTORS

MR. HENG LEE SENG

Lead Independent Director

Mr. Heng was first appointed to the Board of Directors on 22 August 2000 and was last re-elected on 30 April 2013. He is the Chairman of the Audit Committee and a member of the Remuneration and the Nominating Committees. He is a practising Chartered Accountant with more than 40 years' experience. Mr. Heng is a member of CPA Australia, Chartered Institute of Management Accountants, Association of Chartered Certified Accountants, Chartered Institute of Secretaries and Administrators and the Singapore Institute of Directors. He is a holder of the designation CGMA (Chartered Global Management Accountant).

Present Directorships (as at March 2015)

Listed companies: **Federal International (2000) Ltd**
Sinwa Limited

Others (Non-listed companies): HLS Tax Advisory Services Pte Ltd
HLS Corporate Services Pte Ltd
HLS Risk Advisory Services Pte Ltd
Corporate Health Advisors Pte Ltd
Safe & Sound Pte Ltd

Past Directorships in listed companies held over the preceding three years (from March 2012 to March 2015)

Federal International (2000) Ltd
Sinwa Limited

Other Principal Commitments

Heng Lee Seng LLP, Partner

BOARD OF DIRECTORS

MR. YEE KEE SHIAN, LEON
Independent Director

Mr. Yee is Head of Duane Morris & Selvam's Banking & Finance and Energy Law Practice Groups. He is also Head of the Firm's China Practice Group. Mr. Yee has extensive corporate law expertise and regularly advises high net worth individuals, private equity funds, investment banks, listed and private companies on corporate finance, venture capital, capital markets, takeovers, cross-border mergers and acquisitions, corporate restructurings and joint ventures. He has also advised banks and project companies on complex financing transactions and has a particular focus on Indonesia and PRC related deals.

Mr. Yee is regarded as one of Asia Pacific's Leading Lawyers by the International Financial Law Review 1000. He was also recognised as an AsiaLaw Leading Lawyer in the area of Corporate Governance. He serves as an Independent Director of SGX-listed Federal International (2000) Ltd where he is the Chairman of both the Nominating Committee and the Remuneration Committee, and a member of the Audit Committee.

He is a member of the Tan Kah Kee International Society and a Visiting Professor of Law at Jimei University, China. He is also the Honorary Legal Adviser to the Char Yong (Dabu) Clan Association. Further, he sits as the Chair and is also a Council Fellow of Cambridge Alliance Centre. Mr. Yee also founded and chaired the Cambridge University Asian Lawyers Association.

Mr. Yee read Law at Christ's College, Cambridge on a Cambridge Commonwealth Trust scholarship where he graduated with Honours. He previously worked with a leading international law firm in their London & Singapore offices.

He is an Advocate & Solicitor of the Supreme Court of Singapore and a Solicitor of England and Wales.

Professional Activities
- Past member of the Singapore Law Society Committee for Mergers & Acquisitions and Insolvency, Corporate Commercial Matters and Listing Matters
- Member of the Singapore Institute of Directors

Admissions
- Singapore
- England and Wales

Present Directorships (as at March 2015)
Listed companies: **Federal International (2000) Ltd**
Others (Non-listed companies): Cambridge Alliance Capital Pte. Ltd.
Cambridge Alliance Fund No. 1 Pte. Ltd.
Cambridge Alliance Realtor Pte. Ltd.
Farenheit Group Pte. Ltd
Northvale Investments Pte. Ltd.
PMC Real Estate Fund No. 1 Pte. Ltd.
The Kightsbridge Group Pte. Ltd.

Past Directorships in listed companies held over the preceding three years (from March 2012 to March 2015)
Federal International (2000) Ltd

Other Principal Commitments
Duane Morris & Selvam LLP, Managing Director

BOARD OF DIRECTORS

MR. KHOO BOO YEOW, ANDREW

Independent Director

Mr. Khoo was first appointed to the Board of Directors on 10 August 2012 and was last re-elected on 30 April 2013. Mr. Khoo is also a member of the Audit and Remuneration Committees. He is currently a Director of the Food Services Division at ABR Holdings Ltd and apart from managing the various brands within the group, he is also involved in corporate and strategic activities. He has held senior management positions in a number of diverse industries including food, retailing, and the hospitality sector. Previously, he was also the Director of Corporate Affairs in a UK and Malaysian Listed company. Mr. Khoo holds a degree in law from Cambridge University and a Master of Business Administration from Seattle Pacific University. He was called to the Bar at Lincoln's Inn in 2002.

Present Directorships (as at March 2015)

Listed companies: **Federal International (2000) Ltd**

Others (Non-listed companies): Nil

Past Directorships in listed companies held over the preceding three years (from March 2012 to March 2015)

Pan Malaysia Corporation Berhad
Malayan United Industries Berhad
Federal International (2000) Ltd

Other Principal Commitments

ABR Holdings Ltd, Director Food Service Division
Honorary Secretary, The Restaurant Association of Singapore
Executive Committee, Franchise and Licensing Association (Singapore)

KEY EXECUTIVES

MR. LOH CHEE MENG

Group Chief Financial Officer and Company Secretary, Federal International (2000) Ltd

Mr. Loh is a chartered accountant with the Institute of Singapore Chartered Accountants and is a certified internal auditor with the Institute of Internal Auditors. He joined the Company as the Group Chief Financial Officer in September 2012 and is responsible for the management of the Group's financial, treasury, taxation and IT matters. He has also been appointed as the Company Secretary of Federal International (2000) Ltd. His experience includes corporate finance and audit, having assumed financial controllership roles in various listed companies in the transportation, logistics and healthcare industries. He has a Bachelor in Accountancy (Honours) from the Nanyang Technological University and a Master in Business Research from the University of Western Australia.

MR. DENG GUAN QUN

Chief Executive Officer, Federal Environmental & Energy Pte Ltd

Mr. Deng joined the Group in 1995 and is the Chief Executive Officer of Federal Environmental & Energy Pte Ltd ("FEE"). He is also the Chief Executive Officer of Federal International (Shanghai) Co., Ltd ("FIS") and holds directorships in various subsidiaries of FEE. Mr. Deng is responsible for the operations of FIS and the FEE group of companies, providing strategic planning and business development leadership. He is also responsible for the Group's environmental protection business in People's Republic of China, including the management of the Group's industrial water plant. Mr. Deng holds a Master in Mechanical Engineering from the Shanghai Jiao Tong University and an Executive Master in Business Administration from United Business Institutes, Brussels, Belgium.

MR. RICHARD DOCHERTY

Managing Director, KVC (UK) Ltd

Mr. Docherty joined the Group in 2004 and is the Managing Director of KVC (UK) Ltd. Mr. Docherty is responsible for the operations and business development of KVC (UK) Ltd. His career in the valve industry spans over 40 years and encompasses the oil and gas, and petrochemical industries, especially in the UK and Norwegian North Sea markets. Mr. Docherty attended St. Mungo's Academy in Glasgow, Scotland.

MR. KOH BENG GUAN, DON

Managing Director, Alton International (S) Pte Ltd

Mr. Koh joined the Group in 1999 and is the Managing Director of Alton International (S) Pte Ltd ("Alton"). He also holds directorships in various subsidiaries of the Group. He is responsible for the operations and business development of the Alton group of companies. He is also the Sales Director of Federal Hardware Engineering Co Pte Ltd. He has a Bachelor in Business Administration from the Southern Cross University, Australia.

KEY EXECUTIVES

MS. NG GEOK LAN

General Manager,
Group HR and Quality Logistics
Federal International (2000) Ltd

Ms. Ng joined the Company in September 2011 and is the General Manager, Group HR and Quality Logistics of Federal International (2000) Ltd. She has more than 25 years of experience in operational HR management, with focus on solutions and service deliverables for short-term and long-term objectives; cross functional exposure, ranging from human resource development to leading strategic roles in operations management, including warehouse & logistics management, facilities management, security and quality management. She has also been appointed as the Management Representative for the Group's Quality, Environmental, Occupational Health & Safety ("QEHS") Management System. She holds a Master of Business Administration from the University of Chester, UK.

MR. QUEK CHENG HOCK

Managing Director,
Federal Fire Engineering Pte Ltd

Mr. Quek joined the Group in November 2013 and is the Managing Director of Federal Fire Engineering Pte Ltd, a wholly-owned subsidiary of the Company. He has been in the fire protection industry since 1990, with experience in fire suppression products, its engineering and applications. His fire protection experience covers industries such as telecommunications, pharmaceutical, petroleum, oil and gas, power generation and other high value facilities in Singapore and in the Asia Pacific. He holds a First Class Honors degree in Manufacturing and Mechanical Engineering.

MR. TAY HANG HEE

Project Director,
Federal International (2000) Ltd

Mr. Tay joined the Group in 2001 and is the Project Director of Federal International (2000) Ltd. He also holds directorships in various subsidiaries of the Group. With over 25 years of experience in the oil and gas industry, he is responsible for overseeing the operations of the Group's international markets, including operations in Indonesia. He is also the Business Development Director of Federal Hardware Engineering Co Pte Ltd. He holds a Master in Business Administration from the University of South Australia, Adelaide.

BUSINESS AND
FINANCIAL REVIEW

FY2014 has been a year marked by significant challenges posed by a volatile global economy. The year was characterised by a momentous downward pressure on global oil prices which is expected to continue into FY2015. Nevertheless, we remain focused on our core trading business and also, exploring suitable business opportunities related to the oil and gas industry.

Turnover for the reporting fiscal year grew by 3% to $131.6 million against $128.2 million in FY2013, largely attributable to higher sales to customers in the People's Republic of China ("PRC").

The Group registered a loss before tax of $19.2 million for FY2014 against a profit before tax of $5.0 million in FY2013, as the Group's results were affected by the loss of $26.0 million on disposal of *Federal II* and the Group's share of associates' losses of $5.9 million.

The loss on disposal of *Federal II* encompassed cost overrun for the conversion and offshore commissioning works. Additional conversion costs were incurred due to the delay in completion of the conversion, increased scope of work and additional spare parts provided to ensure that the vessel met the required standards necessary for the charter operations. Unfavourable weather conditions and technical issues encountered during offshore commissioning resulted in further cost overrun and provisions made.

PERFORMANCE BY BUSINESS SEGMENTS

The Trading business segment remained the largest contributor to total Group revenue at about 97% or $127.1 million. This translated to a 2.5% increase from the FY2013 revenue of $123.9 million. The increase was due mainly to higher sales to customers in the PRC.

The Manufacturing, Design, Research and Development business segment is of strategic importance to our trading business and is mainly involved in identifying solutions to customers' needs and requirements. Our manufacturing facility, located in Scotland, United Kingdom, is American Petroleum Institute (API) Q1, API 6D, ISO 9001:2008 and Pressure Equipment Directive (PED) certified.

The remaining facility under the Energy and Utilities business segment is the industrial waterplant located in Xinjing county, Chengdu, PRC. There is a 6-year minimum guarantee starting from 2012 provided by the local government that guarantees a minimum volume of water sold per year for the industrial waterplant.

No revenue was recorded for the Marine Logistics and Resources business segments. The Resources business segment was dormant after the disposal of the remaining mining equipment in 2013.

PERFORMANCE BY GEOGRAPHICAL MARKETS

In FY2014, the Group's main revenue was derived from PRC and other South East Asian countries. Revenue from PRC, Indonesia, Malaysia, Singapore and Thailand contributed 90% or $118.7 million of the total Group revenue. Revenue from PRC increased by 27% to $65.7 million in FY2014, while revenue contribution from Indonesia decreased due to the impact of the presidential election during the year.

BUSINESS AND
FINANCIAL REVIEW

GROUP INCOME STATEMENT

In FY2014, turnover increased by 3% to $131.6 million due to higher sales to the PRC. Overall, the Group reported a net loss of $21.5 million as compared to a profit of $3.4 million in the previous year.

Gross profit margin decreased by 5.3 percentage points from 24.9% in FY2013 to 19.6% in FY2014. This was mainly attributed to a higher proportion of lower margin steel plate sales, instead of the higher margin flowline and related product sales. Other operating income of $6.4 million included a one-time gain of $3.6 million from the disposal of 99% shareholding in FEE Water (China-PZH) Ltd, in the March 2014.

Selling and distribution costs dipped by 40.9% to $5.7 million as a result of the reversal of a provision for a marketing-related expense. Administrative and general costs were also reduced due to the reversal of overseas tax provisions that have reached the prescribed statutory time-bar.

Meanwhile, other operating expenses stood at $26.3 million against $3.9 million in the previous year as loss on disposal of *Federal II* and lower writeback of impairment loss on doubtful receivables weighed on costs.

Finance costs for the year contracted by 43% to $2.2 million following the reduction in borrowings after the disposal of 99% shareholding in FEE Water (China-PZH) Ltd and settlement of the vessel conversion loan in August 2014.

The Group reported a loss per share of 1.60 cents for the reporting year against earnings per share of 0.37 cents in the year before.

GROUP FINANCIAL POSITION

Net assets attributable to owners of the Group as at 31 December 2014 was $60.3 million, translating to a net asset value per ordinary share of 4.28 cents.

Non-Current Assets

Non-current assets comprised mainly the Group's freehold and leasehold properties in Singapore and the land drilling rig. The properties in Singapore were revalued in FY2014 which resulted in a net revaluation gain of $2.5 million being recognised.

The increase in amount due from a related party was due to a reclassification of $5.9 million from current assets to non-curent assets as the amount was not expected to be repaid within the next 12 months.

The reduction in investment in associates was due to the recognition of the Group's share of associates' losses.

Current Assets

The reduction in current assets by $62.4 million to $97.1 million was due mainly to the completion of the sale of the *Federal II*, the completion of disposal of 99% shareholding in FEE Water (China-PZH) Ltd, and the

BUSINESS AND FINANCIAL REVIEW

reclassification of an amount due from a related party from current to non-current assets.

The decrease was partly offset by an increase in inventories due to higher inventories held and goods in-transit to a customer, trade and other receivables due to higher sales, amounts due from associates relating to recovery of certain expenses and loans to an associate and advance payment to suppliers and prepayments.

Current Liabilities

Current liabilities decreased by $39.9 million to $95.4 million in FY2014. This was largely the result of the completion of the disposal of 99% shareholding in FEE Water (China-PZH) Ltd, a reduction in advance payment from an associate as the advance payment, which was the downpayment received from PT Eastern Jason for the sale of *Federal II* was accounted for as part of the sales proceeds, reduction in term loans due mainly to the settlement of the vessel conversion loan, the net reduction in provision for income tax arising from taxes paid during the year and reversal of overprovision of prior years' taxes for the Company.

The decrease was partly offset by an increase in trade and other payables, advance payment from customers, amount due to a related party, amounts due to bankers, derivative liability and additional provision for prior years' taxes for certain subsidiaries. The increase in the amounts due to bankers relates to higher trade related financing facilities utilised in connection with the increase in sales. The derivative liability relates to foreign currency hedging transactions entered into in connection with payment to a particular supplier as part of a contracted supply of goods arrangement.

Net Current Assets

As at 31 December 2014, the Group's net current assets position was $1.7 million.

Non-Current Liabilities

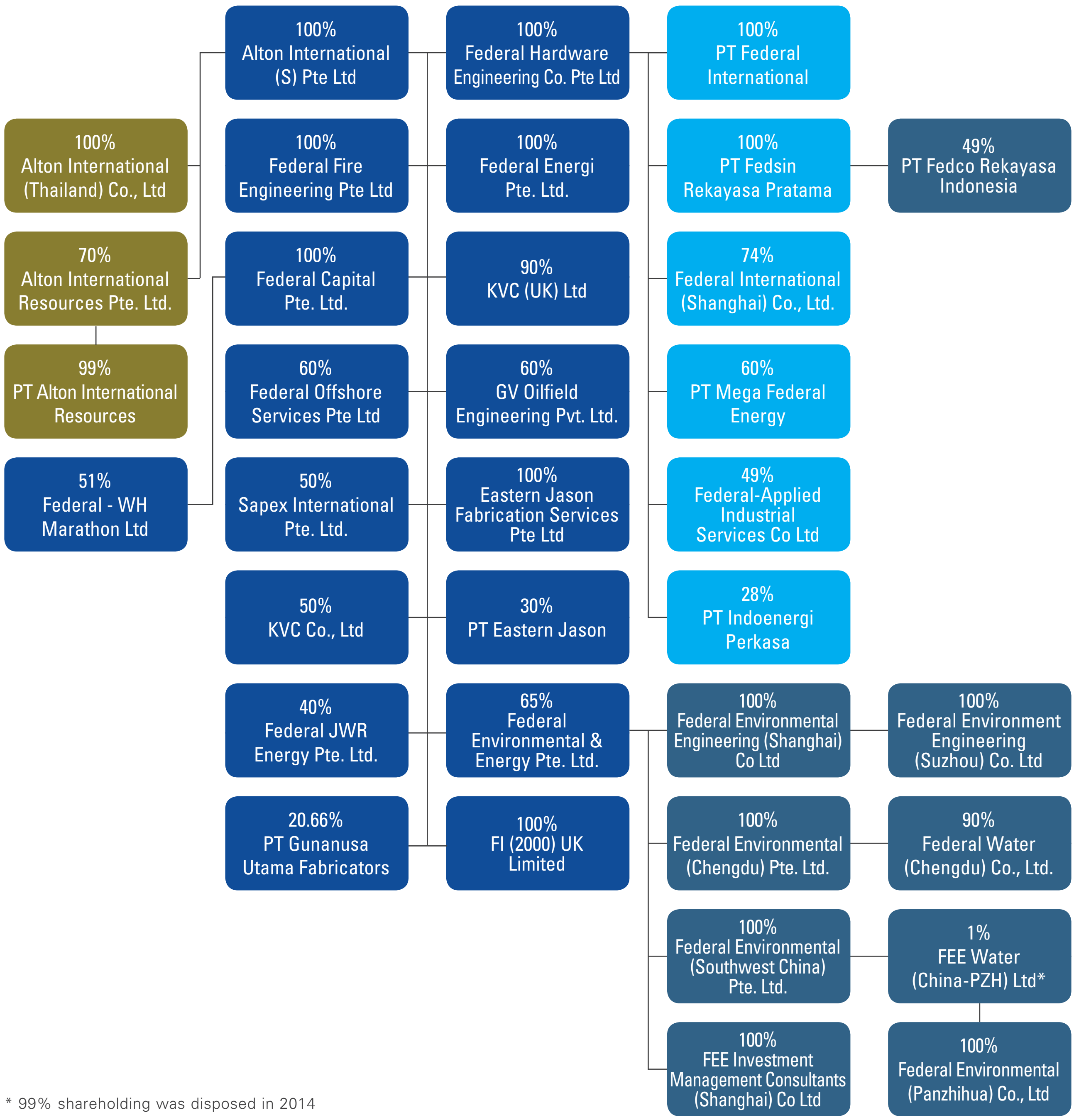
Non-current liabilities fell from $5.2 million in FY2013 to $2.8 million in FY2014 as a result of a reduction in term loans.

GROUP CASH FLOWS

As at 31 December 2014, the Group's available cash and cash equivalents were $14.4 million, of which net cash of $8.2 million was generated from its operating activities. Investing activities generated $11.0 million, which included $51.4 million received from the legal completion of the sale of *Federal II* in August 2014. Financing activities utilised $25.1 million due mainly to the repayment of term loans.

CORPORATE
STRUCTURE

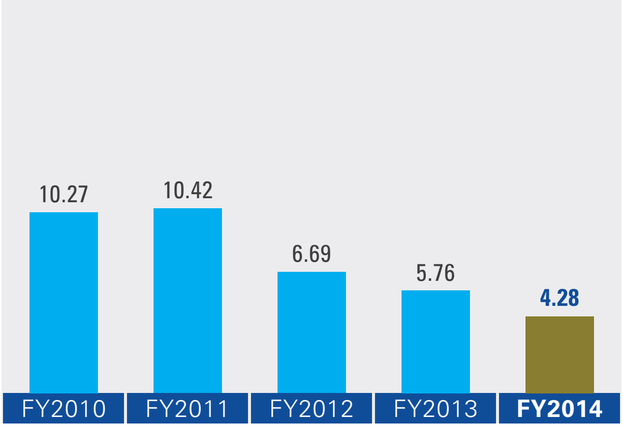
Federal International (2000) Ltd



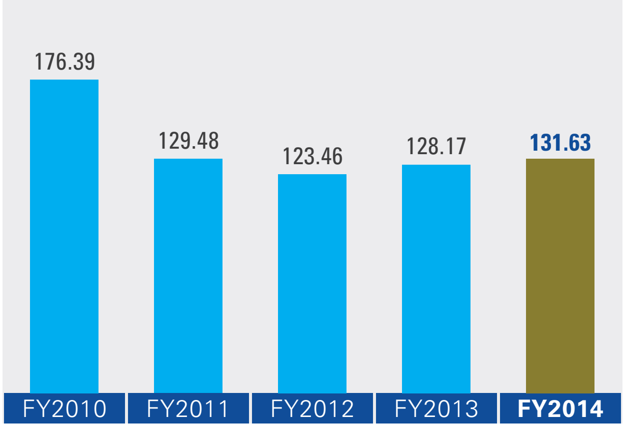
* 99% shareholding was disposed in 2014

FINANCIAL
HIGHLIGHTS

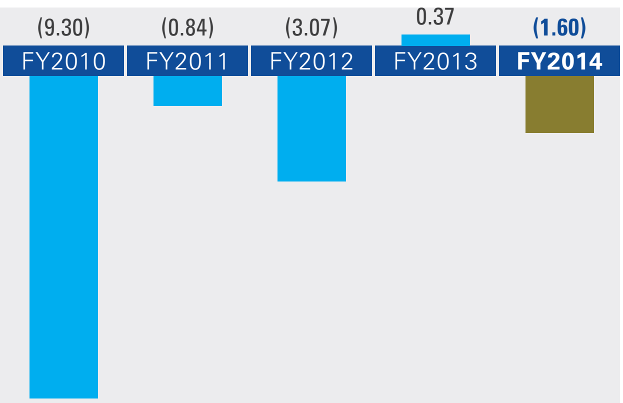
NET ASSETS VALUE PER SHARE (CENTS)



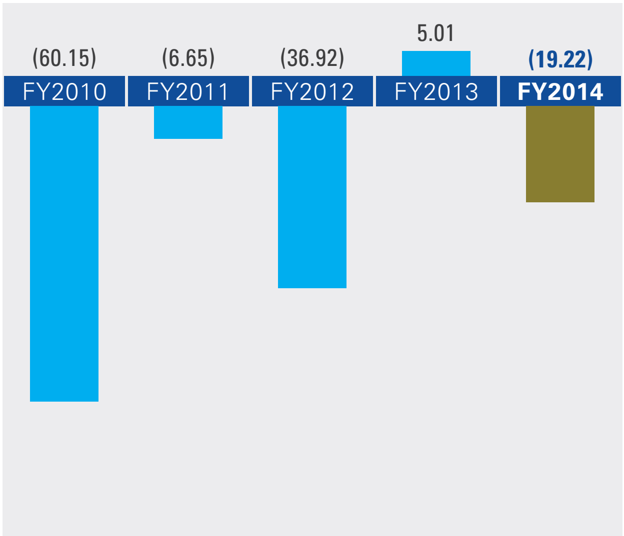
TURNOVER ($MIL)



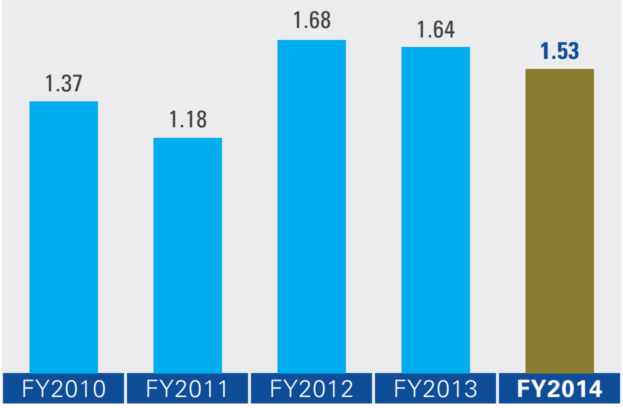
EARNINGS/(LOSS) PER SHARE (CENTS)



PROFIT/(LOSS) BEFORE TAX ($MIL)



DEBT/EQUITY RATIO



CORPORATE INFORMATION

DIRECTORS

Executive

MR. KOH KIAN KIONG *Chairman & Chief Executive Officer*
MS. MAGGIE KOH *Executive Director*

Non-Executive & Independent

MR. HENG LEE SENG *Lead Independent Director*
MR. YEE KEE SHIAN, LEON *Independent Director*
MR. KHOO BOO YEOW, ANDREW *Independent Director*

AUDIT COMMITTEE

Mr. Heng Lee Seng *Chairman*
Mr. Yee Kee Shian, Leon
Mr. Khoo Boo Yeow, Andrew

NOMINATING COMMITTEE

Mr. Yee Kee Shian, Leon *Chairman*
Mr. Heng Lee Seng
Mr. Koh Kian Kiong

REMUNERATION COMMITTEE

Mr. Yee Kee Shian, Leon *Chairman*
Mr. Heng Lee Seng
Mr. Khoo Boo Yeow, Andrew

COMPANY SECRETARIES

Mr. Loh Chee Meng
Ms. Noraini Binte Noor Mohamed Abdul Latiff
Ms. Yvette Lim Pei Yung

REGISTERED OFFICE

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Singapore 349489
Tel: (65) 6747 8118
Fax: (65) 6743 0690
Email: admin@fedsin.com.sg
Website: http://www.federal.com.sg

SHARE REGISTRAR

B.A.C.S. Private Limited
63 Cantonment Road
Singapore 089758
Tel: (65) 6593 4848
Fax: (65) 6593 4847

AUDITOR

BAKER TILLY TFW LLP
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778

Partner-In-Charge

Ms Tay Guat Peng
(Appointed since financial year ended
31 December 2013)

PRINCIPAL BANKERS

United Overseas Bank Limited
DBS Bank Limited
Overseas-Chinese Banking Corporation Limited
Australia and New Zealand Banking Group Limited

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the "Board") of Federal International (2000) Ltd (the "Company" and together with its subsidiaries the "Group") is committed to maintaining a high standard of corporate governance. The Board and Management have taken steps to align its governance framework with the principles and guidelines of the Code of Corporate Governance 2012 issued on 2 May 2012 by the Monetary Authority of Singapore (the "**Code**"). Unless otherwise stated, the Group has generally adhered to the principles and guidelines as set out in the Code.

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

Board of Directors

The Board comprises the following members:

Executive:
Mr Koh Kian Kiong (Executive Chairman & Chief Executive Officer ("**CEO**")
Ms Maggie Koh

Non-Executive and Independent:
Mr Heng Lee Seng (Lead Independent Director)
Mr Yee Kee Shian, Leon
Mr Khoo Boo Yeow, Andrew

Board Responsibility

The Board is primarily responsible for directing the affairs of the Company in order to achieve the goals set for the Group. Such responsibility includes setting the strategic direction and long term goals, internal controls and risk management, corporate governance and financial performance. The specific matters specifically reserved to the Board include but not limited to:

(1) approving the Group's goals, strategies and financial objectives;

(2) monitoring the performance of Management;

(3) overseeing the processes for evaluating the adequacy and effectiveness of internal controls, risk management systems, financial reporting and compliance;

(4) approving the nomination of Board Directors and appointment of Key Management Personnel[1];

(5) approving the announcement of quarterly financial results and full year financial results and audited financial statements;

(6) approving remuneration and key human resource matters;

(7) convening of general meetings;

(8) approving annual budgets, major funding proposals, acquisition and disposal of investments; and

(9) assuming responsibility for corporate governance and compliance with the Companies Act and the rules and requirements of regulatory bodies.

The Company's Articles of Association allows Board meetings to be conducted by way of teleconferencing to facilitate Board participation.

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[1] *Key Management Personnel means the CEO and other persons having authority and responsibility for planning, directing and controlling the activities of the Company.*

CORPORATE GOVERNANCE STATEMENT

The Company also has in place a budget for Directors' training programmes on annual basis, of which the Directors are encouraged to participate industry conferences, seminars and courses or training programmes in connection with their duties as Directors of the Board and Board Committees, in order to keep abreast of changes to rules, regulations and accounting standards in Singapore. The budget may be utilised by each Director subject to the approval of the Chairman.

Delegation by the Board

To facilitate effective management, certain functions have been delegated to various Board committees, each of which has its own clear written terms of reference ("**TOR**"). The TORs are reviewed on a regular basis to ensure their continued relevance with the Code.

With assistance of the Company Secretaries, the Board and Management are continually apprised of their compliance obligations and responsibilities arising from regulatory requirements and changes in the Listing Manual of Singapore Exchange Securities Trading Limited ("**SGX-ST**").

The Management together with the Board Committees including the Audit Committee ("**AC**"), Nominating Committee ("**NC**") and Remuneration Committee ("**RC**"), support the Board in discharging its responsibilities. The roles and powers of the Board Committees are set out separately in this Report.

The Board works closely with Management ensuring that obligations to shareholders and other stakeholders are complied with.

Board Meetings and Attendance

The Board meets at least quarterly, and more frequently when required, to review and evaluate the Group's operations and performance and to address key policy matters of the Group, where necessary.

The number of Board and Board Committee meetings held during financial year ended 31 December 2014 ("**FY2014**") and the attendance of each Director, where relevant, is set out as follows:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nominating Committee Meetings
Mr Koh Kian Kiong	4	Not Applicable	Not Applicable	1
Ms Maggie Koh	4	Not Applicable	Not Applicable	Not Applicable
Mr Heng Lee Seng	4	4	3	1
Mr Yee Kee Shian, Leon	4	4	3	1
Mr Khoo Boo Yeow, Andrew	3	3	2	Not Applicable
No. of Meetings held in FY2014	**4**	**4**	**3**	**1**

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board comprised three (3) Independent Directors and two (2) Executive Directors. The Board complies with the recommendation in the Code of having Independent Directors comprising at least half of the Board where the Chairman of the Board and the CEO is the same person.

The Non-Executive and Independent Directors contribute to the Board process by monitoring and reviewing the Group's performance against set goals and objectives. Their views and opinions provide alternative perspectives to the Group's business and bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities. Where the need arises, Non-Executive and Independent Directors will meet without the presence of Management.

CORPORATE GOVERNANCE STATEMENT

Key information regarding the Directors is set out on pages 5 to 8 of the Annual Report.

The composition of the Board is reviewed annually by the NC and the Board to ensure that there is an appropriate mix of expertise and experience to enable the Management to benefit from a diverse perspective of issues that are brought before the Board. The NC is of the view that the current size, composition, range of experience and the varied expertise of the current Board members provides core competencies in business, investment, industry knowledge, legal, regulatory matters, audit, accounting and tax matters which are necessary to meet the Group's needs.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

Mr Koh Kian Kiong is the Executive Chairman and CEO of the Company. As the founder of the Group, Mr Koh has been responsible for leading the Board and has assumed full executive responsibilities over the directions and operational decisions of the Group since 1974, when operations first began as a hardware trading business.

The Board is of the view that having Mr Koh assume the roles of both Chairman and CEO has not compromised accountability and independent decision-making as there is a sufficient number of Independent Directors on the Board to exercise objective judgment on decisions. Notwithstanding that the Company has benefited from having an Executive Chairman who is knowledgeable about the businesses and operations of the Company, the Board has looked into the issue of CEO succession and the segregation of the two positions.

The Chairman ensures that Board meetings are held as and when necessary. Members of Management who can provide additional insight into the matters to be discussed are invited to attend the relevant Board or Board Committee meetings.

Lead Independent Director

In compliance with the Code, Mr Heng Lee Seng has been appointed as Lead Independent Director to act as the principal liaison to address shareholders' concerns, in which direct contact through normal channels of the Chairman/CEO or Management had failed to resolve or for which such contact is inappropriate.

The role as Lead Independent Director includes but not limited to:

- To act as liaison between the Independent Directors of the Board and the Chairman of the Board and lead the Independent Directors to provide a non-executive perspective in circumstances where it would be inappropriate for the Chairman to serve in such capacity and to contribute a balanced viewpoint to the Board;
- To advise the Chairman of the Board as to the quality, quantity and timeliness of information submitted by Management that is necessary or appropriate for the Independent Directors to effectively and responsibly perform their duties;
- To assist the Board in better ensuring compliance with and implementation of governance guidelines;
- To lead the meetings of Non-Executive Directors (without the presence of the Executive Directors), where necessary, and to provide feedback to the Chairman after such meetings; and
- To serve as principal liaison for consultation and communication with shareholders.

The Board is of the view that a strong element of independence is present in the Board with Independent Directors making up more than half the Board. The Board exercises objective and independent judgment on the Group's corporate affairs. No individual or group of individuals dominates the Board's decision-making.

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NOMINATING COMMITTEE
PRINCIPLE 4: BOARD MEMBERSHIP
PRINCIPLE 5: BOARD PERFORMANCE

The members of the Company's NC are:

Mr Yee Kee Shian, Leon (Chairman)
Mr Heng Lee Seng
Mr Koh Kian Kiong

The majority of the NC members, including the Chairman of the NC, are Non-Executive and Independent Directors. The Lead Independent Director, Mr Heng Lee Seng, is a member of the NC.

The NC is responsible for reviewing the Board's composition and effectiveness and determining whether Directors possessing the requisite qualifications and expertise and whether the independence of Directors is compromised pursuant to the guidelines set out in the Code.

The key duties of the NC includes but not limited to:

(1) To review annually the independence of each Director with reference to the guidelines set out in the Code;

(2) To review all nominations for new appointments and re-appointments of Directors and put forth their recommendations for approval by the Board;

(3) To determine whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly, when a Director has multiple Board representations;

(4) To review Board succession plans, in particular, the Chairman and CEO;

(5) To assess the effectiveness of the Board as a whole and its Board Committees; and

(6) To review training and professional development programmes for the Board.

Each member of the NC abstains from voting on any resolutions and making any recommendations/participating in any deliberations of the NC in respect of matters concerned him, if any.

The NC has formalised a procedure for the selection, appointment and re-appointment of Directors. Letters of appointment will be issued to Directors setting out their duties, obligations and terms of appointment as appropriate.

New Directors will undergo an orientation programme whereby they are briefed by the Company Secretaries of their obligations as Directors, as well as the Group's corporate governance practices, and relevant statutory and regulatory compliance issues, as appropriate. They are also briefed by Management on the Group's industry and business operations.

It is noted that there is no new Director appointed to the Board of the Company during FY2014.

In accordance with the Company's Articles of the Association, one-third of Directors for the time being, or, if their number is not a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation at annual general meeting. The retiring Directors may offer themselves for re-election. The NC has reviewed and recommended the nomination of Mr Heng Lee Seng and Mr Yee Kee Shian, Leon, who will be retiring by rotation in accordance with Article 91 of the Company's Articles of Association, as Directors of the Company.

Set out below are the names, positions, dates of appointment and last re-election of each Director:

Name	Position	Date of Appointment	Date of Last Re-election
Mr Koh Kian Kiong	Chairman & CEO	13-Nov-1999	30 April 2014
Ms Maggie Koh	Executive Director	19-Jun-2000	30 April 2014
Mr Heng Lee Seng	Lead Independent Director	22-Aug-2000	30 April 2013
Mr Yee Kee Shian, Leon	Independent Director	23-Mar-2010	30 April 2013
Mr Khoo Boo Yeow, Andrew	Independent Director	10-Aug-2012	30 April 2013

The individual Director does not have a practice of appointing alternate director to the Board of the Company.

The NC reviews on annual basis whether or not a Director is independent, taking into account the definition of independence under the Code, *inter alia*, 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, and further ensures that no individual or group of individuals dominates the Board's decision-making process.

The Code states that the independence of any Director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review.

For FY2014, the NC had assessed the independence of each Director, including Director whose tenure had exceeded nine years from the date of their first appointment. In this regard, the NC had noted that Mr Heng Lee Seng has served beyond nine years from the date of his first appointment on 22 August 2000. Based on the NC's observation, Mr Heng Lee Seng had distinctively demonstrated independent mindedness and conduct at Board and Board committee meetings. Together with the NC, the Board, is of the firm view and opinion that Mr Heng Lee Seng continues to exercise independent judgment in the best interest of the Company in the discharge of his duties as Director, despite his extended tenure in office.

The NC has also reviewed the individual Directors' judgment and conduct in carrying out their duties for FY2014, and affirmed with the Board's opinion that Mr Heng Lee Seng, Mr Yee Kee Shian, Leon and Mr Khoo Boo Yeow, Andrew continues to be independent pursuant to the definition of Independence under the Code.

The NC has in place a Board performance evaluation process where the effectiveness of the Board as a whole is assessed on annual basis. The annual evaluation exercise provides an opportunity to obtain constructive feedback from each Director on amongst other, the Board's procedures and processes allowed Directors to discharge their duties effectively and to propose changes which may be made to enhance Board effectiveness as a whole.

The evaluation process is undertaken as an internal exercise and involves Board members completing a questionnaire covering areas relating to:

- Board composition
- Information to the Board
- Board procedures
- Board accountability
- Communication with CEO
- Standards of conduct by the Board

The evaluation process takes into account the views of each Board member and provides an opportunity for Directors to provide constructive feedback on the functions of the Board including its procedures and processes and if these may be improved upon.

Led by the NC Chairman, the collective assessment was conducted by means of a confidential questionnaire completed by each Director, which is collated, analysed and discussed with the NC and the Board. Recommendations to further enhance the effectiveness of the Board are implemented, as appropriate.

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The NC had conducted a performance evaluation of the Board as whole for FY2014 and satisfied that all Directors individually and severally contributed effectively and demonstrated full commitment to their roles, accordingly, the performance objectives were met. No external facilitator had been engaged by the Board for this purpose. The NC had also recommended that the performance evaluation of each Board committees be carried out by each Board committee as a whole for FY2014.

The NC believed that the Directors should not be evaluated individually, as each member of the Board contributes in different areas to the success of the Company, and therefore, it would be more appropriate to assess the Board and the Board Committees as a whole.

The NC had reviewed the multiple board representations of Directors and whether competing time commitments were faced when Directors serve on multiple boards. The NC noted the confirmations from Director(s) who hold multiple board representations that their time and effort in carrying out their duties as Directors of the Company would not be compromised. The NC also considered the number of listed company board representations is held by each Director. It is noted that there is one Director holding up to two (2) multiple listed company board representations. The Board believes that putting a maximum limit on the number of directorships a director can hold is arbitrary, given that time requirements for each vary, and thus should not be prescriptive.

The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding multiple listed company board representations and principal commitments of each Director of the Company, as the Board and the Board Committees experienced minimal competing time commitments among its Board and Board Committee meetings, which are planned and scheduled in advance.

PRINCIPLE 6: ACCESS TO INFORMATION

The Company recognises that the flow of accurate and timely information is important for the Board to be effective in the discharge of its duties. Accordingly, the Management endeavours to meet the information needs of the Directors, such as requests for further explanations, briefings or informal discussions on any aspect of the Group's operations or business issues. The Directors are provided with the contact details of the Group's Key Management Personnel and Company Secretaries to facilitate the access to essential information of the Group on timely basis and/or as and when necessary.

The Board seeks independent professional advice as and when necessary to enable it to discharge its responsibilities effectively. Whether as a group or individually, Directors may seek and obtain independent professional advice in furtherance of their duties, at the expense of the Group.

The Company Secretaries attend and prepare minutes of all Board and Board Committee meetings. They assist the Executive Chairman in ensuring that Board procedures are followed and that all relevant statutes, rules and regulations, including Listing Manual of the SGX-ST, are complied with. They are also the primary channel of communication between the Company and the SGX-ST.

The appointment and the removal of the Company Secretaries is subject to the approval of the Board.

Executive Committee

The Executive Committee ("EC") comprises the following Directors:

Mr Koh Kian Kiong
Ms Maggie Koh

The EC meets and performs the following key duties:

(1) to approve investment/divestment proposals within 5% of NTA;

(2) to review and submit the Group's business plans to the Board;

(3) to establish guidelines and approval limits for the management and operation of the Group's businesses;

(4) to review budget against performance of each business unit; and

(5) to ensure interested person transactions are undertaken at arm's length and on commercial terms.

REMUNERATION MATTERS
PRINCIPLE 7: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES
PRINCIPLE 8: LEVEL AND MIX OF REMUNERATION
PRINCIPLE 9: DISCLOSURE ON REMUNERATION

The members of the Company's RC are:

Mr Yee Kee Shian, Leon (Chairman)
Mr Heng Lee Seng
Mr Khoo Boo Yeow, Andrew

The RC comprises entirely Non-Executive and Independent Directors.

The RC has access to external professional advice on remuneration matters, if required, at the expense of the Group, in furtherance of their duties and responsibilities. The Company has not appointed any remuneration consultant for the purpose of review of remuneration packages effective during FY2014.

The RC, through a competitive and appropriately structured framework of remuneration, aims to motivate and retain Key Management Personnel and ensure that the Group is able to attract talents in the market in order to maximise shareholders' value.

In consultation with the Chairman of the Board, the key responsibilities of the RC include but not limited to the following:

(1) to recommend to the Board a framework of remuneration for Executive Directors and Key Management Personnel of the Group that is aligned with the interests of shareholders and ensure that such remuneration is appropriate to attract, motivate and retain the right talents for the Group;

(2) to review and recommend to the Board for their endorsement on the annual remuneration packages for Executive Directors, Key Management Personnel and employees related to Directors or, controlling shareholders of the Group, which include a performance-related variable bonus component;

(3) to review and recommend to the Board the benefits under any long-term incentive schemes for Executive Directors and Key Management Personnel of the Group;

(4) to review and recommend the remuneration package of employees related to Directors or controlling shareholders of the Group; and

(5) to review the contracts of service of the Executive Directors and Key Management Personnel of the Group.

Each member of the RC will abstain from voting on any resolutions and making any recommendations/participating in any deliberations of the RC in respect of matters concerned him, if any.

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The Company adopts a remuneration policy for Executive Directors and Key Management Personnel comprising a fixed component and a variable component. The fixed component is in the form of a base salary and fixed bonus. The variable component is in the form of profit-sharing or a variable bonus that is linked to the performance of the Group and the individual performance.

Notwithstanding the Group reported in net loss position for FY2014, the RC is satisfied with the core performance objective of the Group being met, which is the successful removal of the Company from the Watch-List with effect from 9 June 2014.

The Company has gradually introduced the contractual provisions to allow incentive components of remuneration be reclaimed from Executive Directors and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Company.

Unless otherwise determined by the RC and the Board, the Executive Directors' service agreements are continued for a period of three years and automatically renewed on annual basis subsequently.

As part of its review, the RC covers all aspects of remuneration, including but not limited, to Directors' fees, salaries, allowance, bonuses and benefits-in-kind.

The RC ensures that the remuneration packages of employees relating to Directors and controlling shareholders of the Group are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

In reviewing the remuneration packages for Executive Directors and Key Management Personnel, as well as employees related to Directors and controlling shareholders of the Group, if applicable, the RC will consider their contributions as well as the financial performance and the commercial needs of the Group and ensure that they are adequately but not excessively remunerated by the Group. In reviewing remuneration packages, the RC will take into consideration remuneration packages and employment conditions within the industry as well as the Group's relative performance and the performance of individuals.

Non-Executive Directors' fees are set in accordance with a remuneration framework comprising a basic fee and increment fixed fee, taking into account of the level of responsibilities such as taking the roles of chairman and member of various Board Committees. The RC has reviewed and recommended the payment of Non-Executive Directors' fees for financial year ending 31 December 2015, to be paid quarterly in arrears.

The Company does not have a long-term incentive, share option scheme or share award scheme within the Group.

The following information relates to the remuneration received by the Directors from the Company and its subsidiaries for FY2014:

Directors of Company	Fees	Salary	Bonus	Other Benefits	Total
S$500,000 to S$750,000					
Mr Koh Kian Kiong	–	79%	16%	5%	100%
S$250,000 to S$499,999					
Ms Maggie Koh	–	79%	16%	5%	100%
Less than S$250,000					
Mr Heng Lee Seng	100%	–	–	–	100%
Mr Yee Kee Shian, Leon	100%	–	–	–	100%
Mr Khoo Boo Yeow, Andrew	100%	–	–	–	100%

In view of confidentiality and sensitivity attached to remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose exact remuneration received by the Directors, but in the bands of S$250,000 disclosed as above.

Top Five Key Management Personnel Remuneration

Similarly, in view of the confidentiality and sensitivity attached to remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose exact names and exact remuneration received by the top five Key Management Personnel of the Group for FY2014. Accordingly, the aggregate remuneration paid to the top five Key Management Personnel for FY2014 will also not be provided in the Annual Report.

The following information relates to the remuneration received by the top five Key Management Personnel of the Group from the Company and its subsidiaries for FY2014 in the bands of S$250,000:

Remuneration Bands	Number of Key Management Personnel
S$250,000 to S$499,999	2
Less than $250,000	3
Total	5

In view of the confidentiality and sensitivity attached to remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose exact names and exact remuneration received by the top five Key Management Personnel during FY2014. There is one employee, whom the Key Management Personnel of the Group, is an immediate family member of the Executive Director and CEO of the Company and his remuneration exceeds $50,000 for FY2014.

ACCOUNTABILITY AND AUDIT
PRINCIPLE 10: ACCOUNTABILITY
PRINCIPLE 11: RISK MANAGEMENT AND INTERNAL CONTROLS
PRINCIPLE 12: AUDIT COMMITTEE
PRINCIPLE 13: INTERNAL AUDIT

The members of the Company's AC are:

Mr Heng Lee Seng (Chairman)
Mr Yee Kee Shian, Leon
Mr Khoo Boo Yeow, Andrew

The AC comprises entirely Non-Executive and Independent Directors. The AC Chairman is a practising Chartered Accountant while the remaining AC members hold law degrees from the University of Cambridge, with each of them has extensive board knowledge and experiences in the fields of finance, legal and business.

The Board is of the view that the AC members are appropriately qualified to discharge their responsibilities and capable of exercising sound and independent judgment with their requisite expertise and experience.

None of the members of the AC is a partner or director of the Group's auditing firms or auditing corporations or a former partner or former director of the Group's auditing firms or auditing corporations. None of them has any financial interest in the Group's auditing firms or auditing corporations.

The key responsibilities of the AC include but not limited to the following:

(1) to review scope, audit plans and reports of the external and internal auditors;

(2) to review and report to the Board on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management system;

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(3) to review interested person transactions in accordance with the requirements of the Listing Manual of the SGX-ST;

(4) to review and recommend to the Board of the release of the quarterly financial results and full year financial results;

(5) to review and recommend the re-appointment of the external auditor, and approving the remuneration of the external auditor;

(6) to ensure co-ordination where more than one auditing firm or corporation is involved;

(7) to review the independence of the external auditor annually; and

(8) to review all non-audit services provided by the external auditor to determine if the provision of such services would affect the independence of the external auditor.

Each member of the AC will abstain from voting on any resolutions and making any recommendations/participating in any deliberations of the AC in respect of matters concerned him, if any.

The AC is empowered to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention, with full access to records, resources and personnel, to enable it to discharge its functions properly. It has full access to Management and has full discretion to invite any Director and officer to attend its meetings.

The Group's internal control systems are designed to ensure the reliability and integrity of financial information and to safeguard the assets of the Group. During financial year ended 31 December 2013, Management, with the assistance of the internal auditors, carried out an exercise to review and consolidate the Group's risk register which identifies key risks facing the Group and the key internal controls in place to manage or mitigate those risks. In FY2014, the Group conducted a follow up review of the Group's key risks and the effectiveness of the key internal controls of the Group.

In performing its functions, the AC reviews the overall scope of both internal and external audits, and the assistance given by Management to the internal and external auditors. The AC also meets with the internal and external auditors annually, without the presence of Management to discuss the results of their respective audit findings and their evaluation of the Group's system of accounting and internal controls.

The AC has reviewed the Group's risk management policies and, based on the internal audit reports and controls in place, the AC is satisfied that there are adequate and effective internal controls within the Group. The AC also periodically review the internal controls established and maintained by the Group for further improvements.

The Board had received annual written assurance from the CEO and the Group Chief Financial Officer in respect of FY2014 that (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and (b) the effectiveness of the Group's risk management and internal control systems.

Pursuant to Rule 1207(10) of Listing Manual of the SGX-ST, the Board, with the concurrence of the AC, having considered (i) the internal controls established and maintained by the Group (ii) the reports issued by the internal and external auditors; and (iii) the regular reviews performed by Management, various Board Committees and the Board; is of the opinion that, the Group's internal controls were adequate in addressing financial, operational and compliance risks as at 31 December 2014.

CORPORATE GOVERNANCE STATEMENT

The AC has reviewed the non-audit services provided by the external auditor, Baker Tilly TFW LLP and is satisfied that the non-audit services would not affect the independence and objectivity of Baker Tilly TFW LLP as external auditor of the Company. The AC has also considered the performance of Baker Tilly TFW LLP based on factors such as performance, adequacy of resources and experience of the audit engagement partner and audit team assigned to the Company's audit as well as the size and complexity of the Company. Accordingly, the AC has recommended the re-appointment of Baker Tilly TFW LLP as external auditor of the Company for the ensuing year. The aggregate amount of fees paid to external auditor, as well as its fees for non-audit services is disclosed in page 114 of the Annual Report.

In the appointment of external auditors for the Company and its subsidiaries, the Group has complied with Rules 712, 715 or 716 of the Listing Manual of SGX-ST. The AC, together with the Board are satisfied that the appointment of different external auditors for the Group's subsidiaries and/or significant associated companies would not compromise the standard and effectiveness of audit of the Company.

The AC has adopted a whistle-blowing programme to provide a channel for the Group's employees to report and to raise, in good faith and in confidence, their concerns about possible improprieties in matters of financial reporting or other matters of the Group through emails.

The AC has reviewed the Group's audited financial statements with Management and external auditor of the Company and is of the view that the Group's financial statements for FY2014 are fairly presented in conformity with relevant Singapore Financial Reporting Standards in all material aspects.

During the course of FY2014, the key activities carried out by AC included but not limited to:

(1) Reviewing and recommending quarterly financial results and full year financial results to the Board for approval;

(2) Reviewing annual audit plans and reports from its internal auditor and external auditor; and

(3) Reviewing re-appointment of the external auditor and determining its remuneration, making a recommendation for Board's approval.

Risk Management and Internal Controls

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

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

The AC oversees risk governance and its related roles and responsibilities include but not limited to the following:

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

CORPORATE GOVERNANCE
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The Management presented report on annual basis to the AC and the Board on the Group's risk profile, the status of risk mitigation action plans and the results of various assurance activities carried out on the adequacy and effectiveness of Group's internal controls including financial, operational, compliance and information technology controls. Such assurance activities include control self-assessment performed by Management, internal and external audits performed by internal and external auditors.

The Board has obtained annual written assurance from the CEO and Group Chief Financial Officer in respect of FY2014:

(a) that the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances; and

(b) the effectiveness of the Group's risk management and internal control systems.

In reference to Guideline 11.3 of the Code, the AC and the Board, having considered (i) the internal controls established and maintained by the Group, (ii) the reports issued by the internal and external auditors; and (iii) the regular reviews performed by Management, various Board Committees and the Board, are of the opinion that the Group's risk management systems and the Group's internal controls including financial, operational, compliance and information technology controls, were effective and adequate as at 31 December 2014.

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

Internal Audit

The Group outsources its internal audit function to Yang Lee & Associates ("**IA**"). The IA report directly to the AC and internal control weaknesses identified during the course of internal audit and the recommended corrective actions are reported to the AC periodically.

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

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

The AC annually reviews the adequacy of the internal audit function to ensure that the internal audits are performed effectively.

In FY2014, the IA has completed internal audits on two significant subsidiaries in accordance with the internal audit plan approved by the AC.

Accountability

The Board is accountable to the shareholders of the Company while Management is accountable to the Board of the timely update of the Group's position, performance and progress. The objectives of the audited financial statements, quarterly financial results and full year financial results are to provide the shareholders of the Company with a timely, balanced and understandable analysis of the Group's financial performance, position and prospects.

For the quarterly financial results, the Board will provide a negative assurance confirmation to shareholders of the Company, that to the best of their knowledge, nothing has come to the attention of the Board which may render the interim financial statements to be false or misleading in any material aspect, in line with Rule 705(5) of the Listing Manual of SGX-ST.

SHAREHOLDER RIGHTS AND RESPONSIBILITIES
PRINCIPLE 14: SHAREHOLDER RIGHTS
PRINCIPLE 15: COMMUNICATION WITH SHAREHOLDERS
PRINCIPLE 16: CONDUCT OF SHAREHOLDER MEETINGS

The Board of the Company is mindful of its obligation to provide adequate and timely disclosure of all material and price-sensitive information to SGX-ST through SGXNET. The announcements, including but not limited to the Group's financial results for each of the first three quarters of its financial year and the Group's full year financial results, and press release, if any, are released through SGXNET on timely basis. The profile and announcements of the Company is also available at http://www.federal.com.sg.

The Company does not practice selective disclosure as all material and price-sensitive information are released to SGX-ST through SGXNET on timely manner.

The shareholders of the Company are entitled to receive notice of general meetings, annual report, offer information statement and/or circulars, whichever is applicable. Individual shareholders and corporate shareholders, who are unable to attend general meetings, are entitled to appoint not more than two proxies to attend and vote in his/her stead.

The Company currently does not have a fixed dividend policy. The dividend that the Directors of the Company may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by the Directors of the Company:–

(a) the level of the earnings of the Group;

(b) the financial condition of the Group;

(c) the projected levels of the Group's capital expenditure and other investment plans;

(d) the restrictions on payment of dividends imposed on the Group by the Group's financing arrangements (if any); and

(e) other factors as the Directors of the Company may consider appropriate.

In light of the Group reported net loss position in FY2014, the Directors of the Company does not recommend any dividend for FY2014.

The shareholders of the Company, including institutional and retail investors, are encouraged to attend general meetings, which are the primary channel for them to express their views and ask questions regarding the Group and its businesses. The proceedings of general meetings, including questions and answers exchanged between the Board and the shareholders, will be recorded and made available to the shareholders of the Company upon their request.

Resolutions on each distinct issue are tabled separately at general meetings. For resolutions tabled under special business, a descriptive explanation of the effects of a resolution will be disclosed in the notice of general meeting.

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The Chairmen of the AC, NC and RC are available to address shareholders' questions at general meetings like AGMs and EGMs. In view of the Company does not have investor relations, the Management including Group Chief Financial Officer will present to facilitate in addressing shareholders' queries and disseminate relevant information to shareholders of the Company at general meetings.

The Articles of Association of the Company allows each resolution put forth at general meetings to be voted either by a show of hands or by a poll and the results of each resolution is presented at general meetings and announced subsequently to SGX-ST. If a poll is conducted at general meetings, the percentages of votes voted in favour and against each resolution will be presented at general meetings and announced subsequently to SGX-ST. Given the limited number of shareholders attend general meetings, the Company is of the view that it is not cost effective to conduct voting by electronic polling.

Dealings in Securities

The Group has adopted an internal policy for securities transactions which provide guidance to Directors and officers of the Group. Under this policy, Directors and officers of the Group are not permitted to deal in the Company's securities while in possession of price-sensitive information and for the periods commencing two (2) weeks before the release of announcement of the Group's financial results for each of the first three quarters of its financial year; and one (1) month before the release of announcement of the Group's full year financial results and they are not expected to deal in the securities of the Company on short-term considerations.

Interested Person Transactions

The Company has adopted an internal policy in respect of any transactions entered into with interested persons and has set out the procedures for review and approval of the interested person transactions entered into between the Company and the interested persons. All interested person transactions are subject to the review by the AC.

The Company does not have a shareholders' mandate for interested person transactions. The Company confirms that the aggregate value of all interested person transactions during FY2014 is less than S$100,000/-.

Material Contracts

No other material contracts were entered into between the Company and any of the subsidiaries of the Group with any CEO, Director or controlling shareholder of the Company either subsisting or during FY2014, except as disclosed in the notes to the Financial Statements (Note 48).

DIRECTORS'
REPORT

The directors present their report to the members together with the audited consolidated financial statements of Federal International (2000) Ltd (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2014.

DIRECTORS

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

Koh Kian Kiong
Maggie Koh
Heng Lee Seng
Yee Kee Shian Leon
Khoo Boo Yeow Andrew

ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE SHARES AND DEBENTURES

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

DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

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

	Direct interest		**Deemed interest**	
Name of directors	**At 1.1.2014**	**At 31.12.2014**	**At 1.1.2014**	**At 31.12.2014**
Ordinary shares of the Company				
Koh Kian Kiong	143,499,989	145,499,989	67,500,000	67,500,000
Maggie Koh	1,419,091	1,419,091	–	–
Heng Lee Seng	–	–	292,543	292,543

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

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

DIRECTORS' REPORT

DIRECTORS' CONTRACTUAL BENEFITS

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

OPTIONS

No share option has been granted at the date of this report.

AUDIT COMMITTEE

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Cap. 50. The functions performed are detailed in the Corporate Governance Report, set out in the Annual Report of the Company.

INDEPENDENT AUDITOR

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the board of directors:

Koh Kian Kiong
Director

Maggie Koh
Director

Singapore
2 April 2015

STATEMENT BY DIRECTORS

We, Koh Kian Kiong and Maggie Koh, being two of the directors of Federal International (2000) Ltd, do hereby state that, in the opinion of the directors:

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

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

On behalf of the board of directors:

Koh Kian Kiong
Director

Maggie Koh
Director

Singapore
2 April 2015

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF FEDERAL INTERNATIONAL (2000) LTD

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Federal International (2000) Ltd (the "Company") and its subsidiaries (collectively, the "Group") set out on pages 36 to 141, which comprise the balance sheets of the Group and the Company as at 31 December 2014, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FEDERAL INTERNATIONAL (2000) LTD

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

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 state of affairs of the Group and of the Company as at 31 December 2014 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore

2 April 2015

BALANCE SHEETS
AS AT 31 DECEMBER 2014

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Non-current assets					
Property, plant and equipment	4	**37,279**	35,859	**7**	9
Investment in subsidiaries	5	**–**	–	**79,779**	78,613
Investment in associates	6	**2,749**	10,159	**868**	4,494
Intangible assets	7	**1**	1	**–**	–
Other investments	8	**20**	20	**–**	–
Other receivables	9	**65**	62	**–**	–
Amount due from a related party	18	**6,141**	–	**–**	–
Financial receivable	10	**2,037**	1,958	**–**	–
Deferred tax assets	11	**90**	312	**22**	19
		48,382	48,371	**80,676**	83,135
Current assets					
Asset under construction	12	**–**	42,969	**–**	–
Inventories	13	**26,405**	22,930	**–**	–
Trade receivables	14	**31,818**	32,409	**–**	–
Other receivables	15	**4,257**	2,667	**9**	4
Gross amount due from customer for construction work-in-progress	21	**298**	77	**–**	–
Advance payment to suppliers	29	**12,483**	2,519	**–**	–
Prepayments		**287**	58	**13**	18
Deposits		**175**	110	**4**	4
Financial receivable	10	**708**	683	**–**	–
Amounts due from subsidiaries	16	**–**	–	**6,566**	20,359
Amounts due from associates	17	**4,176**	454	**24**	45
Amount due from a related party	18	**–**	5,886	**–**	–
Fixed deposits	41	**2,207**	1,603	**1,352**	1,290
Cash and bank balances	41	**14,292**	19,706	**134**	1,743
		97,106	132,071	**8,102**	23,463
Assets of disposal group classified as held for sale	19	**–**	27,399	**–**	–
		97,106	159,470	**8,102**	23,463
Current liabilities					
Trade payables	20	**16,866**	9,104	**–**	–
Other payables	20	**25,746**	19,339	**2,060**	2,016
Advance payment from customers		**3,770**	2,279	**–**	–
Advance payment from an associate	22	**–**	13,191	**–**	–
Deferred revenue		**10**	20	**–**	–
Gross amount due to customer for construction work-in-progress	21	**27**	–	**–**	–
Amounts due to subsidiaries	23	**–**	–	**1,223**	11,181
Amounts due to associates	24	**841**	942	**822**	789
Amount due to a related party	25	**2,101**	1,803	**–**	–
Amounts due to bankers	26	**29,682**	23,524	**–**	–
Term loans	27	**11,309**	27,545	**–**	–
Hire purchase creditors	28	**37**	45	**–**	–
Derivatives	30	**753**	–	**–**	–
Provision for taxation		**4,264**	6,733	**306**	3,324
		95,406	104,525	**4,411**	17,310
Liabilities directly associated with disposal group classified as held for sale	19	**–**	30,808	**–**	–
		95,406	135,333	**4,411**	17,310
Net current assets		**1,700**	24,137	**3,691**	6,153

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

BALANCE SHEETS
AS AT 31 DECEMBER 2014

	Note	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Non-current liabilities					
Term loans	27	**272**	3,741	**–**	–
Hire purchase creditors	28	**–**	37	**–**	–
Amount due to a subsidiary	23	**–**	–	**9,211**	–
Provision for post employment benefits		**5**	5	**–**	–
Deferred tax liabilities	11	**2,531**	1,439	**–**	–
		2,808	5,222	**9,211**	–
Net assets		**47,274**	67,286	**75,156**	89,288
Equity attributable to owners of the Company					
Share capital	31	**144,099**	144,099	**144,099**	144,099
Foreign currency translation reserve	32	**(4,567)**	(4,383)	**–**	–
Capital reserve	33	**2,778**	2,778	**–**	–
Revaluation reserve	34	**16,598**	14,092	**–**	–
Other reserves	35	**(976)**	(990)	**–**	–
Accumulated losses		**(97,632)**	(75,047)	**(68,943)**	(54,811)
Reserve of disposal group classified as held for sale	19	**–**	536	**–**	–
		60,300	81,085	**75,156**	89,288
Non-controlling interests		**(13,026)**	(13,799)	**–**	–
Total equity		**47,274**	67,286	**75,156**	89,288

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

CONSOLIDATED
INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	2014 $'000	2013 $'000
Revenue	36	**131,630**	128,167
Cost of sales		**(105,809)**	(96,209)
Gross profit		**25,821**	31,958
Other income		**6,424**	2,220
Selling and distribution costs		**(5,749)**	(9,727)
Administrative and general costs		**(11,307)**	(12,504)
Other operating expenses		**(26,301)**	(3,929)
Finance costs		**(2,167)**	(3,802)
Share of results of associates		**(5,941)**	793
(Loss)/profit before tax	37	**(19,220)**	5,009
Income tax expense	39	**(2,249)**	(1,648)
(Loss)/profit net of tax		**(21,469)**	3,361
Attributable to:			
Owners of the Company		**(22,572)**	4,741
Non-controlling interests		**1,103**	(1,380)
		(21,469)	3,361
(Loss)/earnings per share attributable to owners of the Company (cents per share)	40		
Basic		**(1.60)**	0.37
Diluted		**(1.60)**	0.37

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

CONSOLIDATED STATEMENT OF
COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014 $'000	2013 $'000
(Loss)/profit net of tax	**(21,469)**	3,361
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Net surplus on revaluation of freehold/leasehold land and buildings	**2,506**	4,998
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation	**(796)**	(135)
Share of other comprehensive income of an associate	**1**	–
Other comprehensive income for the financial year, net of tax	**1,711**	4,863
Total comprehensive (loss)/income for the financial year	**(19,758)**	8,224
Total comprehensive (loss)/income attributable to:		
Owners of the Company	**(20,785)**	9,355
Non-controlling interests	**1,027**	(1,131)
	(19,758)	8,224

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Group	Share capital (Note 31) $'000	Accumulated losses $'000	Foreign currency translation reserve (Note 32) $'000	Capital reserve (Note 33) $'000	Revaluation reserve (Note 34) $'000	Other reserves (Note 35) $'000	Total reserves $'000	Reserve of disposal group classified as held for sale (Note 19) $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to the owners of the Company									
At 1 January 2014	144,099	(75,047)	(4,383)	2,778	14,092	(990)	(63,550)	536	(13,799)	67,286
(Loss)/profit net of tax	–	(22,572)	–	–	–	–	(22,572)	–	1,103	(21,469)
Other comprehensive income for the financial year:										
Items that will not be reclassified subsequently to profit or loss:										
Net surplus on revaluation of freehold/leasehold land and buildings	–	–	–	–	2,506	–	2,506	–	–	2,506
Items that are or may be reclassified subsequently to profit or loss:										
Foreign currency translation	–	–	(184)	–	–	–	(184)	(536)	(76)	(796)
Share of other comprehensive income of an associate	–	–	–	–	–	1	1	–	–	1
Total comprehensive (loss)/ income for the financial year	–	(22,572)	(184)	–	2,506	1	(20,249)	(536)	1,027	(19,758)
Change in ownership interests in a subsidiary										
Dividend of subsidiary paid to non-controlling interest	–	–	–	–	–	–	–	–	(254)	(254)
Total transactions with owners of the Company	–	–	–	–	–	–	–	–	(254)	(254)
Others										
Transfer from accumulated losses to statutory reserve fund	–	(13)	–	–	–	13	–	–	–	–
	–	(13)	–	–	–	13	–	–	–	–
At 31 December 2014	**144,099**	**(97,632)**	**(4,567)**	**2,778**	**16,598**	**(976)**	**(83,799)**	**–**	**(13,026)**	**47,274**

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Group	Share capital (Note 31) $'000	Accumulated losses $'000	Foreign currency translation reserve (Note 32) $'000	Capital reserve (Note 33) $'000	Revaluation reserve (Note 34) $'000	Other reserves (Note 35) $'000	Total reserves $'000	Reserve of disposal group classified as held for sale (Note 19) $'000	Non-controlling interests $'000	Total equity $'000
	Attributable to the owners of the Company									
At 1 January 2013	133,624	(79,778)	(3,463)	2,778	9,094	(1,000)	(72,369)	–	(12,699)	48,556
Profit/(loss) net of tax	–	4,741	–	–	–	–	4,741	–	(1,380)	3,361
Other comprehensive income for the financial year:										
Items that will not be reclassified subsequently to profit or loss:										
Net surplus on revaluation of freehold/leasehold land and buildings	–	–	–	–	4,998	–	4,998	–	–	4,998
Items that are or may be reclassified subsequently to profit or loss:										
Foreign currency translation	–	–	(384)	–	–	–	(384)	–	249	(135)
Total comprehensive income/(loss) for the financial year	–	4,741	(384)	–	4,998	–	9,355	–	(1,131)	8,224
Contributions by owners										
Rights shares issuance (Note 31)	10,076	–	–	–	–	–	–	–	–	10,076
Rights shares issuance expense (Note 31)	(442)	–	–	–	–	–	–	–	–	(442)
Shares issuance (Note 31)	841	–	–	–	–	–	–	–	–	841
	10,475	–	–	–	–	–	–	–	–	10,475
Change in ownership interests in subsidiaries										
Capital contribution from non-controlling interest of a subsidiary company	–	–	–	–	–	–	–	–	31	31
	–	–	–	–	–	–	–	–	31	31
Total transactions with owners of the Company	10,475	–	–	–	–	–	–	–	31	10,506
Others										
Transfer from accumulated losses to statutory reserve fund	–	(10)	–	–	–	10	–	–	–	–
Reserve attributable to disposal group classified as held for sale	–	–	(536)	–	–	–	(536)	536	–	–
	–	(10)	(536)	–	–	10	(536)	536	–	–
At 31 December 2013	144,099	(75,047)	(4,383)	2,778	14,092	(990)	(63,550)	536	(13,799)	67,286

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

STATEMENTS OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Company	**Share capital (Note 31) $'000**	**Accumulated losses $'000**	**Total equity $'000**
At 1 January 2014	144,099	(54,811)	89,288
Loss net of tax and total comprehensive loss for the financial year	–	(14,132)	(14,132)
At 31 December 2014	**144,099**	**(68,943)**	**75,156**
At 1 January 2013	133,624	(56,412)	77,212
Profit net of tax and total comprehensive income for the financial year	–	1,601	1,601
Contributions by owners			
Rights shares issuance (Note 31)	10,076	–	10,076
Rights shares issuance expense (Note 31)	(442)	–	(442)
Shares issuance (Note 31)	841	–	841
Total contributions by owners of the Company	10,475	–	10,475
At 31 December 2013	144,099	(54,811)	89,288

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014 $'000	2013 $'000
		Restated
Cash flows from operating activities		
(Loss)/profit before tax	**(19,220)**	5,009
Adjustments for:		
Amortisation of intangible assets	**–**	1
Depreciation of property, plant and equipment	**1,938**	1,713
Gain on disposal of assets held for sale (Note A)	**(3,581)**	(150)
Gain on disposal of property, plant and equipment	**–**	(754)
Impairment loss on goodwill	**–**	862
Impairment loss on goodwill of associates	**1,694**	–
Impairment loss on property, plant and equipment	**–**	6,412
Implicit interest income	**(177)**	(158)
Interest expense	**2,167**	3,802
Interest income	**(52)**	(67)
Loss on disposal of asset under construction	**26,029**	–
Fair value loss on derivatives	**753**	–
Provision for probable penalty for late delivery of a vessel	**–**	4,384
Share of profits from partnership	**(143)**	–
Share of results of associates	**5,941**	(793)
Exchange (gain)/loss	**(1,108)**	134
Operating cash flows before changes in working capital	**14,241**	20,395
(Increase)/decrease in inventories	**(3,504)**	2,152
Decrease/(increase) in trade receivables	**2,019**	(18,329)
(Increase)/decrease in other receivables	**(1,379)**	2,178
Decrease in financial receivable	**–**	3,267
Increase in advance payment to suppliers	**(9,973)**	(316)
(Increase)/decrease in prepayments	**(174)**	68
Increase in deposits	**(60)**	(1)
Increase in amounts due from associates	**(1,389)**	(112)
Increase in gross amount due from customer for construction work-in-progress	**(221)**	(77)
Increase in trade payables	**4,548**	608
(Decrease)/increase in other payables	**(4,048)**	1,007
Increase in bill receivables purchase	**10,308**	–
Increase in gross amount due to customer for construction work-in-progress	**27**	–
Increase in advance payment from customers	**1,483**	2,006
(Decrease)/increase in deferred revenue	**(10)**	21
(Decrease)/increase in amounts due to associates	**(101)**	58
Increase/(decrease) in amount due to a related party	**221**	(14)
Cash flows from operations	**11,988**	12,911
Income taxes paid	**(3,806)**	(1,740)
Net cash flows generated from operating activities	**8,182**	11,171

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

CONSOLIDATED STATEMENT OF
CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	2014 $'000	2013 $'000 Restated
Cash flows from investing activities:		
Interest income received	**53**	68
Dividend received from an associate	**17**	–
Payments made to suppliers for conversion of a vessel (Note B)	**(37,823)**	(18,246)
Purchase of property, plant and equipment (Note B)	**(253)**	(180)
Proceeds from disposal of assets held for sale (Note A)	**(426)**	300
Proceeds from disposal of asset under construction	**51,439**	–
Proceeds from disposal of property, plant and equipment	**–**	754
Shareholder's loans to an associate	**(2,111)**	–
Share of profits from partnership	**143**	–
Net cash flows generated from/(used in) investing activities	**11,039**	(17,304)
Cash flows from financing activities:		
Interest expense paid	**(1,858)**	(1,789)
Dividend of subsidiary paid to non-controlling interest	**(254)**	–
Proceeds/(repayment) from secured bank overdrafts	**588**	(4,673)
Repayment of hire purchase obligations	**(45)**	(108)
Drawdown of term loans	**10,512**	26,267
Repayment of term loans	**(29,356)**	(17,435)
(Decrease)/increase in trust receipts	**(4,152)**	9,262
Capital contribution from non-controlling interest of a subsidiary company	**–**	31
(Increase)/decrease in pledged deposits	**(509)**	286
Proceeds from rights shares issuance	**–**	10,076
Rights shares issuance expense	**–**	(442)
Net cash flows (used in)/generated from financing activities	**(25,074)**	21,475
Net (decrease)/increase in cash and cash equivalents	**(5,853)**	15,342
Effect of exchange rate changes on cash and cash equivalents	**428**	224
Cash and cash equivalents at 1 January	**19,775**	4,209
Cash and cash equivalents at 31 December (Note 41)	**14,350**	19,775

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Note A

On 12 March 2014, the Group completed the disposal of its subsidiaries, FEE Water (China-PZH) Ltd and Federal Environmental (Panzhihua) Co., Ltd, which were previously classified as assets held for sale. The effect of the disposal on the financial position of the Group is as follows:

Effect of disposal on the financial position of the Group

	Group 2014 $'000
Assets:	
Property, plant and equipment	109
Financial receivable	26,478
Inventories	213
Other receivables	75
Prepayment	3
Fixed deposits	412
Cash and bank balances	64
	27,354
Liabilities:	
Trade payables	4,630
Other payables	4,029
Deferred revenue	41
Amount due to a related party	103
Term loans	20,970
Deferred tax liabilities	463
	30,236
Net liabilities derecognised	(2,882)
Consideration received, satisfied in cash	50
Cash and cash equivalents disposed of	(476)
Net cash outflow	(426)
Gain on disposal:	
Consideration received	50
Net liabilities derecognised	2,882
Cumulative exchange differences in respect of the net liabilities of the subsidiaries reclassified from equity on loss of control of subsidiaries	649
	3,581

Note B

In 2013, the Group acquired property, plant and equipment with an aggregate cost of $40,907,000. The consideration was satisfied by way of offsetting debt with amount due from a vendor of $9,599,000, issuance of shares by the Company (Note 31) of $841,000, reversal of prepayment of $12,041,000 and cash outflows of $18,426,000.

Payments made to suppliers for conversion of a vessel in 2014 of $37,823,000 was capitalised as asset under construction prior to the disposal of the vessel.

NOTES TO THE
FINANCIAL STATEMENTS
31 DECEMBER 2014

1. CORPORATE INFORMATION

Federal International (2000) Ltd (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 47 Genting Road, Singapore 349489.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 5 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 and statement of changes in equity of the Company have been prepared in accordance with the provisions of the Singapore Companies Act and 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 "$") and all values in the tables are rounded to the nearest thousand ($'000) as 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 and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2014. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company except as disclosed below:

FRS 110 *Consolidated Financial Statements*

As a result of FRS 110 *Consolidated Financial Statements*, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns. This change had no significant impact on the consolidated financial statements of the Group and balance sheet and statement of changes in equity of the Company.

FRS 112 *Disclosures of Interests in Other Entities*

The Group adopted FRS 112 on 1 January 2014. The amendment is applicable for annual periods beginning on or after 1 January 2014. It sets out the required disclosures for entities reporting under the new FRS 110 *Consolidated Financial Statements* and FRS 111 *Joint Arrangements*, and replaces the disclosure requirements previously found in FRS 27 (revised 2011) *Separate Financial Statements* and FRS 28 (revised 2011) *Investments in Associates and Joint Ventures*.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 *Changes in accounting policies* (Continued)

FRS 112 *Disclosures of Interests in Other Entities (Continued)*

The Group has incorporated the additional required disclosures of FRS 112 into the financial statements.

At the date of the balance sheet, the Group has not adopted the following standards and interpretations that have been issued but not yet effective:

Amendments to FRS 19	*Defined Benefit Plans: Employee Contributions*
Improvements to FRSs (January 2014)	
Improvements to FRSs (February 2014)	
FRS 114	*Regulatory Deferral Accounts*
Amendments to FRS 27	*Equity Method in Separate Financial Statements*
Amendments to FRS 16 and FRS 38	*Clarification of Acceptable Methods of Depreciation and Amortisation*
Amendments to FRS 16 and FRS 41	*Agriculture: Bearer Plants*
Amendments to FRS 111	*Accounting for Acquisitions of Interests in Joint Operations*
Amendments to FRS 110 and FRS 28	*Sales or Contribution of Assets between an Investor and its Associate or Joint Venture*
Improvements to FRSs (November 2014)	
FRS 115	*Revenue from Contracts with Customers*
FRS 109	*Financial Instruments*

2.3 *Standards issued but not yet effective*

Except for FRS 115 and FRS 109, the directors expect that the adoption of the other standards and interpretations 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 replaces FRS 18 *Revenue*, FRS 11 *Construction contracts* and other revenue-related interpretations. It applies to all contracts with customers, except for leases, financial instruments and insurance contracts. FRS 115 provides a single, principle-based model to be applied to all contracts with customers. It provides guidance on whether revenue should be recognised at a point in time or over time, replacing the previous distinction between goods and services. The standard introduces new guidance on specific circumstances where cost should be capitalised and new requirements for disclosure of revenue in the financial statements. The standard is effective for annual periods beginning on or after 1 January 2017. The Group will reassess its contracts with customers in accordance with FRS 115.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 *Standards issued but not yet effective (Continued)*

FRS 109 *Financial Instruments*

FRS 109 includes guidance on the classification and measurement of financial assets and financial liabilities and de-recognition of financial instruments. FRS 109, when effective will replace FRS 39 *Financial Instruments: Recognition and Measurement*. This standard is effective for annual periods beginning on or after 1 January 2018. The Group will review the requirements of FRS 109 and re-assess the classification and measurement of its financial assets and financial liabilities in accordance with this standard.

2.4 *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 financial year. 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 financial year are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.4 *Foreign currency (Continued)*

(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 financial year and their profit or loss are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

2.5 *Basis of consolidation and business combinations*

(A) Basis of consolidation

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 *Basis of consolidation and business combinations* (Continued)

(A) Basis of consolidation (Continued)

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

– De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– De-recognises the carrying amount of any non-controlling interest;

– De-recognises the cumulative translation differences recorded in equity;

– Recognises the fair value of the consideration received;

– Recognises the fair value of any investment retained;

– Recognises any surplus or deficit in profit or loss;

– Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

(B) Business combinations and goodwill

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 *Basis of consolidation and business combinations (Continued)*

(B) Business combinations and goodwill (Continued)

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

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

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

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

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

2.6 *Transactions with non-controlling interests*

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

Changes in the Company 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 *Property, plant and equipment*

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land, leasehold land and buildings are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.24. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land, leasehold land and buildings are measured at fair value less accumulated depreciation on leasehold land and buildings 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 freehold land and buildings at the end of the financial year.

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 accumulated losses on retirement or disposal of the asset.

Freehold land has an unlimited useful life and therefore is not depreciated.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.7 ***Property, plant and equipment*** *(Continued)*

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

Leasehold land and buildings	–	30 to 36.5 years
Freehold buildings	–	50 years
Vessel	–	10 to 20 years to residual value
Other plant and equipment	–	3 to 10 years

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

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

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

2.8 ***Intangible assets***

Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised over the period of expected sales from the related project on a straight-line basis.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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 to sell 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. In assessing value in use, the estimated future cash flows expected to be generated by the asset are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 *Subsidiaries*

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

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 accounts 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 is 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 associates 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 *Associates (Continued)*

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 its associates. The Group determines at the end of each financial year 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 of the same reporting date as the Company. Where necessary, adjustments are made to bring the accounting policies in line with those of the Group.

Upon loss of significant influence over the associate, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate upon loss of significant influence and the fair value of the aggregate of the retained investment and proceeds from disposal is recognised in profit or loss.

In the Company's financial statements, investments in associates are carried at cost less accumulated impairment loss. On disposal of investment in associates, the difference between the disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

2.12 *Investments in partnerships*

Investments in partnerships on a long term basis are stated at cost less any impairment in value. The shares of partnerships' profits are accrued based on the audited financial statements of the partnerships and are recognised in the profit or loss in the financial year in which the rights to receive payment have been established.

2.13 *Non-current assets held for sale*

Non-current 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. Non-current 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. This condition is regarded as met only when the sale is highly probable and the asset or disposal group is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.14 *Assets under construction*

Assets under construction are being constructed for sale, rather than to be held for the Group's own use, rental or capital appreciation.

Assets under construction are measured at the lower of cost and net realisable value.

Net realisable value is the estimated selling price less estimated costs of completion and the estimated costs necessary to make the sale.

2.15 *Financial assets*

Initial recognition and measurement

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

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

Subsequent measurement

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

(a) ***Financial assets at fair value through profit or loss***

Financial assets at fair value through profit or loss include financial assets held for trading and financial assets designated upon initial recognition at fair value through profit or loss. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships as defined by FRS 39. Derivatives, including separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

The Group has not designated any financial assets upon initial recognition at fair value through profit or loss.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 *Financial assets* *(Continued)*

Subsequent measurement (Continued)

(a) ***Financial assets at fair value through profit or loss*** *(Continued)*

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

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

(b) ***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.

(c) ***Held-to-maturity investments***

Non-derivative financial assets with fixed or determinable payments and fixed maturity are classified as held-to-maturity when the Group has the positive intention and ability to hold the investment to maturity. Subsequent to initial recognition, held-to-maturity investments are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the held-to-maturity investments are derecognised or impaired, and through the amortisation process.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.15 *Financial assets (Continued)*

Subsequent measurement (Continued)

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

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

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

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

De-recognition

A financial asset is de-recognised 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.

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e., the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 *Impairment of financial assets*

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

(a) *Financial assets carried at amortised cost*

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

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

When the asset becomes uncollectible, the carrying amount of impaired financial assets 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 *Impairment of financial assets (Continued)*

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at 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 current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

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

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

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

2.17 *Cash and cash equivalents*

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts (unsecured) that form an integral part of Group's cash management.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 *Construction contracts*

The Group principally operates fixed price contracts. Contract revenue and contract costs are recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the financial year (the percentage of completion method), when the outcome of a construction contract can be estimated reliably.

The outcome of a construction contract can be estimated reliably when: (i) total contract revenue can be measured reliably; (ii) it is probable that the economic benefits associated with the contract will flow to the entity; (iii) the costs to complete the contract and the stage of completion can be measured reliably; and (iv) the contract costs attributable to the contract can be clearly identified and measured reliably so that actual contract costs incurred can be compared with prior estimates.

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

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

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

Contract revenue corresponds to the initial amount of revenue agreed in the contract and any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue; and they are capable of being reliably measured.

Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract. Costs that relate directly to a specific contract comprise: site labour costs (including site supervision); costs of materials used in construction; depreciation of equipment used on the contract; costs of design, and technical assistance that is directly related to the contract.

The Group's contracts are typically negotiated for the construction of a single asset or a group of assets which are closely interrelated or interdependent in terms of their design, technology and function. In certain circumstances, the percentage of completion method is applied to the separately identifiable components of a single contract or to a group of contracts together in order to reflect the substance of a contract or a group of contracts.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.18 *Construction contracts* *(Continued)*

Assets covered by a single contract are treated separately when:

– Separate proposals have been submitted for each asset

– Each asset has been subject to separate negotiation and the contractor and customer have been able to accept or reject that part of the contract relating to each asset

– The costs and revenues of each asset can be identified

A group of contracts are treated as a single construction contract when:

– The group of contracts are negotiated as a single package; the contracts are so closely interrelated that they are, in effect, part of a single project with an overall profit margin

– The contracts are performed concurrently or in a continuous sequence

2.19 *Service concession arrangement*

The Group has entered into service concession arrangement with the local government of the People's Republic of China (the "PRC") (the grantor) to supply raw water and treated industrial tap water, and operate waste water treatment plant. Under the concession arrangement, the Group will construct and/or operate the plants for concession period of 30 years. The grantor has control through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement. Such concession arrangement falls within the scope of INT FRS 112.

The Group recognises the consideration received or receivable as a financial asset to the extent that it has an unconditional right to receive cash or another financial asset for the construction services. Financial assets are accounted for in accordance with the accounting policy set out in Note 2.15.

The Group recognises revenue from the construction of the infrastructure in accordance with its accounting policy for construction contracts set out in Note 2.18.

Operation or service revenue is recognised in the period in which the services are provided by the Group (see Note 2.27 (f)). When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 *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:

– Trading stocks: purchase costs on a weighted average basis. Except for inventories comprising fire detection and protection equipment, the cost is being determined on the first-in-first-out basis.

– Finished goods and work-in-progress: costs of direct materials and labour and other direct cost. 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 the estimated costs necessary to make the sale.

2.21 *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 financial year 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.

2.22 *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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 *Financial liabilities (Continued)*

Subsequent measurement

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

De-recognition

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

2.23 *Financial guarantee*

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Financial guarantees are classified as financial liabilities.

Subsequent to initial recognition, financial guarantees are stated at the higher of the initial fair values less cumulative amortisation and the expected amount payable to the holder. Financial guarantees contracts are amortised in the profit or loss over the period of the guarantee.

2.24 *Borrowing costs*

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 *Employee benefits*

Employee leave entitlement

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

Defined contribution plans

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.

The Group provides additional provisions for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as required under the Indonesian Labor Law No.13/2003 (the "Labor Law"). The said additional provisions, which are unfunded, are estimated using the projected unit credit method based on the report prepared by an independent firm of actuaries.

Actuarial gains or losses are recognised in the profit or loss when the net cumulative unrecognised actuarial gains or losses at the end of the previous financial year exceed 10% of the higher of the present value of the defined benefit obligation or the fair value of the plan assets, if any, at that date. Such gains or losses in excess of the 10% corridor are amortised on a straight-line method over the expected average remaining service years of the covered employees.

Past service cost arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan is required to be amortised over the period until the benefit becomes vested. To the extent that the benefit is already vested immediately following the introduction of, or changes to, the employee benefits program, the Group recognises past service cost immediately.

The related estimated liability for employee benefits is the aggregate of the present value of the defined benefit obligation at the end of the financial year and actuarial gains and losses not recognised, less past service cost not yet recognised.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 *Leases*

(a) *As lessee*

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.

(b) *As lessor*

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as charter hire income. The accounting policy for charter hire income is set out in Note 2.27 (d).

Contingent rents are recognised as revenue in the period in which they are earned.

2.27 *Revenue*

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The Group has concluded that it is acting as a principal in all of its revenue arrangements. The following specific recognition criteria must also be met before revenue is recognised:

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.27 ***Revenue*** *(Continued)*

(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 management services rendered by the Company and installation services are recognised upon the performance of the services.

(c) ***Dividend income***

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

(d) ***Charter hire income***

Charter hire income from rental of vessel is recognised on a time apportionment basis.

(e) ***Construction contract***

Revenue from construction contract is recognised by reference to the stage of completion at the end of the financial year. Stage of completion is determined by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(f) ***Revenue from service concession arrangement***

In respect of revenue from the service concession arrangement for water treatment plant, revenue from construction is recognised in accordance with Note 2.18. When the Group receives a payment during the operation phase of the concession period, it will apportion such payment between:

(i) a repayment of the financial receivable, which will be used to reduce the carrying amount of the financial receivable on its balance sheet;

(ii) interest income, which will be recognised as finance income in its statement of comprehensive income; and

(iii) revenue from operating and maintaining the plants in its statement of comprehensive income.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.28 *Deferred revenue*

Deferred revenue relates to revenue from sales of products or rendering of services which is collected in advance of its delivery or fulfillment.

2.29 *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 financial year, 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 in other comprehensive income, either in other comprehensive income or directly in equity. Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation and establishes provisions where appropriate.

(b) *Deferred tax*

Deferred tax is provided using the liability method on temporary differences at the end of the financial year 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 and associates, 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.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 *Taxes (Continued)*

(b) *Deferred tax (Continued)*

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

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

– In respect of deductible temporary differences associated with investments in subsidiaries and associates, 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 financial year 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 financial year 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 financial year.

Deferred tax relating to items recognised as 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.

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.29 *Taxes (Continued)*

(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.

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

2.30 ***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 47, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.31 ***Share capital and share issuance expenses***

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.

2.32 ***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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.32 *Contingencies (Continued)*

(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.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES

The preparation of the Group's consolidated financial statements requires management to make judgments, 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 financial year. However, uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amount of the asset or liability affected in the future periods.

3.1 *Judgments made in applying accounting policies*

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

(a) ***Income taxes***

The Group has exposure to income taxes in numerous jurisdictions. 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 and the Company's tax payables as at 31 December 2014 were $4,264,000 (2013: $6,733,000) and $306,000 (2013: $3,324,000) respectively. The carrying amount of the Group's deferred tax liabilities at 31 December 2014 was $2,531,000 (2013: $1,439,000).

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.1 *Judgments made in applying accounting policies (Continued)*

(b) *Determination of functional currency*

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

3.2 *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of each financial year, 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.

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

The cost of property, plant and equipment is depreciated on a straight-line basis over the asset's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within the years stated in Note 2.7. 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 and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the end of each financial year is disclosed in Note 4 to the financial statements. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 0.50% (2013: 1.71%) variance in the Group's (loss)/profit before tax.

(b) *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 to sell and its value in use. The fair value less costs to sell calculation is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices 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 five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the asset's performance of the cash generating unit being tested. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. Further details of the key assumptions applied in the impairment assessment of property, plant and equipment, intangible assets and investment in subsidiaries, are given in Note 4, Note 5 and Note 7, respectively, to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.2 *Key sources of estimation uncertainty (Continued)*

(c) ***Impairment of loans and receivables and investments***

The Group assesses at the end of each financial year whether there is any objective evidence that a financial asset and investment are impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments as well as the future cash flow generated by the investment.

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 amounts of the Group's loans and receivables and other investments, as well as investment in associates at the end of the financial year are disclosed in Note 46 and Note 6 respectively to the financial statements.

If the present value of estimated future cash flows decrease by 5% from management's estimates, the Group's allowance for impairment will increase by $137,000 (2013: $132,000).

(d) ***Deferred tax assets***

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgment is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits together with future tax planning strategies. The gross unrecognised tax losses at 31 December 2014 were approximately $20,952,000 (2013: $16,364,000).

(e) ***Service concession arrangement***

Significant judgment is exercised in determining the fair values of the financial receivable as well as impairment of the financial receivable subsequent to initial recognition. Discount rates, estimates of future cash flows and other factors are used in the determination of the amortised cost of financial receivable and corresponding finance income during operation phase. The assumptions used and estimates may result in different fair value estimates. The carrying amount of the Group's financial receivable arising from service concession arrangement at the balance sheet is disclosed in Note 10 to the financial statements.

(f) ***Allowance for slow moving inventories***

Inventories are stated at the lower of cost and net realisable value. Where necessary, allowance is provided to adjust the carrying value of inventories to the lower of cost or net realisable value. Significant management judgment is required to determine the amount of allowance to be recognised. The carrying amount of inventories is disclosed in Note 13 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGMENTS AND ESTIMATES (CONTINUED)

3.2 *Key sources of estimation uncertainty (Continued)*

(g) *Revaluation of property, plant and equipment*

The Group carries its freehold land, leasehold land and buildings at fair value, with changes in fair values being recognised in other comprehensive income.

The fair values of freehold land, leasehold land and buildings are determined by an accredited valuer by reference to open market values.

The carrying amount and key assumptions used to determine the fair value of freehold land, leasehold land and buildings are explained in Note 4.

4. PROPERTY, PLANT AND EQUIPMENT

	At valuation			At cost				
Group	Freehold land $'000	Freehold buildings $'000	Leasehold land and buildings $'000	Plant and machinery $'000	Furniture and fittings and office equipment $'000	Motor vehicles $'000	Vessel $'000	Total $'000
Cost or valuation								
1 January 2013	7,300	2,800	9,700	12,608	4,756	4,863	37,904	79,931
Additions	–	–	–	10,490	108	22	30,287	40,907
Disposals/write off	–	–	–	(9,713)	(130)	(3,564)	–	(13,407)
Revaluation surplus (Note 34)	1,350	(450)	4,000	–	–	–	–	4,900
Reclassified to assets of disposal group classified as held for sale (Note 19)	–	–	–	–	(45)	(271)	–	(316)
Exchange differences	–	–	–	(1,266)	20	(480)	1,903	177
Reclassified to asset under construction (Note 12)	–	–	–	–	–	–	(70,094)	(70,094)
At 31 December 2013 and 1 January 2014	8,650	2,350	13,700	12,119	4,709	570	–	42,098
Additions	–	–	–	11	192	50	–	253
Disposals/write off	–	–	–	–	(138)	–	–	(138)
Revaluation surplus (Note 34)	550	(50)	1,800	–	–	–	–	2,300
Exchange differences	–	–	–	193	7	4	–	204
At 31 December 2014	**9,200**	**2,300**	**15,500**	**12,323**	**4,770**	**624**	**–**	**44,717**

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4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	At valuation			At cost				
Group	**Freehold land $'000**	**Freehold buildings $'000**	**Leasehold land and buildings $'000**	**Plant and machinery $'000**	**Furniture and fittings and office equipment $'000**	**Motor vehicles $'000**	**Vessel $'000**	**Total $'000**
Accumulated depreciation and impairment loss								
1January 2013	–	125	298	12,290	4,306	4,706	18,979	40,704
Depreciation charge for the financial year	–	125	298	144	170	28	948	1,713
Disposals/write off	–	–	–	(9,713)	(130)	(3,564)	–	(13,407)
Impairment loss	–	–	–	–	23	–	6,389	6,412
Reclassified to assets of disposal group classified as held for sale (Note 19)	–	–	–	–	(43)	(163)	–	(206)
Elimination of accumulated depreciation on revaluation (Note 34)	–	(250)	(596)	–	–	–	–	(846)
Exchange differences	–	–	–	(1,339)	8	(484)	809	(1,006)
Reclassified to asset under construction (Note 12)	–	–	–	–	–	–	(27,125)	(27,125)
At 31 December 2013 and 1 January 2014	–	–	–	1,382	4,334	523	–	6,239
Depreciation charge for the financial year	–	115	492	1,164	140	27	–	1,938
Disposals/write off	–	–	–	–	(138)	–	–	(138)
Elimination of accumulated depreciation on revaluation (Note 34)	–	(115)	(492)	–	–	–	–	(607)
Exchange differences	–	–	–	(2)	6	2	–	6
At 31 December 2014	**–**	**–**	**–**	**2,544**	**4,342**	**552**	**–**	**7,438**
Net carrying amount:								
At 31 December 2013	8,650	2,350	13,700	10,737	375	47	–	35,859
At 31 December 2014	**9,200**	**2,300**	**15,500**	**9,779**	**428**	**72**	**–**	**37,279**

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	**Furniture and fittings and office equipment $'000**
Cost	
At 1 January 2013	57
Additions	9
At 31 December 2013, 1 January 2014 and 31 December 2014	**66**
Accumulated depreciation	
At 1 January 2013	51
Depreciation charge for the financial year	6
At 31 December 2013 and 1 January 2014	57
Depreciation charge for the financial year	2
At 31 December 2014	**59**
Net carrying amount:	
At 31 December 2013	9
At 31 December 2014	**7**

Revaluation of leasehold land and buildings

Leasehold land and buildings relate to a single-storey detached factory situated at 12 Chin Bee Drive on leasehold land of 7,146.3 square metres and a single-storey factory situated at 11 Tuas Avenue 1 on a leasehold land area of 4,701.4 square metres. The lease tenure of the leasehold land is 31.7 years effective June 2007 and 22.8 years effective March 2007, respectively.

The Group had engaged ECG Consultancy Pte Ltd, an accredited independent valuer, to determine the fair value of its leasehold land and buildings. Fair value is determined by reference to recent transactions of similar properties in the vicinity after adjusting for any differences in the nature, location and condition of the specific property. The date of revaluation was 31 December 2014.

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluation of freehold land and buildings

Freehold land and buildings relate to 2 and 3-storey terrace factories situated at 47 and 49 Genting Road on freehold land of 810.9 square metres.

The Group had engaged ECG Consultancy Pte Ltd, an accredited independent valuer, to determine the fair value of its leasehold land and buildings. Fair value is determined by reference to recent transactions of similar properties in the vicinity after adjusting for any differences in the nature, location and condition of the specific property. The date of revaluation was 31 December 2014.

If the freehold land and buildings and leasehold land and buildings were measured using the cost model, the carrying amounts would be as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Freehold land at 31 December:		
Cost and net carrying amount	**2,562**	2,562
Freehold buildings at 31 December:		
Cost	**2,150**	2,150
Accumulated depreciation	**(1,354)**	(1,311)
Net carrying amount	**796**	839
Leasehold land and buildings at 31 December:		
Cost	**6,139**	6,139
Accumulated depreciation	**(3,046)**	(2,937)
Net carrying amount	**3,093**	3,202

Assets held under finance leases

The carrying amount of property, plant and equipment held under finance leases at the end of the financial year was $69,000 (2013: $151,000) (Note 28).

Leased assets are pledged as security for the related finance leases liabilities.

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Significant property, plant and equipment

A subsidiary company of the Group within the Marine Logistics segment, Eastern Jason Fabrication Services Pte Ltd, owned a vessel, Federal II.

In 2012, Eastern Jason Fabrication Services Pte Ltd has entered into an agreement to sell Federal II, after its conversion into a floating, storage and offloading (FSO) vessel to PT Eastern Jason, a 30% owned associate of the Group for a consideration of US$52,000,000. During the financial year ended 31 December 2013, the Group provided $4,384,000 for provision for probable penalty for late delivery of vessel (Note 37). The carrying amount of this vessel was $42,969,000 as of 31 December 2013.

In view that the delivery is expected to be completed within the next 12 months after the end of financial year, the vessel was classified as "Asset under construction" (Note 12) as at 31 December 2013.

Assets pledged as security

In addition to assets held under finance leases, the Group's freehold land, freehold buildings, leasehold land and leasehold buildings with carrying amounts of approximately $9,200,000 (2013: $8,650,000), $2,300,000 (2013: $2,350,000) and $15,500,000 (2013: $13,700,000) respectively, are mortgaged to secure banking facilities and bank loans of certain subsidiaries (Note 26 and Note 27).

Impairment of assets

In 2013, Eastern Jason Fabrication Services Pte Ltd, carried out a review of the recoverable amount of its vessel, Federal II, because during the conversion of the vessel, there are objective evidence that the carrying value of the vessel may not be recoverable. The total conversion cost (included cost of vessel) was estimated to be approximately US$57,118,000. An impairment loss of $6,389,000, representing the write-down of the vessel to the recoverable amount was recognised in "Other operating expenses" (Note 37) line item of profit or loss for the financial year ended 31 December 2013.

In 2013, a subsidiary of the Group within the Resources segment, PT Alton International Resources sold its plant and equipment for $714,000 and a gain of $714,000 was recognised in "Other income" (Note 37) line item of profit or loss for the financial year ended 31 December 2013.

5. INVESTMENT IN SUBSIDIARIES

	Company	
	2014	**2013**
	$'000	**$'000**
Unquoted shares, at cost:		
At 1 January and 31 December	**90,464**	90,464
Impairment losses	**(28,389)**	(28,278)
	62,075	62,186
Loans to subsidiaries:		
Gross amount	**92,165**	80,995
Less: Allowance for impairment	**(74,461)**	(64,568)
	17,704	16,427
Net carrying amount	**79,779**	78,613
Analysis of cost of investment impairment losses:–		
At 1 January	**28,278**	28,278
Charge for the financial year	**111**	–
At 31 December	**28,389**	28,278
Analysis of loans to subsidiaries allowance for impairment:–		
At 1 January	**64,568**	40,392
Reclassified from amounts due from subsidiaries (current) (Note 16)	**–**	15,141
Charge for the financial year	**8,876**	8,484
Exchange differences	**1,017**	551
At 31 December	**74,461**	64,568

Except for loans to subsidiaries of $5,898,000 (2013: $6,263,000) which bear interest at rate of 5.0% (2013: 5.0%) per annum, all other amounts are interest-free and unsecured.

Management determined that the loans to subsidiaries are quasi-equity in nature and are therefore included in the investment in subsidiaries. The quasi-equity loans have no repayment terms and are repayable only when cash flows of the subsidiaries permit.

At the end of the financial year, the Company has provided an allowance of $74,461,000 (2013: $64,568,000) for impairment of loans to subsidiaries with a nominal amount of $74,732,000 (2013: $73,575,000).

Loans to subsidiaries are denominated in the following currencies:

	Company	
	2014	**2013**
	$'000	**$'000**
Singapore Dollar	**12,326**	4,543
United States Dollar	**5,107**	11,610
Great Britain Pound	**271**	274
At 31 December	**17,704**	16,427

5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31 December are:

	Name of company (Country of incorporation)	Principal activities (Place of business)	Cost 2014 $'000	Cost 2013 $'000	Proportion of ownership interest 2014 %	Proportion of ownership interest 2013 %
	Subsidiaries					
	Held by the Company					
	Federal Hardware Engineering Co Pte Ltd [1] (Singapore)	Dealer in flowline control materials and services and investment holding (Singapore)	**59,808**	59,808	**100**	100
	Alton International (S) Pte Ltd [1] (Singapore)	Engineering, procurement, construction and management and trading and marketing of commodities (Singapore)	**18,417**	18,417	**100**	100
	KVC (UK) Ltd [2] (United Kingdom)	Design, manufacture and assembly of valves (United Kingdom)	**664**	664	**90**	90
	Federal Fire Engineering Pte Ltd [1] (Singapore)	Supply and installation supervision of fire detection and protection systems and related products (Singapore)	**500**	500	**100**	100
^*	GV Oilfield Engineering Pvt. Ltd. (India)	Dormant (India)	**[a] 5**	[a] 5	**60**	60
	Federal Offshore Services Pte. Ltd. [1] (Singapore)	Offshore marine projects and chartering of vessels (Indonesia)	**6,863**	6,863	**60**	60
	Federal Environmental & Energy Pte. Ltd. [1] (Singapore)	Supply of flowline control products and investment holding (Singapore)	**1,751**	1,751	**65**	65
	Federal Energi Pte. Ltd.[1] (Singapore)	Dormant (Singapore)	**# –**	# –	**100**	100
	Eastern Jason Fabrication Services Pte Ltd [1] (Singapore)	Investment holding offshore marine projects (Singapore)	**2,454**	2,454	**[7] 100**	[7] 100
	Federal Capital Pte. Ltd. [1] (Singapore)	Investment holding (Singapore)	**# –**	# –	**100**	100
	PT Federal International (Indonesia) [6]	Provision of management and business consultation services, and operating and maintenance of oil and gas facility services (Indonesia)	**2**	2	**[3] 100**	[3] 100
	FI (2000) UK Limited (United Kingdom)	Manufacture of valves for the oil and petrochemical industries (United Kingdom)	**–**	–	**[f] 100**	[f] 100
			90,464	90,464		

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5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31 December are: (Continued)

	Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest 2014 %	2013 %
	Subsidiaries			
	Held by subsidiaries			
	PT Fedsin Rekayasa Pratama (Indonesia) [6]	Hardware merchant and investment holding (Indonesia)	**100**	[b] 100
	PT Federal International (Indonesia) [6]	Provision of management and business consultation services and operating and maintenance of oil and gas facility services (Indonesia)	**[3] 99**	[3] 99
	Federal International (Shanghai) Co., Ltd. [4] (PRC)	Trader and agent of flowline control products (PRC)	**[e] 74**	65
	Alton International (Thailand) Co., Ltd [5] (Thailand)	Dealer in hardware and oilfield engineering materials (Thailand)	**100**	100
	Alton International Resources Pte. Ltd. [1] (Singapore)	Dormant (Indonesia)	**70**	70
*	PT Alton International Resources (Indonesia)	Dormant (Indonesia)	**69.3**	69.3
*	PT Mega Federal Energy (Indonesia)	Dormant (Indonesia)	**60**	60

5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31 December are: (Continued)

	Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest 2014 %	2013 %
	***Subsidiaries** (Continued)*			
	***Held by subsidiaries** (Continued)*			
	Federal Environmental Engineering (Shanghai) Co Ltd [(4)] (PRC)	Water and wastewater treatment projects (PRC)	**65**	65
*	FEE Water (China-PZH) Ltd (Note 19) (British Virgin Islands)	Investment holding (British Virgin Islands)	[(d)] **–**	65
	FEE Investment Management Consultants (Shanghai) Co Ltd [(4)] (PRC)	Provision of management and consultancy services for environmental-related projects (PRC)	**65**	65
	Federal Environmental Engineering (Suzhou) Co. Ltd [(4)] (PRC)	Provision of management and consultancy services for environmental-related projects (PRC)	**65**	65
	Federal Environmental (Panzhihua) Co., Ltd (Note 19) (PRC)	Procurement and construction projects and provision of wastewater treatment services (PRC)	[(d)] **–**	65
	Federal Environmental (Southwest China) Pte. Ltd. [(1)] (Singapore)	Investment holding (Singapore)	**65**	65
	Federal Environmental (Chengdu) Pte. Ltd. [(1)] (Singapore)	Investment holding (Singapore)	**65**	65
	Federal Water (Chengdu) Co., Ltd. [(4)] (PRC)	Supply of raw water, treated industrial tap water and project consultancy services (PRC)	**58.5**	58.5
*	Federal-WH Marathon Ltd (British Virgin Islands)	Engineering, procurement and construction related projects (British Virgin Islands)	**51**	[(c)] 51

5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31 December are: (Continued)

Amount less than $1,000

* Not required to be audited under the laws of the respective countries of incorporation

(1) Audited by Baker Tilly TFW LLP

(2) Audited by Mazars LLP, United Kingdom

(3) This comprised 1% direct equity interest held by the Company and indirect equity interest of 99% held by a wholly-owned subsidiary.

(4) Audited by Baker Tilly Beijing in the PRC

(5) Audited by PT Accounting & Auditing Limited, Thailand

(6) Audited by Bharata, Arifin, Mumajad & Sayuti, Indonesia

(7) This comprised 92.5% direct equity interest held by the Company and indirect equity interest of 7.5%

^ Closure of company pending completion of liquidation

(a) The Company has been placed under members' voluntary winding up. A liquidator has been appointed to handle the affairs incidental to the liquidation.

(b) During the financial year ended 2013, the Company through its wholly-owned subsidiary, Federal Hardware Engineering Co Pte Ltd, increased its investment in PT Fedsin Rekayasa Pratama by $3,815,000.

(c) During the financial year ended 2013, the Company through its wholly-owned subsidiary, Federal Capital Pte. Ltd. incorporated Federal-WH Marathon Ltd with an issued capital of $63,000.

(d) Federal Environmental (Panzhihua) Co., Ltd is a wholly-owned subsidiary of FEE Water (China-PZH) Ltd. During the financial year ended 2014, 99% interest in FEE Water (China-PZH) Ltd was sold for a consideration of $50,000.

(e) During the financial year ended 2014, the Company through its wholly-owned subsidiary, Federal Hardware Engineering Co Pte Ltd, increased its investment in Federal International (Shanghai) Co., Ltd. by $472,000.

(f) During the financial year ended 2013, the Company incorporated FI (2000) UK Limited. No share capital is contributed into the new subsidiary as at 31 December 2014.

5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Summarised financial information of subsidiaries with material non-controlling interests ("NCI")

The Group has the following subsidiaries that have NCI that are considered by management to be material to the Group:

Name of subsidiary	Principal place of business/Country of incorporation	Ownership interests held by NCI
2014		
Federal Environmental & Energy Pte. Ltd. subgroup ("FEE subgroup")	Singapore and PRC	35%
2013		
Federal Environmental & Energy Pte. Ltd. subgroup	Singapore and PRC	35%
Alton International Resources Pte. Ltd. subgroup ("AIR subgroup")	Singapore and Indonesia	30%

FEE subgroup comprises Federal Environmental & Energy Pte. Ltd., Federal Environmental Engineering (Shanghai) Co Ltd, FEE Water (China-PZH) Ltd, Federal Environmental (Panzhihua) Co., Ltd, FEE Investment Management Consultants (Shanghai) Co Ltd, Federal Environmental Engineering (Suzhou) Co. Ltd, Federal Water (Chengdu) Co., Ltd. and Federal Environmental (Chengdu) Pte. Ltd..

AIR subgroup comprises Alton International Resources Pte. Ltd. and PT Alton International Resources.

The following are the summarised financial information of each of the Group's subsidiaries with NCI that are considered by management to be material to the Group. These financial information include consolidation adjustments but before inter-company eliminations.

Summarised Balance Sheets

	FEE subgroup		AIR subgroup	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Non-current assets	**2,139**	2,097	**24**	23
Current assets	**15,490**	39,743	**13**	5
Non-current liabilities	**–**	–	**–**	–
Current liabilities	**(40,268)**	(66,940)	**(33,764)**	(33,589)
Net liabilities	**(22,639)**	(25,100)	**(33,727)**	(33,561)
Net liabilities attributable to NCI	**(7,924)**	(8,785)	**(10,118)**	(10,068)

5. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Summarised financial information of subsidiaries with material non-controlling interests ("NCI") (Continued)

Summarised Statements of Comprehensive Income

	FEE subgroup		AIR subgroup	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	**60,854**	42,219	**–**	–
Profit/(loss) before tax	**4,439**	(1,478)	**803**	(3,158)
Income tax expense	**(441)**	(711)	**–**	–
Profit/(loss) after tax from continuing operations	**3,998**	(2,189)	**803**	(3,158)
Other comprehensive (loss)/income	**(810)**	(759)	**(969)**	3,812
Total comprehensive income/(loss)	**3,188**	(2,948)	**(166)**	654
Profit/(loss) allocated to NCI	**1,116**	(1,032)	**(50)**	196
Dividend paid to NCI	**254**	–	**–**	–

Summarised Cash Flows

	FEE subgroup		AIR subgroup	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Cash flows (used in)/generated from operating activities	**(1,403)**	3,235	**(11)**	1,575
Cash flows used in investing activities	**(18)**	(51)	**–**	–
Cash flows generated from/(used in) financing activities	**239**	575	**19**	(1,631)
Net (decrease)/increase in cash and cash equivalents	**(1,182)**	3,759	**8**	(56)

(c) Impairment testing of investment in subsidiaries

Management performed impairment tests for its investment in subsidiaries that have been persistently making losses.

An impairment loss of $111,000 has been recognised for the financial year ended 31 December 2014 (2013: $Nil) in its investment in a subsidiary in Manufacturing/Design/Research and Development business segment to write down its investment in the subsidiary to its recoverable amount of $Nil.

(d) Significant restriction

Cash and cash equivalents of $794,000 (2013: $1,664,000) are held in the People's Republic of China and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends.

6. INVESTMENT IN ASSOCIATES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Unquoted shares, at cost	**10,206**	10,206	**5,711**	5,711
Share of post-acquisition reserves	**(3,775)**	2,182	**–**	–
Impairment of goodwill	**(1,694)**	–	**–**	–
Impairment loss	**–**	–	**(4,843)**	(1,217)
Currency realignment	**(1,988)**	(2,229)	**–**	–
Net carrying amount	**2,749**	10,159	**868**	4,494

Analysis of impairment losses:–

	Company	
	2014	2013
	$'000	$'000
At 1 January	**1,217**	1,217
Charge for the financial year	**3,626**	–
At 31 December	**4,843**	1,217

	Name of company (Country of incorporation)	Principal activities (Place of business)	Cost		Proportion of ownership interest	
			2014 $'000	2013 $'000	2014 %	2013 %
	Associates					
	Held by the Company					
*	KVC Co., Ltd (Japan)	Manufacture and export of valves (Japan)	**868**	868	**50**	50
	Federal JWR Energy Pte. Ltd. [(1), (a)] (Singapore)	Engagement in turnkey engineering, procurement and construction projects and rental of oil and gas production facilities (Indonesia)	**203**	203	**40**	40
	Sapex International Pte. Ltd. [(1)] (Singapore)	Dormant (Singapore)	**17**	17	**50**	50
	PT Gunanusa Utama Fabricators [(2)] (Indonesia)	Production and maintenance of tools and equipment of ships, and drilling tools for oil and gas industries, doing business in general workshops, contracting and trade (Indonesia)	**4,623**	4,623	**20.66**	20.66
			5,711	5,711		

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6. INVESTMENT IN ASSOCIATES (CONTINUED)

	Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest 2014 %	2013 %
	Associates			
	Held by subsidiaries			
*	PT Indoenergi Perkasa (Indonesia)	Sale and distribution of Ingersoll Rand air-compressors and related services (Indonesia)	**28** [(3)]	28 [(3)]
*	Federal-Applied Industrial Services Co Ltd (Thailand)	Dormant (Thailand)	**49**	49
	PT Eastern Jason (Indonesia) [(4)]	Chartering of vessels (Indonesia)	**30**	30
	PT Fedco Rekayasa Indonesia (Indonesia)	Procurement services for the flowline control procedures and services, and other oilfield related equipment (Indonesia)	**49**[(b)]	–

* Not required to be audited under the laws of the respective countries of incorporation

(1) Audited by Baker Tilly TFW LLP

(2) Audited by Siddharta, Widjaja & Rekan, Indonesia

(3) This comprised 16% direct equity interest held by the Group and indirect equity interest of 12% held by an associate.

(4) Audited by Kosasih, Nurdiyaman, Tjahjo & Rekan, Indonesia.

(a) The Company entered into a sale and purchase agreement with PT Petroflexx Prima Daya for the disposal of the Company's 40% shares in Federal JWR Energy Pte. Ltd.. Consideration is payable over a period stated in the agreement and partial proceeds for the disposal has been received. The disposal will only be completed upon receipts of the full proceeds. The Group has recorded the partial proceeds received of $1,382,000 (2013:$1,205,000) as "Other payables" (Note 20).

(b) During the financial year ended 2014, the Company through its wholly-owned subsidiary, PT Fedsin Rekayasa Pratama, incorporated PT Fedco Rekayasa Indonesia.

Summarised financial information for associates of the Group, which in the opinion of the management are material to the Group based on their FRS financial statements (not adjusted for the Group's share of those amounts) and a reconciliation to the carrying amounts of the investments in the consolidated financial statements are as follows:

6. INVESTMENT IN ASSOCIATES (CONTINUED)

Summarised Statements of Comprehensive Income

	PT Gunanusa Utama Fabricators		PT Eastern Jason		KVC Co., Ltd	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Revenue	**105,632**	208,801	**–**	–	**11,873**	15,230
(Loss)/profit after tax from continuing operations	**(43,461)**	1,401	**(6,581)**	(207)	**(156)**	661
Other comprehensive (loss)/income	**(1,704)**	765	**458**	423	**430**	(253)
Total comprehensive (loss)/income	**(45,165)**	2,166	**(6,123)**	216	**274**	408
Dividend received from associated company	**–**	–	**–**	–	**17**	–

Summarised Balance Sheets

	PT Gunanusa Utama Fabricators		PT Eastern Jason		KVC Co., Ltd	
	2014 $'000	2013 $'000	2014 $'000	2013 $'000	2014 $'000	2013 $'000
Non-current assets	**27,953**	31,127	**65,813**	13,856	**1,408**	1,166
Current assets	**75,392**	97,984	**4,688**	4,325	**3,773**	4,237
Non-current liabilities	**(45,129)**	(21,770)	**(55,663)**	(139)	**(517)**	(508)
Current liabilities	**(79,306)**	(83,266)	**(8,900)**	(5,981)	**(2,884)**	(2,764)
Net (liabilities)/assets	**(21,090)**	24,075	**5,938**	12,061	**1,780**	2,131
Proportion of the Group's ownership	**20.66%**	20.66%	**30%**	30%	**50%**	50%
Group's share of net assets based on proportion of ownership interest	**–**	4,974	**1,781**	3,618	**890**	1,066
Others	**–**	224	**–**	–	**–**	258
Carrying amount of investment	**–**	5,198	**1,781**	3,618	**890**	1,324

Aggregate information about the Group's investments in associates that are not individually material are as follows:

	2014 $'000	2013 $'000
(Loss)/profit after tax	**(11)**	582
Other comprehensive income/(loss)	**6**	(13)
Total comprehensive (loss)/income	**(5)**	569

6. INVESTMENT IN ASSOCIATES (CONTINUED)

These associates are measured using the equity method. The activities of the associates are strategic to the Group.

An impairment loss of $3,626,000 (2013: $Nil) has been recognised by the Company for the financial year ended 31 December 2014 in its investment in an associate to write down its investment in the associate to its recoverable amount of $Nil (2013: $3,626,000).

The estimates of the recoverable amount of the investments have been determined by management based on the net assets value of the associates as at 31 December 2014, which approximates the recoverable amount of the investment in the associates.

When the Group's share of losses exceeds the carrying amount of the investment in an associate, the investment is reported at $Nil and recognition of losses is discontinued except where the Group is obligated in respect of these losses.

The Group's share of unrecognised losses during the year and cumulatively were $4,121,000 (2013: $3,000) and $4,210,000 (2013: $89,000) respectively. The movement of the Group's cumulative share of unrecognised losses arose from current year loss incurred by PT Gunanusa Utama Fabricators, Sapex International Pte. Ltd. and PT Indoenergi Perkasa. The Group has no obligation in respect of these losses.

7. INTANGIBLE ASSETS

Group	Goodwill $'000	Deferred development costs $'000	Total $'000
Cost			
At 1 January 2013	1,044	242	1,286
Exchange differences	–	14	14
At 31 December 2013 and 1 January 2014	1,044	256	1,300
Exchange differences	–	(4)	(4)
At 31 December 2014	**1,044**	**252**	**1,296**
Accumulated amortisation and impairment loss			
At 1 January 2013	182	240	422
Amortisation	–	1	1
Impairment loss	862	–	862
Exchange differences	–	14	14
At 31 December 2013 and 1 January 2014	1,044	255	1,299
Exchange differences	–	(4)	(4)
At 31 December 2014	**1,044**	**251**	**1,295**
Net carrying amount:			
At 31 December 2013	–	1	1
At 31 December 2014	**–**	**1**	**1**

7. INTANGIBLE ASSETS (CONTINUED)

Deferred development costs

Deferred development costs relate to testing and design development projects.

Amortisation expense

The amortisation of deferred development costs is included in the "Administrative and general costs" (Note 37) line item in profit or loss.

Impairment testing of goodwill

Goodwill arising from business combinations has been allocated to Manufacturing/Design/Research and Development segment, a single cash-generating unit ("CGU"), which is also a reportable operating segment.

The carrying amount of goodwill allocated to Manufacturing/Design/Research and Development segment is as follows:

	Manufacturing/ Design/Research and Development segment	
	2014	**2013**
	$'000	**$'000**
Goodwill	–	–

The recoverable amount for the above CGU has been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a 3 year period. The pre-tax discount rate applied to the cash flow projections are as follows:

	Manufacturing/ Design/Research and Development segment	
	2014	**2013**
	%	**%**
Pre-tax discount rates	–	5.2

The calculations of value in use for the above CGU are most sensitive to the following assumptions:

- Budgeted gross margins – Gross margins are based on average values achieved in the three years preceding the start of the budget period. The gross profit margin are expected to be consistent over the budget period;

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7. INTANGIBLE ASSETS (CONTINUED)

Impairment testing of goodwill (Continued)

- Pre-tax discount rates – Discount rates represent the current market assessment of the risks specific to the CGU, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of the CGU and derived from its weighted average cost of capital (WACC). The WACC takes into account both debt and equity. The cost of equity is derived from the expected return on investment by the Group's investors. The cost of debt is based on the interest bearing borrowings the Group is obliged to service. Segment-specific risk was incorporated by applying individual beta factors. The beta factors are evaluated annually based on publicly available market data.

During the financial year ended 31 December 2013, an impairment loss of $862,000 was recognised to write down the carrying amount of goodwill (Manufacturing/Design/Research and Development segment) to its recoverable amount of $Nil. The impairment loss has been recognised in profit or loss under the line item "Other operating expenses" (Note 37).

8. OTHER INVESTMENTS

	Group	
	2014	**2013**
	$'000	**$'000**
Available-for-sale financial asset		
Investment in partnership, at cost (unquoted)	**20**	20

The Group has a 20% (2013: 20%) equity interest in a partnership entity that is held through a subsidiary. This partnership is set-up in Brunei Darussalam and is principally engaged in the supply of valves, fitting and instruments.

9. OTHER RECEIVABLES (NON-CURRENT)

	Group	
	2014	**2013**
	$'000	**$'000**
Balance of consideration for disposal of a subsidiary and related assets	**1,985**	1,730
Less: Amount due within 12 months (Note 15)	**(1,985)**	(1,730)
Amount due after 12 months	**–**	–
Deposits	**64**	60
Others	**1**	2
	65	62

10. FINANCIAL RECEIVABLE

	Group	
	2014	**2013**
	$'000	**$'000**
Non-current		
Financial receivable	**2,037**	1,958
Current		
Financial receivable	**708**	683
	2,745	2,641

Financial receivable is stated after impairment of allowance of $3,676,000 (2013: $3,544,000).

	Group	
	2014	**2013**
	$'000	**$'000**
Movement of allowance account:		
At 1 January	**3,544**	1,460
Charge for the financial year (Note 37)	**–**	1,955
Exchange differences	**132**	129
At 31 December	**3,676**	3,544

The Group has entered into service concession arrangement as discussed below:

Federal Water (Chengdu) Co., Ltd.

The Group entered into a service concession arrangement with the local government of Xinjin for the construction of water treatment facility and provision of raw water and industrial tap water services over a concession period of 30 years (from year 2009 till year 2039) via its 58.5% owned subsidiary Federal Water (Chengdu) Co., Ltd., incorporated in the PRC. Based on the concession agreement, the Group is entitled to receive fixed minimum guaranteed fees during the concession period. Such concession arrangement falls within the scope of INT FRS 112 and the Group has accordingly recognised a financial receivable as the Group has a right to receive a fixed and determinable amount of payments during the concession period irrespective of the utilisation of the water treatment facility. The financial receivable is carried at $2,745,000 (2013: $2,641,000) on the balance sheet as at 31 December 2014.

Key assumptions applied in deriving the carrying value of financial receivable are as follows:

- A discount rate ranging from 8% (2013: 8%) has been applied to the cash flow projections. The discount rate was pre-tax and reflected specific risks relating to the industry.

10. FINANCIAL RECEIVABLE (CONTINUED)

Federal Water (Chengdu) Co., Ltd. (Continued)

- The projected water volume for each service concession arrangement was based on historical production trend, over the concession period.

- The projected fee for sales of water was based on the higher of minimum guaranteed sum or actual treatment volume multiplied by the unit rate, according to the signed service concession arrangement.

The Group has provided an allowance of $Nil (2013: $1,955,000) for impairment of financial receivable which is recognised in profit or loss under the line item "Other operating expenses" (Note 37).

11. DEFERRED TAX

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
At 1 January	**(1,127)**	(609)	**19**	18
Movement in temporary differences:				
Recognised directly in profit or loss	**(914)**	(201)	**3**	1
Recognised directly in other comprehensive income (Note 34)	**(401)**	(748)	**–**	–
Reclassified to liabilities directly associated with disposal group classified as held for sale (Note 19)	**–**	465	**–**	–
Exchange differences	**1**	(34)	**–**	–
At 31 December	**(2,441)**	(1,127)	**22**	19

Deferred tax as at 31 December relates to the following:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax liabilities				
Differences in depreciation for tax purposes	**3**	7	**1**	1
Revaluations to fair value of leasehold land, freehold and leasehold buildings	**2,532**	2,131	**–**	–
	2,535	2,138	**1**	1
Deferred tax assets				
Provisions	**51**	47	**23**	20
Unabsorbed tax losses	**–**	692	**–**	–
Other items	**43**	272	**–**	–
	94	1,011	**23**	20

11. DEFERRED TAX (CONTINUED)

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the balance sheet as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax liabilities	**(2,531)**	(1,439)	**–**	–
Deferred tax assets	**90**	312	**22**	19

Unrecognised tax losses

At the end of the financial year, the Group has unabsorbed tax losses of approximately $20,952,000 (2013: $16,364,000) that are available for offset against future taxable profits of the subsidiaries in which the losses arose for which no deferred tax assets is recognised due to uncertainty of their recoverability. The use of these tax losses is subject 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.

At the end of the financial year, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is $1,648,000 (2013: $1,613,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

12. ASSET UNDER CONSTRUCTION

The asset under construction was a vessel, Federal II which has been reclassified from property, plant and equipment as at the end of financial year ended 31 December 2013 in view that the sale of the vessel will be completed within 12 months after the end of the financial year.

The vessel was mortgaged to secure banking facilities and bank loan of a subsidiary (Note 26 and Note 27).

The legal sale of the vessel was completed on 19 August 2014 and the Group has recognised loss on disposal of the vessel of $26,029,000 (2013: $Nil) in the profit or loss under the line item "Other operating expenses" (Note 37). As at 31 December 2014, the Group recorded a provision of $2,532,000 (2013: $Nil) for the offshore commissioning work of the vessel in the balance sheet under the line item "Other payables" (Note 20).

13. INVENTORIES

	Group	
	2014	2013
	$'000	$'000
Balance Sheet:		
Trading stocks (at lower of cost or net realisable value)	**21,497**	21,340
Goods-in-transit (at cost)	**3,588**	–
Work-in-progress (at cost)	**1,083**	1,411
Raw materials (at cost)	**237**	179
	26,405	22,930
Movement of allowance account:		
At 1 January	**2,711**	2,900
Charge for the financial year	**877**	41
Written back	**(6)**	(170)
Utilised	**–**	(63)
Exchange differences	**4**	3
At 31 December	**3,586**	2,711
Income statement:		
Inventories recognised as an expense in cost of sales	**104,094**	93,997

The Group has subjected trading stocks amounting to $15,460,000 (2013: $16,919,000) to a floating charge as security for trust receipts and inventory financing loans (Note 26 and Note 27).

14. TRADE RECEIVABLES (CURRENT)

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade receivables				
– Third parties	**50,779**	53,176	**–**	–
Less: Allowance for impairment	**(18,961)**	(20,767)	**–**	–
Trade receivables, net	**31,818**	32,409	**–**	–

Trade receivables are non-interest bearing and are generally on 30 to 120 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

14. TRADE RECEIVABLES (CURRENT) (CONTINUED)

Receivables that are past due but not impaired

The Group has trade receivables amounting to $9,139,000 (2013: $17,073,000) that are past due at the end of the financial year but not impaired. These receivables are unsecured and the analysis of their ageing at the end of the financial year is as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Trade receivables past due:		
Less than 30 days	**2,822**	9,643
30 to 60 days	**1,194**	3,033
61 to 90 days	**3,442**	1,258
More than 90 days	**1,681**	3,139
	9,139	17,073

Receivables that are impaired

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

	Group Individually impaired	
	2014	**2013**
	$'000	**$'000**
Trade receivables – nominal amounts	**19,018**	21,063
Less: Allowance for impairment	**(18,961)**	(20,767)
	57	296
Movement in allowance account:		
At 1 January	**20,767**	26,482
Charge for the financial year	**76**	4
Written off	**(647)**	–
Written back	**(1,967)**	(1,766)
Reclassified to assets of disposal group classified as held for sale (Note 19)	**–**	(4,807)
Exchange differences	**732**	854
At 31 December	**18,961**	20,767

14. TRADE RECEIVABLES (CURRENT) (CONTINUED)

Receivables that are impaired (Continued)

Included in the Group's trade receivables is a certain debtor with a gross carrying value of $8,737,000 (2013: $10,090,000) which are past due at the end of the financial year for which the Group has recognised cumulative allowance for doubtful receivables of $8,737,000 (2013: $10,090,000), despite this trade receivable is secured by the personal guarantee provided by the owner and corporate guarantee provided by the Indonesian company.

The Group has recovered an amount of $1,685,000 (2013: $1,509,000) from the debtor. Accordingly, the Group has made reversal of allowance for doubtful receivables up to the amount recovered.

	Group	
	2014	**2013**
	$'000	**$'000**
Bad debts directly written off to profit or loss	**–**	3

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

15. OTHER RECEIVABLES (CURRENT)

	Group		**Company**	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Recoverables	**1,817**	646	**8**	–
Balance of consideration for disposal of a subsidiary and related assets (Note 9)	**1,985**	1,730	**–**	–
Other receivables	**455**	291	**1**	4
	4,257	2,667	**9**	4

Sundry debtors are unsecured and non-interest bearing.

Other receivables that are impaired

	Group		**Company**	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Other receivables – nominal amounts	**10,012**	9,625	**–**	–
Less: Allowance for impairment	**(8,027)**	(7,895)	**–**	–
	1,985	1,730	**–**	–

15. OTHER RECEIVABLES (CURRENT) (CONTINUED)

Other receivables that are impaired (Continued)

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Movements in allowance account:				
At 1 January	**7,895**	15,996	**–**	–
Charge for the financial year	**1**	–	**–**	–
Written back	**–**	(8,312)	**–**	–
Exchange differences	**131**	211	**–**	–
At 31 December	**8,027**	7,895	**–**	–

	Group	
	2014	2013
	$'000	$'000
Bad debts directly written off to profit or loss	**2**	–

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

16. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2014	2013
	$'000	$'000
Trade	**3,371**	4,760
Non-trade	**11,856**	18,079
	15,227	22,839
Allowance for impairment	**(8,661)**	(2,480)
	6,566	20,359

The trade balances and transactions mainly relate to management fees while the non-trade balances and transactions mainly relate to loans, interest on loans and payments made on behalf of the subsidiaries.

In 2014, non-trade amounts due from subsidiaries are unsecured, interest-free and expected to be settled in cash and inter-company settlement within the next twelve months. In 2013, except for $334,000 which bore interest at rate 5.0% per annum, all other amounts were interest-free.

16. AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)

At the end of the financial year, the Company has provided an allowance of $8,661,000 (2013: $2,480,000) for impairment of unsecured loans to subsidiaries with a nominal amount of $13,020,000 (2013: $11,627,000).

	Company	
	2014	2013
	$'000	$'000
Movement in allowance account:		
At 1 January	**2,480**	25,871
Charge for the financial year	**6,395**	40
Written back	**(131)**	(8,491)
Reclassified to investment in subsidiaries (Note 5)	**–**	(15,141)
Exchange differences	**(83)**	201
At 31 December	**8,661**	2,480

Amounts due from subsidiaries are denominated in the following currencies:

	Company	
	2014	2013
	$'000	$'000
Singapore Dollar	**5,701**	19,963
United States Dollar	**725**	367
Great Britain Pound	**140**	29
At 31 December	**6,566**	20,359

17. AMOUNTS DUE FROM ASSOCIATES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade	**105**	22	**–**	–
Non-trade	**4,071**	432	**24**	45
	4,176	454	**24**	45

In 2014, amounts due from associates are interest-free. In 2013, except for amounts due from certain associates to the Group and Company of $6,000 which bore interest at rate of 8.0% per annum, all other amounts were interest-free.

Amounts are unsecured and expected to be settled in cash and inter-company settlement within the next twelve months. The non-trade balances and transactions mainly relate to loans and payments made on behalf of the associates.

17. AMOUNTS DUE FROM ASSOCIATES (CONTINUED)

Amounts due from associates that are impaired

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Amounts due from associates				
– nominal amounts	**459**	403	**55**	59
Less: Allowance for impairment	**(456)**	(401)	**(55)**	(14)
	3	2	**–**	45
Movement in allowance account:				
At 1 January	**401**	964	**14**	589
Charge for the financial year	**39**	–	**39**	–
Written back	**–**	(575)	**–**	(575)
Exchange differences	**16**	12	**2**	–
At 31 December	**456**	401	**55**	14

18. AMOUNT DUE FROM A RELATED PARTY

The related party refers to a non-controlling interest of a subsidiary.

Non-current

Amount due from a related party is unsecured, interest-free and has no repayment terms and is repayable when cash flow of the related party permits.

Current

Amount due from a related party was unsecured, interest-free and expected to be settled in cash within the next twelve months.

19. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE LIABILITIES DIRECTLY ASSOCIATED WITH DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE

On 8 December 2013, a subsidiary of the Company, Federal Environmental (Southwest China) Pte. Ltd. has entered into a conditional share sale and purchase agreement with Rift Valley Holdings Limited to sell 49,500 ordinary shares in FEE Water (China-PZH) Ltd ("FEEW"), representing 99% of the issued and paid up capital of FEEW for $50,000.

19. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE LIABILITIES DIRECTLY ASSOCIATED WITH DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

Federal Environmental (Panzhihua) Co., Ltd ("FEPZH") is a wholly-owned subsidiary of FEEW. As the carrying amount of the disposal group comprising of FEEW and FEPZH is to be recovered principally through the sale transaction, the assets and liabilities related to FEEW and FEPZH have been presented on the balance sheet as "Assets of disposal group classified as held for sale" and "Liabilities directly associated with disposal group classified as held for sale". The disposal of FEEW and FEPZH was completed on 12 March 2014.

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

	Note	Group 2013 $'000
Assets:		
Property, plant and equipment		110
Financial receivable	(a)	26,568
Inventories		214
Trade receivables	(b)	–
Other receivables		74
Prepayment		2
Fixed deposits (pledged)		414
Cash and bank balances		17
Assets of disposal group classified as held for sale		27,399
Liabilities:		
Trade payables		6,145
Other payables	(c)	3,720
Deferred revenue		41
Amount due to a related party		103
Term loans	(d)	20,334
Deferred tax liabilities		465
Liabilities directly associated with disposal group classified as held for sale		30,808
Reserve:		
Foreign currency translation reserve		536

19. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE LIABILITIES DIRECTLY ASSOCIATED WITH DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(a) *Financial receivable*

In the year 2008, the Group entered into a service concession arrangement with the local government of Panzhihua (PZH) for the construction of waste water treatment facility and provision of waste water treatment services over a concession period of 27 years via its 65% owned subsidiary Federal Environmental (Panzhihua) Co., Ltd (FEPZH), incorporated in the PRC. Based on the concession agreement, the Group is entitled to receive fixed minimum guaranteed fees during the concession period. Such concession arrangement falls within the scope of INT FRS 112 and the Group has accordingly recognised a financial receivable as the Group has a right to receive a fixed and determinable amount of payments during the concession period irrespective of the utilisation of the waste water treatment facility.

In 2012, the Group encountered difficulties in collecting the fixed minimum guaranteed fees. As at 31 December 2012, the Group has ceased waste water treatment operation. As at 31 December 2012, FEPZH has defaulted certain loan and interests repayments, these loans were borrowed from counter-parties related to the local government of PZH.

In performing assessment of the recoverable amount of the financial receivable of $26,568,000, management has exercised the judgment that the Group will be able to recover this financial receivable through the disposal and accordingly no impairment was necessary to be recorded.

(b) *Trade receivables*

Trade receivables were stated net of allowance of $5,142,000 for impairment loss on doubtful trade receivables.

(c) *Other payables*

	Group 2013 $'000
Accruals	3,235
Sundry creditors	485
	3,720

Other payables are non-interest bearing and normally settled on 30-90 days' terms.

19. ASSETS OF DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE
LIABILITIES DIRECTLY ASSOCIATED WITH DISPOSAL GROUP CLASSIFIED AS HELD FOR SALE (CONTINUED)

(d) *Term loans*

(i) *15% p.a. fixed rate RMB loan*

Loan of $934,000 (RMB4,500,000) was unsecured.

(ii) *9.528% p.a. fixed rate RMB loans*

Loan of $1,204,000 (RMB5,800,000) was unsecured.

(iii) *RMB bank loan at China Central Bank base interest rate + 1.728%*

Loan of $16,603,000 (RMB80,000,000) was unsecured but a corporate guarantee is provided by Panzhihua Renjiang Va-Ti Co Ltd which is a government linked entity in China.

(iv) *RMB bank loan at China Central Bank base interest rate * 150%*

Loan of $1,038,000 (RMB5,000,000) was unsecured but a corporate guarantee was provided by Panzhihua Renjiang Va-Ti Co Ltd which is a government linked entity in China.

(v) *Non-interest bearing RMB loan*

Loan of $555,000 (RMB2,672,000) was unsecured.

20. TRADE AND OTHER PAYABLES

Trade payables

Trade payables are non-interest bearing and normally settled on 30-90 days' terms.

Other payables

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Accruals	**18,752**	10,641	**514**	718
Social security tax payable and welfare expense payable	**77**	77	**–**	–
Sundry creditors	**781**	638	**164**	93
Accrual for foreign tax liabilities	**1,100**	2,394	**–**	–
Partial proceeds for disposal of an associate (Note 6)	**1,382**	1,205	**1,382**	1,205
Provision for probable penalty for late delivery of a vessel	**1,122**	4,384	**–**	–
Provision for commissioning work of a vessel (Note 12)	**2,532**	–	**–**	–
	25,746	19,339	**2,060**	2,016

Other payables are non-interest bearing and normally settled on 30 – 90 days' terms.

21. GROSS AMOUNT DUE FROM/(DUE TO) CUSTOMER FOR CONSTRUCTION WORK-IN-PROGRESS

	Group	
	2014	2013
	$'000	$'000
Aggregate amount of costs incurred and recognised profits (less recognised losses) to date	**686**	3,797
Less: Progress billings	**(415)**	(3,720)
	271	77
Gross amount due from customer for contract work	**298**	77
Gross amount due to customer for contract work	**(27)**	–
	271	77

22. ADVANCE PAYMENT FROM AN ASSOCIATE

In 2012, Eastern Jason Fabrication Services Pte Ltd has entered into an agreement to sell Federal II, after its conversion into a floating, storage and offloading (FSO) vessel to PT Eastern Jason, a 30% owned associate of the Group for a consideration of US$52,000,000. PT Eastern Jason paid a downpayment of US$10,400,000 in 2012.

The legal sale of the FSO vessel was completed on 19 August 2014. Accordingly, the advance payment from the associate has been recognised as partial proceeds from the consideration of disposal of FSO vessel.

23. AMOUNTS DUE TO SUBSIDIARIES

Non-current

The amount is non-trade related, unsecured, interest-free and repayment of this amount is neither planned nor likely to occur in the foreseeable future.

Current

In 2014, amounts due to subsidiaries are interest-free. In 2013, except for $243,000 which bore interest at the rate of 8% per annum, all other amounts were interest-free.

The non-trade balance mainly relates to payments made on behalf of the Company by the subsidiaries.

Amounts due to subsidiaries are denominated in the following currencies:

	Company	
	2014	**2013**
	$'000	**$'000**
Singapore Dollar	**504**	1,663
United States Dollar	**9,930**	9,518
At 31 December	**10,434**	11,181

24. AMOUNTS DUE TO ASSOCIATES

	Group		**Company**	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Trade	**19**	142	**–**	–
Non-trade	**822**	800	**822**	789
	841	942	**822**	789

The non-trade balances are unsecured, interest-free and expected to be settled in cash within the next twelve months.

25. AMOUNT DUE TO A RELATED PARTY

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Loan from a director of certain subsidiaries	**2,101**	1,803	**–**	–

Amount due to a related party is unsecured, interest-free, and expected to be settled in cash within the next twelve months.

26. AMOUNTS DUE TO BANKERS

	Group	
	2014	**2013**
	$'000	**$'000**
Bank overdrafts, secured	**1,493**	921
Trust receipts, secured	**28,189**	22,603
	29,682	23,524

Bank overdrafts bear interest at 2.27% – 6.00% (2013: 1.8%) per annum ("p.a.") and are repayable on demand. Trust receipts bear interest at 1.36% – 5.50% (2013: 1.44% – 5.75%) p.a..

Amounts due to bankers are denominated in the following currencies:

	Group	
	2014	**2013**
	$'000	**$'000**
Singapore Dollar	**1,534**	5,902
United States Dollar	**16,073**	13,773
Japanese Yen	**9,179**	1,837
Euro	**1,808**	766
Great Britain Pound	**1,088**	1,246
At 31 December	**29,682**	23,524

Securities

Bank overdrafts and trust receipts of certain subsidiaries are secured by legal mortgages on the Group's freehold/leasehold land and buildings, vessel and inventories (Note 4, Note 12 and Note 13).

27. TERM LOANS

	Group	
	2014	**2013**
	$'000	**$'000**
Amounts repayable within one year		
– secured	**11,305**	27,545
– unsecured	**4**	–
	11,309	27,545
Amounts repayable after one year but not more than five years		
– secured	**272**	3,732
– unsecured	**–**	9
	272	3,741
Total term loans	**11,581**	31,286

The Group obtained term loans and other credit facilities from various financial institutions. Among others, one of the financial institutions, in its financial covenants requirements, sets a threshold of $60,000,000 (2013: $60,000,000) of minimum consolidated total net worth (defined as paid-up capital and accumulated losses/capital reserves/revaluation reserves/accumulated profits/retained earnings) for the Group.

In addition to the basic loan terms and specific clauses defining default events, certain term loans with amount $1,609,000 (2013: $1,866,000) also include an overriding repayment on demand clause which gives the lender the right to demand repayment at any time at their sole discretion irrespective of whether a default event has occurred. These term loans were not scheduled for repayment within twelve months after the end of the financial year. However, based on the guidance on classification of callable term loan issued by the Institute of Singapore Chartered Accountants, these callable term loans have been classified as current in their entirety in the balance sheet.

(a) SGD bank loan at bank's cost of funds + variable rates

Loan of $3,000,000 (2013: $3,000,000) is secured by a legal mortgage on the Group's freehold land and buildings (Note 4), on one of the Group's leasehold building (Note 4) and a corporate guarantee provided by the Company (Note 42) and is repayable within one month to four months. This loan bears interest at 2.44% (2013: 2.40%) p.a..

(b) SGD bank loan at bank's cost of fund + variable rates

Loan of $3,099,000 (2013: $3,606,000) is secured by a legal mortgage on the Group's freehold land and buildings (Note 4), on one of the Group's leasehold building (Note 4) and a corporate guarantee provided by the Company (Note 42) and is repayable in August 2015. This loan bears interest at 2.70% (2013: 2.70%) p.a..

27. TERM LOANS (CONTINUED)

(c) *SGD bank loan at prime rate + 0.5% p.a.*

Loan of $100,000 (2013: $218,000) is secured by a first mortgage over one of the Group's leasehold land and buildings (Note 4) and a corporate guarantee provided by the Company (Note 42). The loan is repayable in monthly installments beginning from June 2008 through to October 2015. This loan bears interest at 4.75% (2013: 4.75%) p.a..

(d) *SGD bank loan at bank's Enterprise Financing rate minus 0.5% p.a.*

Loan of $534,000 (2013: $783,000) is secured by a first mortgage over one of the Group's leasehold land and building (Note 4) and corporate guarantee provided by the Company (Note 42). Repayment of this loan is in an arrangement of monthly installments beginning from February 2007 to December 2016. This loan bears interest at 4.5% (2013: 4.5%) p.a..

(e) *RMB bank loan at 130% p.a. of the China Central Bank base interest rate*

Loan of $1,872,000 (RMB8,694,000) (2013: $2,890,000 (RMB13,925,000)) is unsecured and is repayable from January through June 2015 (2013: January through June 2014). This loan bears interest at 7.28% (2013: 7.28%) p.a..

(f) *GBP bank loan at Bank of England base rate + 1.75% p.a.*

Loan of $1,189,000 (£579,000) (2013: $1,350,000 (£646,000)) is secured by a Standby Letter of Credit issued by a financial institution, guaranteed by the Company and a related company and is repayable in monthly installments commencing from June 2008 through May 2023.

(g) *GBP bank loan at Bank of England base rate + 1.75% p.a.*

Loan of $476,000 (£231,000) (2013: $544,000 (£260,000)) is secured by a Standby Letter of Credit issued by a financial institution, guaranteed by the Company and a related company and is repayable in monthly installments commencing from December 2011 through September 2020.

(h) *GBP bank loan at Bank of England base rate + 1.75% p.a.*

Loan of $231,000 (£112,000) (2013: $264,000 (£126,000)) is secured by a Standby Letter of Credit issued by a financial institution, guaranteed by the Company and a related company and is repayable in monthly installments commencing from December 2011 through September 2020.

27. TERM LOANS (CONTINUED)

(i) *11% p.a. fixed rate IDR loan*

Loan of $4,000 (IDR36,958,000) (2013: $9,000 (IDR87,581,000)) is unsecured and is repayable in monthly installments commencing from January 2012 through August 2015.

(j) *6.90% p.a. fixed rate RMB loan*

Loan of $1,076,000 (RMB5,000,000) (2013: $Nil) is secured by a fixed deposit of $161,000 (RMB750,000) (2013: $Nil) and has been repaid in January 2015. The loan was secured by a corporate guarantee provided by Federal Environmental Engineering (Shanghai) Co., Ltd..

(k) *4% p.a. fixed rate SGD bank loans*

Prior year loan of $9,070,000 was secured by a legal mortgage on the Group's inventories (Note 13) and corporate guarantee by the Company (Note 42). The loan has been repaid during the year.

(l) *USD bank loan at bank's USD prime lending rate + 2.5% p.a.*

Prior year loan of $9,552,000 (USD7,530,000) was secured by a legal mortgage on the Group's vessel (Note 12) and corporate guarantee by the Company (Note 42) and has been repaid during the year. This loan bore interest at 5.75% p.a..

28. HIRE PURCHASE CREDITORS

The effective interest rate of these leases is 4.2% (2013: 4.2%) per annum.

Group	**Minimum payments 2014 $'000**	**Present value of payments 2014 $'000**	**Minimum payments 2013 $'000**	**Present value of payments 2013 $'000**
Within one year	**37**	**37**	47	45
After one year but not more than five years	**–**	**–**	38	37
Total minimum lease payments	**37**	**37**	85	82
Less: amounts representing finance charges	**–**	**–**	(3)	–
Present value of minimum payments	**37**	**37**	82	82

The carrying amount of property, plant and equipment held under finance leases at the end of the financial year was $69,000 (2013: $151,000) (Note 4).

29. ADVANCE PAYMENT TO SUPPLIERS

Amounts that are impaired:

	Group	
	2014	**2013**
	$'000	**$'000**
Advance payment to suppliers – nominal amounts	**2,535**	2,420
Less: Allowance for impairment	**(2,535)**	(2,420)
	–	–
Movement in allowance account:		
At 1 January	**2,420**	2,335
Charge for the financial year	**10**	–
Exchange differences	**105**	85
At 31 December	**2,535**	2,420

30. DERIVATIVES

	Group			
	2014		**2013**	
	Contract/ Nominal amount $'000	**Fair value liability $'000**	**Contract/ Nominal amount $'000**	**Fair value liability $'000**
Non-hedging instrument				
Forward currency contracts	**7,149**	**753**	–	–

Forward currency contracts are used to hedge foreign currency risk arising from the Group's purchases denominated in JPY for which trust receipts have been entered into to pay these purchases at the end of the reporting period, extending to March 2015 (2013: Nil).

Loss in the fair value of non-hedging forward contract amounting to $753,000 (2013: $Nil) has been charged to profit or loss for the year.

31. SHARE CAPITAL

	Group and Company			
	2014		2013	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares				
At 1 January	**1,407,675**	**144,099**	916,043	133,624
Rights shares issuance	**–**	**–**	458,022	10,076
Rights shares issuance expense	**–**	**–**	–	(442)
Shares issuance	**–**	**–**	33,610	841
At 31 December	**1,407,675**	**144,099**	1,407,675	144,099

On 4 April 2013, the Company had issued and allotted 458,021,745 new ordinary shares ("rights shares") at an issue price of 2.2 cents for each rights share on the basis of one rights share for every two existing shares in the capital of the Company.

On 13 December 2013, the Company issued 33,610,198 ordinary shares for a consideration of $841,000 pursuant to the acquisition of property, plant and equipment.

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.

32. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2014 $'000	2013 $'000
At 1 January	**(4,383)**	(3,463)
Net effect of exchange differences arising from translation of financial statements of foreign operations	**(184)**	(920)
At 31 December	**(4,567)**	(4,383)

33. CAPITAL RESERVE

The capital reserve relates mainly to an adjustment for changes in an associate's equity arising from capital enlargement in 2006.

34. REVALUATION RESERVE

The revaluation reserve represents increases in the fair value of freehold and leasehold land and buildings, 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.

	Group	
	2014	**2013**
	$'000	**$'000**
At 1 January	**14,092**	9,094
Surplus on revaluation of freehold/leasehold land and buildings	**2,907**	5,746
Deferred tax liabilities on revaluation surplus of leasehold land, freehold and leasehold buildings	**(401)**	(748)
At 31 December	**16,598**	14,092

35. OTHER RESERVES

	Group	
	2014	**2013**
	$'000	**$'000**
Statutory reserve fund	**(246)**	(233)
Premium paid on acquisition of non-controlling interests	**1,223**	1,223
Share of other reserve of an associate	**(1)**	–
	976	990

Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the PRC, the subsidiary is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

Premium paid on acquisition of non-controlling interests

This represents the differences between consideration paid and the carrying value of the additional interest acquired from non-controlling interests without a change in control.

36. REVENUE

	Group	
	2014	2013
	$'000	$'000
Sale of products and installation services	**130,934**	128,167
Rental income from land rig	**368**	–
Management fee income	**328**	–
	131,630	128,167

37. (LOSS)/PROFIT BEFORE TAX

	Group	
	2014	2013
	$'000	$'000
Other income		
Commission and agency fee income	**13**	102
Foreign exchange gain	**1,633**	392
Gain on disposal of assets held for sale	**3,581**	150
Gain on disposal of property, plant and equipment	**–**	754
Implicit interest income	**177**	158
Interest on income from banks and fixed deposits	**21**	15
Interest on trade overdues	**31**	52
Share of profits from partnership	**143**	–
Sundry income	**825**	597
	6,424	2,220
Selling and distribution costs		
Depreciation of property, plant and equipment	**95**	140
Staff costs (including directors)		
– salaries and other emoluments	**4,133**	3,955
– defined pension contributions	**425**	404
Write back of provision for marketing expense	**(3,725)**	–
Administrative and general costs		
Amortisation of intangible assets	**–**	1
Depreciation of property, plant and equipment	**1,843**	625
Staff costs (including directors)		
– salaries and other emoluments	**4,075**	5,273
– defined pension contributions	**293**	439
Audit fees		
– auditor of the Company	**287**	279
– other auditors	**84**	167
Non-audit fees		
– auditor of the Company	**24**	21
– other auditors	**40**	39
Reversal of overseas value added and withholding taxes	**(1,188)**	–

37. (LOSS)/PROFIT BEFORE TAX (CONTINUED)

	Group	
	2014	**2013**
	$'000	**$'000**
Other operating expenses		
Allowance for slow moving inventories	**877**	41
Bad debts written off	**2**	3
Depreciation of property, plant and equipment	**–**	948
Impairment loss on doubtful receivables	**126**	4
Impairment loss on financial receivable	**–**	1,955
Impairment loss on goodwill	**–**	862
Impairment loss on goodwill of associates	**1,694**	–
Impairment loss on property, plant and equipment		
– Vessel	**–**	6,389
– Others	**–**	23
Impairment loss on work-in-progress	**–**	89
Inventories written off	**4**	2
Loss on disposal of asset under construction	**26,029**	–
Fair value loss on derivatives	**753**	–
Other expenses	**288**	69
Provision for probable penalty for late delivery of a vessel	**–**	4,384
Vessel related expenses	**–**	(17)
Write back of allowance for slow moving inventories	**(6)**	(170)
Write back of impairment loss on doubtful receivables	**(2,799)**	(10,653)
Write back of impairment loss on work-in-progress	**(667)**	–
	26,301	3,929
Finance costs		
– Bank overdrafts	**81**	95
– Hire purchase	**7**	11
– Term loans	**1,580**	3,135
– Trust receipts	**499**	561
	2,167	3,802

38. EMPLOYEE BENEFITS

The breakdown of employee benefits expense (including directors) is as follows:

	Group	
	2014	2013
	$'000	$'000
Salaries and bonuses	**8,208**	9,228
Employer's contribution to defined contribution plans including Central Provident Fund	**718**	843
	8,926	10,071

39. INCOME TAX EXPENSE

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

	Group	
	2014	2013
	$'000	$'000
Statement of comprehensive income		
Current income tax		
– Current income taxation	**614**	872
– Under provision in respect of previous years	**721**	575
	1,335	1,447
Deferred income tax		
– Origination and reversal of temporary differences	**931**	200
– (Over)/under provision in respect of previous years	**(17)**	1
	914	201
Income tax expense recognised in profit or loss	**2,249**	1,648

39. INCOME TAX EXPENSE (CONTINUED)

Tax expense relating to each component of other comprehensive income is as follows:

	2014			2013		
	Before tax $'000	Tax charge $'000	After tax $'000	Before tax $'000	Tax charge $'000	After tax $'000
Group						
Revaluation adjustment on leasehold land, freehold and leasehold buildings	**2,907**	**(401)**	**2,506**	5,746	(748)	4,998

Relationship between tax expense and accounting (loss)/profit

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

	Group	
	2014 %	2013 %
Tax at the domestic rates applicable to profits in the countries where the Group operates	**(18.0)**	(2.7)
Adjustments:		
Non-deductible expenses	**30.9**	101.3
Income not subject to taxation	**(9.2)**	(43.0)
Benefits from previously unrecognised deferred tax assets	**(2.3)**	(41.4)
Deferred tax assets not recognised	**0.8**	9.3
Effect of partial tax exemption	**(0.4)**	(1.7)
Under provision in respect of previous years	**3.7**	11.5
Share of result of associates	**5.2**	–
Others	**1.0**	(0.4)
	11.7	32.9

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

The corporate tax rates applicable to companies incorporated in Singapore and foreign subsidiaries of the Group are 17% (2013: 17%) and from 21% to 25% (2013: 23% to 25%) respectively for the year of assessment 2015 onwards.

40. (LOSS)/EARNINGS PER SHARE

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

As at 31 December 2014 and 2013, diluted (loss)/earnings per share is similar to basic (loss)/earnings per share as there were no dilutive potential ordinary shares.

The following tables reflect the (loss)/profit and share data used in the computation of basic and diluted (loss)/earnings per share for the financial year ended 31 December:

	Group	
	2014	2013
	$'000	$'000
(Loss)/profit net of tax attributable to owners of the Company used in the computation of (loss)/earnings per share	**(22,572)**	4,741

	2014	2013
	No. of shares	No. of shares
	'000	'000
Weighted average number of ordinary shares for (loss)/earnings per share computation	**1,407,675**	1,283,135

41. CASH AND CASH EQUIVALENTS

Cash and bank balances and fixed deposits earn interest at floating rates based on daily bank deposit rates. Fixed deposits are placed with banks and mature within 1 month to 9 months from the balance sheet date and earn interests at the respective short-term deposit rates.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the end of the financial year.

	Group	
	2014	2013
	$'000	$'000
Cash and bank balances and fixed deposits	**16,499**	21,309
Cash classified as bank balances and fixed deposits from assets of disposal group classified as held for sale (Note 19)	**–**	431
Deposits (pledged)	**(2,149)**	(1,965)
Cash and cash equivalents	**14,350**	19,775

The deposits are pledged for banking facilities granted to certain subsidiaries of the Group.

42. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – lessee

The Group leases certain plant and equipment under lease agreements that are non-cancellable within a year. These leases have an average life of between 1 to 30 years with no escalation clauses included in the contracts. Certain leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Certain leases contain renewal options. There were no contingent rent provisions included in contracts. There are no restrictions placed upon the Group by entering into these leases.

Operating lease expenses incurred for the current financial year amounted to approximately $710,000 (2013: $568,000).

Future minimum lease payments for all non-cancellable leases at the end of the financial year are as follows:–

	Group	
	2014	**2013**
	$'000	**$'000**
Not later than one year	**639**	468
Later than one year but not later than five years	**1,661**	1,506
Later than five years	**7,194**	7,386
	9,494	9,360

Contingent liability

Guarantees

The Company has provided corporate guarantees of $32.8 million (2013: $54.3 million) to financial institutions in relation to certain subsidiaries' bank facilities. Based on the expectations at the end of the financial year, the Company consider that it is not likely that any amount will be payable. The directors have assessed the fair value of these financial guarantees to have no material financial impact on the results of the Group and Company for the years ended 31 December 2014 and 31 December 2013.

Capital commitments

Capital expenditure contracted for as at the end of the financial year but not recognised in the financial statements in respect of property, plant and equipment is $Nil (2013: $21,929,000).

43. FAIR VALUE OF ASSETS AND LIABILITIES

A) *Fair value hierarchy*

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

B) *Assets and liabilities measured at fair value*

The following table shows an analysis of each class of assets measured at fair value at the balance sheet date:

	Group 2014 Fair value measurements at the balance sheet date			
	Quoted prices in active markets for identical instruments (Level 1) $'000	**Significant observable inputs other than quoted prices (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Recurring fair value measurements				
Non-financial assets				
Property, plant and equipment				
Freehold land	–	–	9,200	9,200
Freehold buildings	–	–	2,300	2,300
Leasehold land and buildings	–	–	15,500	15,500
Total property, plant and equipment	–	–	27,000	27,000
Liabilities measured at fair value				
Financial liabilities				
Derivatives				
Forward currency contracts	–	753	–	753

43. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

B) *Assets and liabilities measured at fair value (Continued)*

	Group 2013 Fair value measurements at the balance sheet date			
	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant observable inputs other than quoted prices (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Recurring fair value measurements				
Non-financial assets				
Property, plant and equipment				
Freehold land	–	–	8,650	8,650
Freehold buildings	–	–	2,350	2,350
Leasehold land and buildings	–	–	13,700	13,700
Total property, plant and equipment	–	–	24,700	24,700

Level 2 fair value measurements

Derivatives

Forward currency contracts are valued using a valuation technique with market observable inputs. The model incorporates various inputs including the foreign exchange spot and forward rates.

Level 3 fair value measurements

Freehold/leasehold land and buildings

The fair values of the Group's freehold/leasehold land and buildings were determined based on the properties' highest and best use by external and independent valuers using direct comparison with recent transactions of comparable properties within the vicinity at 31 December 2014.

Based on comparison approach, direct comparison was made to recent transactions of comparable properties within the vicinity and elsewhere. Adjustments are made for differences in location, tenure, size, shape, design and layout, age and condition of buildings, dates of transactions and the prevailing market conditions amongst other factors affecting its value. Any significant changes to the adjustments made to market value for differences in location or condition would result in higher or lower fair value measurement.

43. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

B) Assets and liabilities measured at fair value *(Continued)*

The following table shows the significant unobservable inputs used in the valuation model:

Description	Fair value as at 31 December 2014 $'000	Valuation technique	Significant unobservable input	Range
Freehold land	**9,200**	Direct comparison method	Price per[1] square foot	$1,215 – $1,463
Freehold buildings	**2,300**	Direct comparison method	Price per[1] square foot	$1,215 – $1,463
Leasehold land and buildings	**15,500**	Direct comparison method	Price per[1] square foot	$88 – $168

Description	Fair value as at 31 December 2013 $'000	Valuation technique	Significant unobservable input	Range
Freehold land	8,650	Direct comparison method	Price per[1] square foot	$1,163 – $1,331
Freehold buildings	2,350	Direct comparison method	Price per[1] square foot	$1,163 – $1,331
Leasehold land and buildings	13,700	Direct comparison method	Price per[1] square foot	$76 – $133

[1] Any significant isolated increases (decreases) in the inputs would result in a significantly higher (lower) fair value measurement.

43. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

C) *Movements in Level 3 assets and liabilities measured at fair value*

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair value measurements:

	2014 Freehold/ leasehold land and buildings $'000	2013 Freehold/ leasehold land and buildings $'000
Balance at beginning of financial year	**24,700**	19,800
Surplus recognised in other comprehensive income	**2,907**	5,746
Elimination of accumulated depreciation on revaluation	**(607)**	(846)
	27,000	24,700
Total gains for the financial year included:		
Other comprehensive income for the year, net of tax:		
Revaluation adjustment on property, plant and equipment	**2,506**	4,998

D) *Valuation process applied by the Group*

For all significant financial reporting valuations using valuation models and significant unobservable input, it is the Group's policy to engage external valuation experts to perform the valuation. The management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies, and FRS 113 fair value measurement guidance.

For valuation performed by external valuation experts, management reviews the appropriateness of the valuation methodologies and assumptions adopted, including the appropriateness and reliability of the inputs used in the valuations.

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

The carrying amounts of financial assets and liabilities including current trade and other receivables and payables, cash and cash equivalents, financial receivable, amounts due to bankers, loans and borrowings (current), amounts due from/to subsidiaries/associates and a related party are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are repriced to market interest rates on or near the end of the financial year.

The carrying amount of floating rate loans approximate fair value as the loans are repriced within 1 to 6 months from the end of the financial year. The fair value determination is classified in Level 3 of the fair value hierarchy.

43. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

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

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

Group	2014 Carrying amount $'000	2014 Fair Value $'000	2013 Carrying amount $'000	2013 Fair Value $'000
Financial assets:				
Investment in partnership, at cost	**20**	[a]	20	[a]
Amount due from a related party	**6,141**	[b]	–	–
Financial liabilities:				
Loans and borrowings (non-current)[c]				
– Hire purchase creditors	**–**	**–**	(37)	(34)
Company				
Financial assets:				
Loans to subsidiaries	**11,806**	[d]	10,164	[d]
Financial liability:				
Amount due to a subsidiary	**9,211**	[e]	–	–

[a] Fair value information has not been disclosed for the Group's investment in equity instruments that are carried at cost because fair value cannot be measured reliably. The equity instrument represents ordinary shares in a Brunei partnership entity that is not quoted on any market and does not have any comparable industry peer that is listed. The Group does not intend to dispose off this investment in the foreseeable future.

[b] Fair value information has not been disclosed for the Group's amount due from a related party because fair value cannot be measured reliably. The amount has no repayment terms and is not expected to be repaid in the near future.

[c] The fair values of fixed rate term loans and hire purchase creditors as disclosed in the table above are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the financial year.

[d] Fair value information has not been disclosed for the Company's loans to subsidiaries because fair value cannot be measured reliably. Management determined that the loans to subsidiaries are quasi-equity in nature which have no repayment terms and are repayable only when cash flows of the subsidiaries permit.

[e] Fair value information has not been disclosed for the Company's amount due to a subsidiary because fair value cannot be measured reliably. The amount has no repayment terms and is not expected to be repaid in the near future.

43. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

Intra-group financial guarantees

The value of financial guarantees provided by the Group and Company to its subsidiaries is determined by reference to the difference in the interest rates, by comparing the actual rates charged by the banks with these guarantees made available, with the estimated rates that the banks would have charged had these guarantees not been available. The directors have assessed the fair value of these financial guarantees to have no material financial impact on the results and the accumulated losses of the Group and the Company for the financial years ended 31 December 2014 and 2013.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks comprise credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

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

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

(a) ***Credit risk***

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables, amounts due from subsidiaries, associates and related party, and financial receivable. For other financial assets (including other investment, fixed deposits and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis to reduce the Group's exposure to bad debt. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the Directors. Trade receivables are arranged to be settled via letters of credits issued by reputable banks in countries where the customers are based for first-time customers who wish to trade on credit terms in order to mitigate heightened credit risks arising from revenue growth strategies.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) ***Credit risk*** *(Continued)*

Exposure to credit risk

At the end of the financial year, 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 sheets; and

– a nominal amount of $32.8 million (2013: $54.3 million) relating to corporate guarantees provided by the Company to financial institutions in relation to certain subsidiaries' bank facilities.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the financial year is as follows:

	Group			
	2014		2013	
	$'000	% of total	$'000	% of total
By country:				
Singapore	**3,502**	**11.0**	5,568	17.2
United Kingdom	**27**	**0.1**	2	–
Indonesia	**2,622**	**8.2**	6,608	20.4
Malaysia	**4,840**	**15.2**	3,166	9.8
People's Republic of China	**10,196**	**32.0**	4,513	13.9
United Arab Emirates	**29**	**0.1**	57	0.2
India	**–**	**–**	657	2.0
Vietnam	**1,438**	**4.5**	–	–
Thailand	**7,621**	**24.0**	11,235	34.7
Korea	**753**	**2.4**	–	–
Others	**790**	**2.5**	603	1.8
	31,818	**100.0**	32,409	100.0
By industry sectors:				
Oil and Gas	**30,368**	**95.4**	30,627	94.5
Petrochemical	**5**	**–**	–	–
Marine	**9**	**–**	127	0.4
Others	**1,436**	**4.6**	1,655	5.1
	31,818	**100.0**	32,409	100.0

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) ***Credit risk*** *(Continued)*

At the end of the financial year, approximately:

– 65.5% (2013: 70.6%) of the Group's trade receivables were due from 5 major customers who are from the oil and gas, marine and petrochemical industries located in the Asia Pacific region, of which 22.3% (2013: 33.5%) were due from the Group's largest customer; and

– 18.2% (2013: 13.3%) of the Group's trade and other receivables were due from related parties while almost all of the Company's other receivables were balances with related parties.

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 14 and Note 15 (Current trade and other receivables) and Notes 16 to 18 (Amounts due from subsidiaries, associates and a related party).

(b) ***Liquidity risk***

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

The Group's and the Company's liquidity risk management policy is that the maturity of loans and borrowings would match that of the estimated future cash flows of the projects and trading activities. The Group maintains sufficient liquid financial assets and stand-by credit facilities with 10 different financial institutions. At the end of the financial year, approximately 99% (2013: 93%) of the Group's loans and borrowings (Note 26 and Note 27) will mature in less than one year based on the carrying amount reflected in the financial statements.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) ***Liquidity risk*** *(Continued)*

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

Group	2014 1 year or less $'000	2014 1 to 5 years $'000	2014 Over 5 years $'000	2014 Total $'000	2013 1 year or less $'000	2013 1 to 5 years $'000	2013 Over 5 years $'000	2013 Total $'000
Financial assets:								
Other investments	**–**	**–**	**20**	**20**	–	–	20	20
Trade and other receivables	**36,076**	**–**	**215**	**36,291**	35,250	–	208	35,458
Deposits	**175**	**–**	**–**	**175**	110	–	–	110
Financial receivable	**816**	**2,977**	**–**	**3,793**	737	2,457	495	3,689
Fixed deposit, cash and bank balances	**16,501**	**–**	**–**	**16,501**	21,313	–	–	21,313
Amounts due from associates	**4,176**	**–**	**–**	**4,176**	454	–	–	454
Amount due from a related party	**–**	**–**	**6,141**	**6,141**	5,886	–	–	5,886
Total undiscounted financial assets	**57,744**	**2,977**	**6,376**	**67,097**	63,750	2,457	723	66,930
Financial liabilities:								
Trade and other payables	**41,230**	**–**	**–**	**41,230**	27,238	–	–	27,238
Amounts due to associates	**841**	**–**	**–**	**841**	942	–	–	942
Amount due to a related party	**2,101**	**–**	**–**	**2,101**	1,803	–	–	1,803
Loans and borrowings	**41,414**	**278**	**–**	**41,692**	51,561	3,851	–	55,412
Total undiscounted financial liabilities	**85,586**	**278**	**–**	**85,864**	81,544	3,851	–	85,395
Total net undiscounted financial (liabilities)/assets	**(27,842)**	**2,699**	**6,376**	**(18,767)**	(17,794)	(1,394)	723	(18,465)
Derivative financial instruments:								
Forward exchange contracts								
– gross receipts	**7,149**	**–**	**–**	**7,149**	–	–	–	–
– gross payment	**(7,940)**	**–**	**–**	**(7,940)**	–	–	–	–
	(791)	**–**	**–**	**(791)**	–	–	–	–

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) ***Liquidity risk*** *(Continued)*

Company	2014 1 year or less $'000	2014 1 to 5 years $'000	2014 Over 5 years $'000	2014 Total $'000	2013 1 year or less $'000	2013 1 to 5 years $'000	2013 Over 5 years $'000	2013 Total $'000
Financial assets:								
Trade and other receivables	**9**	**–**	**–**	**9**	4	–	–	4
Deposits	**4**	**–**	**–**	**4**	4	–	–	4
Amounts due from subsidiaries	**6,566**	**–**	**–**	**6,566**	20,359	–	–	20,359
Loans to subsidiaries	**–**	**–**	**19,375**	**19,375**	–	–	16,427	16,427
Amounts due from associates	**24**	**–**	**–**	**24**	45	–	–	45
Cash and fixed deposits	**1,488**	**–**	**–**	**1,488**	3,033	–	–	3,033
Total undiscounted financial assets	**8,091**	**–**	**19,375**	**27,466**	23,445	–	16,427	39,872
Financial liabilities:								
Trade and other payables	**678**	**–**	**–**	**678**	811	–	–	811
Amounts due to associates	**822**	**–**	**–**	**822**	789	–	–	789
Amounts due to subsidiaries	**1,223**	**–**	**9,211**	**10,434**	11,181	–	–	11,181
Total undiscounted financial liabilities	**2,723**	**–**	**9,211**	**11,934**	12,781	–	–	12,781
Total net undiscounted financial assets	**5,368**	**–**	**10,164**	**15,532**	10,664	–	16,427	27,091

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

	2014 1 year or less $'000	2014 1 to 5 years $'000	2014 Over 5 years $'000	2014 Total $'000	2013 1 year or less $'000	2013 1 to 5 years $'000	2013 Over 5 years $'000	2013 Total $'000
Company								
Financial guarantees	**32,794**	**–**	**–**	**32,794**	54,337	–	–	54,337

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) ***Interest rate risk***

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and interest-bearing loans given to related parties.

The Group's policy is to manage interest cost by using a mix of fixed and floating rate debts. At the end of the financial year, approximately 29% (2013: 17%) of the Group's borrowings are at fixed rates of interest.

Sensitivity analysis for interest rate risk

The sensitivity analysis for interest rate is not disclosed as the effect on the profit or loss is considered not significant.

(d) ***Foreign currency risk***

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, USD and GBP. The foreign currencies in which these transactions are denominated are mainly USD, GBP and SGD. The Group uses forward exchange contracts to hedge 78% (2013: Nil%) of expected future purchases from supplier denominated in JPY for which the Group has firm commitments at the end of reporting date.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the financial year, such foreign currency balances are mainly in USD and GBP for the Group and the Company.

The Group does not use derivative financial instruments to protect against the volatility associated with its foreign currency investments. The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including United Kingdom, Indonesia, the PRC and Thailand. The Group's investment in its Singapore incorporated subsidiaries are hedged by USD denominated bank loans, which mitigates structural currency in exposures arising from the subsidiaries' net assets. The Group's net investments in subsidiaries in USD, GBP, IDR, RMB and THB functional currency are not hedged as these currencies positions are considered to be long-term in nature.

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) *Foreign currency risk* (Continued)

The Group's and the Company's foreign currency exposure against the respective functional currencies of the Group and the Company entities based on the information provided by key management is as follows:

2014

Group	Denominated in USD $'000	Denominated in GBP $'000
Financial assets		
– Trade receivables	**18,371**	**306**
– Other receivables	**2,014**	**–**
– Amounts due from associates	**107**	**–**
– Fixed deposits	**1,352**	**–**
– Cash and bank balances	**7,748**	**162**
	29,592	**468**
Financial liabilities		
– Trade payables	**4,310**	**132**
– Other payables	**241**	**–**
– Amounts due to associates	**821**	**–**
– Amounts due to bankers	**14,382**	**113**
	19,754	**245**
Currency exposure on net financial assets	**9,838**	**223**

2013

Group		
Financial assets		
– Trade receivables	22,422	1,256
– Other receivables	1,805	–
– Amounts due from associates	80	–
– Fixed deposits	1,290	–
– Cash and bank balances	9,318	155
	34,915	1,411
Financial liabilities		
– Trade payables	3,393	151
– Other payables	233	–
– Amounts due to associates	921	–
– Amounts due to bankers	10,177	325
	14,724	476
Currency exposure on net financial assets	20,191	935

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) ***Foreign currency risk*** *(Continued)*

2014

Company	Denominated in USD $'000	Denominated in GBP $'000
Financial assets		
– Amounts due from subsidiaries	**725**	**140**
– Loans to subsidiaries	**5,107**	**271**
– Other receivables	**1**	**–**
– Fixed deposits	**1,352**	**–**
– Cash and bank balances	**2**	**–**
	7,187	**411**
Financial liabilities		
– Other payables	**189**	**–**
– Amounts due to subsidiaries	**9,930**	**–**
– Amounts due to associates	**813**	**–**
	10,932	**–**
Currency exposure on net financial (liabilities)/assets	**(3,745)**	**411**

2013

Company	Denominated in USD $'000	Denominated in GBP $'000
Financial assets		
– Amounts due from subsidiaries	367	29
– Loans to subsidiaries	11,610	274
– Other receivables	1	–
– Fixed deposits	1,290	–
– Cash and bank balances	8	–
	13,276	303
Financial liabilities		
– Other payables	181	–
– Amounts due to subsidiaries	9,518	–
– Amounts due to associates	780	–
	10,479	–
Currency exposure on net financial assets	2,797	303

44. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) ***Foreign currency risk*** *(Continued)*

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of a reasonably possible change in the USD and GBP exchange rates (against SGD), with all other variables held constant, of the Group's and the Company's (loss)/profit net of tax.

			2014	**2013**
			$'000	**$'000**
			Increase/(decrease) (Loss)/profit net of tax	
Group				
USD	–	strengthened 5.0% (2013: 5.0%)	**(408)**	838
	–	weakened 5.0% (2013: 5.0%)	**408**	(838)
GBP	–	strengthened 5.0% (2013: 5.0%)	**(9)**	39
	–	weakened 5.0% (2013: 5.0%)	**9**	(39)
Company				
USD	–	strengthened 5.0% (2013: 5.0%)	**187**	140
	–	weakened 5.0% (2013: 5.0%)	**(187)**	(140)
GBP	–	strengthened 5.0% (2013: 5.0%)	**(21)**	15
	–	weakened 5.0% (2013: 5.0%)	**21**	(15)

45. CAPITAL MANAGEMENT

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

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2014 and 2013.

As disclosed in Note 35, subsidiaries in the PRC are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2014 and 2013.

The Group monitors capital using a gearing ratio, which is total debt divided by equity. The Group's policy is to ensure that the gearing ratio does not exceed 2.0. The Group's total debt includes amounts due to bankers, term loans and hire purchase creditors. Equity includes the amount attributable to the owners of the Company less other reserves (Note 35).

	Group	
	2014	**2013**
	$'000	**$'000**
Amounts due to bankers (Note 26)	**29,682**	23,524
Term loans (Note 27)	**11,581**	31,286
Hire purchase creditors (Note 28)	**37**	82
	41,300	54,892
Equity attributable to the owners of the Company	**60,300**	81,085
Less: Other reserves (Note 35)	**976**	990
Total capital	**61,276**	82,075
Gearing ratio	**0.67**	0.67

46. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below are the carrying amounts of the Group's and Company's financial assets and financial liabilities that are carried on the balance sheets:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Assets				
Trade receivables	**31,818**	32,409	**–**	–
Other receivables	**4,322**	2,729	**9**	4
Deposits	**175**	110	**4**	4
Financial receivable	**2,745**	2,641	**–**	–
Amounts due from subsidiaries	**–**	–	**6,566**	20,359
Loans to subsidiaries	**–**	–	**17,704**	16,427
Amounts due from associates	**4,176**	454	**24**	45
Amount due from a related party	**6,141**	5,886	**–**	–
Fixed deposits	**2,207**	1,603	**1,352**	1,290
Cash and bank balances	**14,292**	19,706	**134**	1,743
Loans and receivables	**65,876**	65,538	**25,793**	39,872
Available-for-sale financial assets (Note 8)	**20**	20	**–**	–
Liabilities				
Amounts due to bankers	**29,682**	23,524	**–**	–
Trade payables	**16,866**	9,104	**–**	–
Other payables	**24,364**	18,134	**678**	811
Amounts due to subsidiaries	**–**	–	**10,434**	11,181
Amounts due to associates	**841**	942	**822**	789
Amount due to a related party	**2,101**	1,803	**–**	–
Term loans	**11,581**	31,286	**–**	–
Hire purchase creditors	**37**	82	**–**	–
Liabilities at amortised cost	**85,472**	84,875	**11,934**	12,781
Liabilities measured at fair value through profit or loss				
Derivatives	**753**	–	**–**	–

47. SEGMENT INFORMATION

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

I. Trading segment is a supply of assembly and distribution of flowline control products, distribution of oilfield drilling equipment for use on onshore and offshore rigs and drilling platforms, provision of complete fire protection and detection systems, as well as electrical products for the marine, coal mining, oil and gas, petrochemical and pharmaceutical industries. In these respects, the Group offers products and related services in the areas of oil and gas, power, petrochemical and pharmaceutical industries.

II. Manufacturing/Design/Research and Development segment is involved in research, development, design and manufacture of flowline control products, high pressure and temperature valves and related oilfield products.

III. Marine Logistics segment is in the business of chartering of vessels to the offshore oil and gas and other related industries.

IV. Energy and Utilities segment is involved in procurement and construction projects of waste water treatment facility and provision of wastewater treatment services to the end-users.

V. Resources segment is in the business of sales and mining of coal and other natural resources.

VI. Corporate and Others segment is involved in Group level corporate services and treasury functions and operating and maintenance of oil and gas facility services.

Geographical Information

The Group's geographical segments are based on the location of the Group's assets except for the Group's vessel which is not practicable to be allocated based on location due to the nature of the asset. This vessel is allocated based on the country of incorporation of the subsidiary which owns the vessel. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. Others include countries such as Japan, Australia and Philippines.

Non-current assets consist of property, plant and equipment, investment in associates and intangible asset (excluding goodwill) as presented in the Group's balance sheet.

Information about major customers

The following is an analysis of the Group's major customers which contributed at least 10% of the Group's revenue during the respective financial years. These revenue are attributable to the trading segment:–

– During the financial year ended 31 December 2014, there were 2 such customers which contributed revenue of $54,057,000 and $16,601,000 respectively.

– During the financial year ended 31 December 2013, there were 2 such customers which contributed revenue of $22,560,000 and $14,567,000 respectively.

47. SEGMENT INFORMATION (CONTINUED)

Business segments

	Trading		Manufacturing/ Design/Research and Development		Marine Logistics		Energy and Utilities		Resources		Corporate/Others		Eliminations		Note	Per consolidated financial statements	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013		2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Revenue:																	
External customers	**127,064**	123,908	**3,869**	4,059	**–**	–	**329**	200	**–**	–	**368**	–	**–**	–		**131,630**	128,167
Intersegment sales	**220**	1,786	**5,156**	5,217	**–**	–	**–**	–	**–**	–	**2,904**	3,036	**(8,280)**	(10,039)	A	**–**	–
Total revenue	**127,284**	125,694	**9,025**	9,276	**–**	–	**329**	200	**–**	–	**3,272**	3,036	**(8,280)**	(10,039)		**131,630**	128,167
Result:	**8,229**	14,612	**257**	(2,087)	**(19,917)**	(4,974)	**2,643**	(1,965)	**885**	(3,365)	**1,224**	875	**(3,495)**	3,670	B	**(10,174)**	6,766
Depreciation and amortisation	**(793)**	(666)	**(76)**	(61)	**–**	(948)	**(13)**	(28)	**–**	(5)	**(1,056)**	(6)	**–**	–		**(1,938)**	(1,714)
Impairment loss on non-financial assets	**–**	–	**–**	–	**–**	(6,389)	**–**	–	**–**	(23)	**–**	–	**(1,694)**	(862)	C	**(1,694)**	(7,274)
Other non-cash (expenses)/income	**(14,310)**	11,534	**–**	170	**2**	34	**(33)**	(1,955)	**–**	553	**(18,916)**	(11,260)	**35,722**	10,939	D	**2,465**	10,015
Interest income	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–		**229**	225
Finance costs	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–		**(2,167)**	(3,802)
Share of results of associates	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–		**(5,941)**	793
(Loss)/profit before tax	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–		**(19,220)**	5,009
Income tax expense	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–		**(2,249)**	(1,648)
(Loss)/profit for the year	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–		**(21,469)**	3,361

47. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

	Trading		Manufacturing/ Design/Research and Development		Marine Logistics		Energy and Utilities		Resources		Corporate/Others		Eliminations			Per consolidated financial statements	
	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	2014	2013	Note	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000		$'000	$'000
Assets:	**141,292**	141,624	**6,694**	5,620	**22,050**	62,382	**12,664**	41,939	**13**	5	**99,836**	125,187	**(139,900)**	(179,387)	E	**142,649**	197,370
Investment in associates	**–**	–	**–**	–	**1,781**	3,618	**–**	–	**–**	–	**968**	6,541	**–**	–		**2,749**	10,159
Unallocated assets	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–		**90**	312
Total assets																**145,488**	207,841
Liabilities:	**95,298**	87,626	**8,713**	7,536	**99,322**	114,419	**14,707**	53,023	**53,988**	52,975	**46,603**	62,642	**(222,948)**	(239,105)	F	**95,683**	139,116
Unallocated liabilities	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–		**2,531**	1,439
Total liabilities																**98,214**	140,555
Other segment information:																	
Additions to non-current assets	**235**	60	**4**	59	**–**	30,287	**13**	53	**–**	–	**1**	10,448	**–**	–	G	**253**	40,907

47. SEGMENT INFORMATION (CONTINUED)

Notes:

A Inter-segment revenue are eliminated on consolidation.

B The following items are added to/(deducted from) segment (loss)/profit to arrive at the segment results.

	2014 $'000	2013 $'000
Interest income from inter-segments	**924**	1,413
Interest expense from inter-segments	**(1,039)**	(1,456)
Profit from inter-segments operation	**1,563**	1,304
Exchange differences on quasi-equity loans	**(4,454)**	2,409
Dividend from an associate	**(17)**	–
Dividend from a subsidiary	**(472)**	–
	(3,495)	3,670

C Impairment loss on non-financial assets consists of:–

	2014 $'000	2013 $'000
Impairment loss on property, plant and equipment	**–**	6,412
Impairment loss on goodwill	**–**	862
Impairment loss on goodwill of associates	**1,694**	–
	1,694	7,274

D Other non-cash (expenses)/income consist of write back of impairment loss on doubtful receivables, write back of allowance for slow moving inventories, allowance for slow moving inventories, bad debts written off, impairment loss on doubtful receivables, impairment loss on financial receivable and impairment loss on work-in-progress as presented in the respective notes to the financial statements.

E The elimination refers to inter-segment assets.

F The elimination refers to inter-segment liabilities.

G Additions to non-current assets consist of additions to property, plant and equipment.

47. SEGMENT INFORMATION (CONTINUED)

Geographical segments

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

	Revenue		Non-current assets	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
People's Republic of China	**65,688**	51,600	**33**	78
Indonesia	**8,131**	29,582	**11,365**	19,121
Malaysia	**9,759**	7,210	**–**	–
Singapore	**17,093**	13,892	**27,375**	25,055
Thailand	**18,016**	15,867	**1**	2
India	**288**	2,191	**–**	–
United States of America	**3,418**	2,677	**–**	–
United Kingdom	**178**	312	**365**	439
United Arab Emirates	**701**	459	**–**	–
Vietnam	**2,244**	1,101	**–**	–
Oman	**805**	297	**–**	–
Japan	**–**	–	**890**	1,324
Others	**5,309**	2,979	**–**	–
Consolidated	**131,630**	128,167	**40,029**	46,019

Non-current assets information presented above consist of property, plant and equipment, investment in associates and intangible assets (excluding goodwill) as presented in the Group's balance sheet.

48. RELATED PARTY TRANSACTIONS

(a) ***Sale and purchase of goods and services***

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

	Group	
	2014	2013
	$'000	$'000
Sales of goods and services to associates	**(120)**	(423)
Purchase of goods and services from associates	**669**	740
Shareholder's loans to an associate (Note 17)	**2,111**	–
Conversion costs paid on behalf of an associate	**1,389**	–
Conversion costs paid on behalf by an associate	**(1,261)**	–
Loan from a director of certain subsidiaries	**(66)**	(297)
Secretarial fee paid to a director-related firm	**22**	19
Professional fees paid to a director-related firm	**162**	243

48. RELATED PARTY TRANSACTIONS (CONTINUED)

(a) ***Sale and purchase of goods and services*** *(Continued)*

Company/firm related to the directors

During the financial year, two of the directors of the Company who are also the directors of a secretarial and professional firm, respectively provided secretarial and professional services to the Group for total amount of approximately $184,000 (2013: $262,000). Approximately $28,000 (2013: $35,000) was outstanding at the end of the financial year.

(b) ***Compensation of key management personnel***

	Group 2014 $'000	Group 2013 $'000
Short-term employee benefits	**2,131**	1,902
Defined contributions	**98**	84
Other short-term benefits	**54**	30
Total compensation paid to key management personnel	**2,283**	2,016
Comprise amounts paid to:		
Directors of the Company	**1,146**	965
Other key management personnel	**1,137**	1,051
	2,283	2,016

49. COMPARATIVE FIGURES

Prior year reclassifications have been made to the following:–

i) Reclassification of interest received from operating activities to investing activities to better reflect the nature of the transaction; and

ii) Reclassification of interest paid from operating activities to financing activities to better reflect the nature of the transaction.

The comparative figures have been restated as follows:

	As previously reported $'000	Reclassifications $'000	As restated $'000
Group			
31 December 2013			
Consolidated Statement of Cash Flows			
Net cash flows generated from operating activities	9,054	2,117	11,171
Net cash flows used in investing activities	(17,372)	68	(17,304)
Net cash flows generated from financing activities	23,660	(2,185)	21,475

50. AUTHORISATION OF FINANCIAL STATEMENT FOR ISSUE

The financial statements for the year ended 31 December 2014 were authorised for issue in accordance with a resolution of the Directors on 2 April 2015.

STATISTICS OF SHAREHOLDINGS

AS AT 17 MARCH 2015

Class of shares	:	Ordinary shares
Total Number of shares	:	1,407,675,433 ordinary shares
Voting rights	:	One vote per ordinary share

The Company does not have any treasury shares as at 17 March 2015.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1–99	135	2.53	1,623	0.00
100–1,000	157	2.95	125,215	0.01
1,001–10,000	694	13.03	4,437,543	0.31
10,001–1,000,000	4,218	79.20	517,685,378	36.78
1,000,001 and above	122	2.29	885,425,674	62.90
Total	5,326	100.00	1,407,675,433	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Fame Asia Limited	160,559,895	11.41
2.	Koh Kian Kiong	146,256,100	10.39
3.	United Overseas Bank Nominees Pte Ltd	88,576,524	6.29
4.	Yang Yi-Chung (Joseph Yang)	76,989,747	5.47
5.	Phillip Securities Pte Ltd	25,050,625	1.78
6.	DBS Nominees Pte Ltd	19,327,895	1.37
7.	Ling Kee Poh	18,500,000	1.31
8.	Tang Joo Kok	14,996,000	1.06
9.	OCBC Securities Private Ltd	14,597,152	1.04
10.	UOB Kay Hian Pte Ltd	13,794,950	0.98
11.	Tan Kue Ma	11,800,000	0.84
12.	Koh Yan Yock	11,192,000	0.79
13.	OCBC Nominees Singapore Pte Ltd	10,873,225	0.77
14.	Chan Tat Soon	9,384,000	0.67
15.	CIMB Securities (Singapore) Pte Ltd	8,534,787	0.61
16.	Lim Tchen Nan	8,500,000	0.60
17.	Chew Kong Huat	8,257,000	0.59
18.	Citibank Nominees Singapore Pte Ltd	7,824,125	0.56
19.	Eka Taufik Syahputera	7,557,198	0.54
20.	Lee Mun Hooi	6,573,250	0.47
	Total	669,144,473	47.54

STATISTICS OF SHAREHOLDINGS
AS AT 17 MARCH 2015

SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders as at 17 March 2015)

	Direct Interest	%	Deemed Interest	%
Fame Asia Limited	160,559,895	11.41	–	–
Leung Kwok Hung, Jonathan	–	–	160,559,895[i]	11.41
Yang Yi-Chung	76,989,747	5.47	–	–
Koh Kian Kiong	147,581,000	10.48	67,500,000[ii]	4.79

Note:

(i) Leong Kwok Hung, Jonathan has a deemed interest in 160,559,895 ordinary shares held by Fame Asia Limited.

(ii) Mr Koh Kian Kiong has 67,500,000 ordinary shares held under the name of United Overseas Bank Nominees (Pte) Ltd.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 17 March 2015, there were approximately 67.68% of the Company's total number of issued ordinary shares (excluding preference shares, convertible equity securities and treasury shares) held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of **FEDERAL INTERNATIONAL (2000) LTD** (the "**Company**") will be held at 47 Genting Road, Singapore 349489 on Thursday, 30 April 2015 at 9.00 a.m. for the following purposes:

AS ORDINARY BUSINESS

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

2. To re-elect the following Directors retiring pursuant to Article 91 of the Articles of Association of the Company:

   Mr Heng Lee Seng **(Resolution 2)**
   Mr Yee Kee Shian, Leon **(Resolution 3)**

   *Mr Heng Lee Seng will, upon re-election as a Director of the Company, remain as the Chairman of the Audit Committee and as a member of the Nominating Committee and Remuneration Committee, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").*

   Mr Yee Kee Shian, Leon will, upon re-election as a Director of the Company, remain as the Chairman of the Nominating Committee and Remuneration Committee and as a member of the Audit Committee, and will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

3. To approve the payment of Directors' fees of S$190,000 for the financial year ending 31 December 2015, to be paid quarterly in arrears (FY2014: S$190,000). **(Resolution 4)**

4. To re-appoint Baker Tilly TFW LLP as the Auditor of the Company and to authorise the Directors of the Company to fix its remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may be properly transacted at the Annual General Meeting of the Company.

AS SPECIAL BUSINESS

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

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

That pursuant to Section 161 of the Companies Act, Chapter 50 and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the authority be given to the Directors of the Company to:–

(1) (i) issue shares ("**Shares**") whether by way of rights, bonus or otherwise; and/or

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

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

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

provided that:

(a) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty percent (50%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares (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 all shareholders of the Company shall not exceed twenty percent (20%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company;

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

(i) new Shares arising from the conversion or exercise of any convertible securities;

(ii) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time of the passing of this Resolution; and

(iii) any subsequent bonus issue, consolidation or subdivision of Shares;

(c) and that such authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) 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 or (ii) in the case of Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution, until the issuance of such Shares in accordance with the terms of Instruments.

[See Explanatory Note (i)] **(Resolution 6)**

By Order of the Board

Loh Chee Meng
Noraini Binte Noor Mohamed Abdul Latiff
Yvette Lim Pei Yung
Company Secretaries

Singapore, 15 April 2015

Explanatory Note

(i) The Ordinary Resolution 6 proposed in item 6 above, if passed, will authorise the Directors of the Company from the date of the Annual General Meeting of the Company to allot and issue shares and Instruments up to the total number of issued shares (excluding treasury shares) not exceeding fifty percent (50%) of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to twenty percent (20%) of the total number of issued shares (excluding treasury shares) in the capital of the Company may be issued other than on a pro-rata basis to all shareholders of the Company.

The authority shall, unless revoked or varied by the Company in general meeting, continue in force (i) 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 or (ii) in the case of shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution, until the issuance of such shares in accordance with the terms of Instruments.

NOTICE OF
ANNUAL GENERAL MEETING

Notes:

1. A member of the Company entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

2. If the appointor is a corporation, the instrument appointing a proxy or proxies must be executed under its seal or under the hand of an officer or attorney duly authorised in writing.

3. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 47 Genting Road, Singapore 349489 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting of the Company.

Personal Data Privacy

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

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FEDERAL INTERNATIONAL (2000) LTD

(Incorporated in the Republic of Singapore)
(Company Registration No: 199907113K)

PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

IMPORTANT:

1. For investors who have used their CPF monies to buy Federal International (2000) Ltd's shares, this Annual Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Annual General Meeting of the Company as OBSERVERS have to submit their requests through their respective CPF approved nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF approved nominees within the time frame specified to enable them to vote on their behalf.

*I/We, ________________________________ NRIC/Passport/Registration No. ______________________________

of ____

being a member/members of FEDERAL INTERNATIONAL (2000) LTD (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing *him/her, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held on Thursday, 30 April 2014 at 9.00 a.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder.

If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote for, against or abstain from voting at *his/her discretion. The authority herein includes the right to demand or to join in demanding a poll at the Meeting.

		TO BE USED ON A SHOW OF HANDS		**TO BE USED IN THE EVENT OF A POLL**	
No.	**Resolutions relating to:**	**For****	**Against****	**Number of Votes For*****	**Number of Against*****
1.	To receive and adopt Directors' Report and Audited Financial Statements for the financial year ended 31 December 2014 together with Auditors' Report thereon				
2.	To re-elect Mr Heng Lee Seng as a Director of the Company				
3.	To re-elect Mr Yee Kee Shian, Leon as a Director of the Company				
4.	To approve the payment of Directors' fees amounting to S$190,000 for financial year ending 31 December 2015, to be paid quarterly in arrears				
5.	To re-appoint Baker Tilly TFW LLP as Auditor of the Company and to authorise the Directors to fix its remuneration				
6.	To approve the authority to issue shares				

** Delete where inapplicable*
*** Please indicate your vote "For" or "Against" with a tick within the box provided.*
**** If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate.*

Dated this ____________ day of ____________ 2015

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

____

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

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a general meeting of the Company is entitled to appoint not more than two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member of the Company appoints more than one proxy, the proportion of the shareholding concerned to be presented by each proxy shall be specified in the instrument appointing a proxy or proxies (expressed as a percentage of the whole). If the proportion of shareholding is not specified, the Company shall be entitled to treat the first named proxy as representing the entire number of shares entered against his/her name in the Depository Register and the entire number of shares registered in his/her name in the Register of Members, and any second named proxy as an alternate to the first named proxy.

4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 47 Genting Road, Singapore 349489 not less than forty-eight (48) hours before the time appointed for the holding the general meeting.

5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised in writing.

6. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument appointing a proxy or proxies, failing which, the instrument appointing proxy or proxies may be treated as invalid.

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

General:

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the general meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 15 April 2015.

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Designed and produced by
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