



**OEL (Holdings) Limited**

# **The Preferred Partner**

**ANNUAL REPORT 2013**

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## Corporate Profile

**OEL (Holdings) Limited** (“OEL” and together with its subsidiaries, the “Group”) is an investment holding company with diversified businesses in Shipyard Operations, Biofuel and Property Management.

Established in Singapore in 1984, OEL was renamed from Oakwell Engineering Limited in November 2013 after the Group divested its Distributorship business and related engineering and assembly services.

The Group currently operates a shipyard in Sattahip, Thailand that focuses on ship repair and other services. It also owns 51% equity interest in a biofuel business in Singapore and generates rental income from the leasing of an industrial property.

The Group is presently seeking new business avenues and exploring various strategies that could enhance shareholder value in the long term.

OEL is listed on the Catalist of the Singapore Exchange Securities Trading Limited.

This annual report has been reviewed by the Company's sponsor, RHT Capital Pte. Ltd., for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (“SGX-ST”). The sponsor has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The details of the contact person for the sponsor is Mr Tan Chong Huat (Registered Professional, RHT Capital Pte. Ltd.) at Six Battery Road, #10-01 Singapore 049909, Tel: 6381 6757

# Chairman's Statement

## Dear Shareholders,

I am pleased to present the annual report of OEL (Holdings) Limited (the "Company" or together with its subsidiaries, the "Group" or "OEL") for the financial year ended 31 December 2013 ("FY2013").

The past year stands out as a landmark for OEL, with the change of the company's name from Oakwell Engineering Limited following the sale of our Distributorship business and with related engineering and assembly services ("Distribution Business") to one of the largest logistics and electrical equipment distribution groups in the world.

In October 2013, we completed the sale of our Distribution Business to Sonepar Asia Pacific Limited (the "Disposal"), which is a member of the Sonepar group, for a consideration sum of S\$70.0 million. Headquartered in France, Sonepar group has a presence in 36 countries over five continents. The Group believes that it was an opportune time to unlock and realise the value of our Distribution Business, which would otherwise face increasing challenges to cope with competition from other larger players in the region without the strong backing of an international group.

Indeed, the Group realised a gain of S\$34.4 million from the Disposal in FY2013. This was partially offset by lower operating profit from the Distribution business in FY2013 as we recognised only 10 months of profit as compared to 12 months in FY2012.

Pursuant to the sale and purchase agreement with Sonepar Asia Pacific Limited, the Distribution Business which is now under Oakwell Distribution (S) Pte Ltd ("ODS"), retains the rights to the "Oakwell" name. Accordingly, our Company was renamed as OEL (Holdings) Limited with effect from 6 November 2013.

In addition, the Group has entered into a tenancy agreement to lease its property in Singapore located at No. 8 Aljunied Avenue 3 to ODS for rent not exceeding S\$60,000 per calendar month. The lease is for an initial term of two years and contains an option for ODS to renew the tenancy for a term of three years with rent not exceeding S\$85,000 per calendar month.

As a result, the Group now has a new business segment, Property Management, which comprises rental revenue

derived from the lease of our property. Besides Property Management, we continue to operate our Shipbuilding Business which has been renamed as Shipyard Operations to reflect the change in business focus to ship repair and other services. OEL also holds 51% equity interests in a biofuel business in Singapore.

The aforesaid continuing businesses contributed total revenue of S\$10.5 million in FY2013, down from S\$14.4 million in FY2012. This was due mainly to our Shipyard Operations which recognised less revenue from a survey vessel project that was delivered to the customer in July 2013.

In the past year, we restructured and downsized our Shipyard Operations to curtail the operational losses from this business. While restructuring costs were inevitable, our efforts are paying off as the operating loss (before interest and tax) from our Shipyard Operations was reduced significantly by S\$17.5 million to S\$22.5 million in FY2013.

As a result of the gain on the Disposal, coupled with a decrease in Shipyard Operations' operating loss, the Group returned to the black in FY2013 with a profit attributable to owners of the company of S\$14.9 million, compared to a loss of S\$29.3 million in FY2012.

Going forward, we will continue to explore various options including collaboration with partners to improve the results of our Shipyard Operations. The arbitration proceedings with three companies – Fr. Fassmer GmbH & Co. KG., Fugro Australis Pty Ltd. and Boskalis Entities – in relation to shipbuilding related contracts are still ongoing. The Company is taking all necessary steps to defend its claims and will make further announcements as and when there are material developments on the proceedings.

## INVESTMENTS FOR THE FUTURE

Following the completion of the Disposal, it has been the intention of our Directors to deploy the proceeds from the Disposal to fund the Group's future acquisitions and its working capital, consider reducing its bank borrowing and provide a dividend distribution.

The Board of Directors is pleased to recommend a special dividend per share of 0.5 cents amounting to S\$3.3 million in total with respect to FY2013.



***“OEL returned to the black in FY2013 with a net profit of S\$14.9 million. The Group is currently seeking new business avenues that could generate and enhance shareholder value.”***

The Group is also seeking new business avenues that could generate and enhance shareholder value. To this end, OEL has entered into a sale and purchase agreement on 27 February 2014 with Corporate Space Pte. Ltd. (the “Vendor”) for a proposed acquisition of its two property investment companies in Singapore (“Proposed Acquisition”).

The property investment companies are namely Singapore Service Residence Pte Ltd and Expats Residence Pte Ltd (“Target Companies”). The ultimate holding company of these companies is Hong Kong-incorporated Heng Fai Enterprises Limited (formerly known as Xpress Group Limited) whose shares are listed on the Stock Exchange of Hong Kong.

The Target Companies own a total of 27 small-office-home-office units and one retail unit in Southbank development situated at 883 North Bridge Road, Singapore 198785. These units, which are currently leased out, have a gross floor area of 28,733 square feet. In addition, the Target Companies also own and lease out 7 residential units at Dakota Crescent in Singapore.

The consideration for the Proposed Acquisition is S\$53.9 million. This was arrived on a willing-buyer, willing-seller basis, after taking into consideration the valuation of the properties held by the Target Companies of S\$72.1 million, and net asset value of the Target Companies of S\$42.0 million as at 31 March 2013.

The consideration shall be satisfied by way of payment of S\$10.0 million in cash, and issuance by the Company of S\$43.9 million of secured convertible bonds to the Vendor.

The Directors are of the view that the Proposed Acquisition is in the best interests of the Group and our shareholders as it will enable the Group to diversify into property investment business which is cash flow generative in nature. We believe that the Group will also be able to leverage on the extensive business network and wealth of experience of the management of the Vendor and Heng Fai Enterprises Limited to expand the property assets in Singapore and overseas markets, and invest in viable businesses to generate value for OEL's shareholders in the future.

The Proposed Acquisition is subject to the approval of shareholders of OEL, the Vendor and Heng Fai Enterprises Limited, among other conditions. The Company will in due course despatch a circular to our shareholders, which will also set out the opinion of the financial adviser, to seek approval for the Proposed Acquisition and the issuance of the convertible bonds at an extraordinary general meeting to be convened.

#### **APPRECIATION**

On behalf of the Board, I would like to extend my gratitude to shareholders, customers, principals, and business associates for your support of OEL. I would also like to acknowledge the valuable guidance and contributions from my fellow Board members. Last but not least, I also wish to thank our management and employees of OEL and the Distribution Business for your effort, contributions and steadfast dedication all these years.

**Low Beng Tin**  
*Executive Chairman*

# Board of Directors

## **LOW BENG TIN**

*Chairman and Managing Director*

Mr Low is the founder and Director of OEL since the date of its incorporation on 15 September 1984 and was subsequently appointed as the Chairman of the Board of Directors and Managing Director on 20 July 1992. He was last re-elected as Director on 25 April 2012.

Mr Low graduated with a Diploma in Electrical Engineering from the Singapore Polytechnic and a Diploma in Management Studies from the Singapore Institute of Management. He also holds a Masters in Business Administration (Chinese Programme) from the National University of Singapore. Mr Low has more than 30 years of working experience in the field of engineering related to oil, gas, petrochemical, chemical and marine industries.

Prior to establishing OEL, Mr Low held positions in senior management positions in a group of local companies which were involved in the sales and services of marine equipment and shipping. In recognition of his contribution to the community, he was conferred the Pingat Bakti Masyarakat (Public Service Medal) and Bintang Bakti Masyarakat (Public Service Star) by the President of the Republic of Singapore in 2004 and 2009 respectively.

Mr Low holds directorships in the subsidiaries of OEL and Oakwell Distribution (s) Pte Ltd. He is currently the Deputy President of the Automobile Association of Singapore and a Non-Executive Director of Autoswift Recovery Pte Ltd. Mr Low is also an Independent Non-Executive Director of China Yongsheng Limited and JP Nelson Holdings. He is also the non-executive Chairman of Cosmosteel Holdings Limited (a company listed on the SGX Mainboard).

Details of his shareholdings can be found on page 9 of the Annual Report.

## **LONG YOKE HIAN, ALEX**

*Executive Director*

Mr Long was appointed an Executive Director of the Company on 15 December 1984 and was last re-elected as Director on 27 April 2011.

Mr Long completed a course in Nautical Studies from the Singapore Polytechnic and has more than 30 years of working experience in the field of engineering.

Prior to joining OEL, Mr Long was a product manager in a local company dealing in electrical cables and construction materials used in the oil, gas, petrochemical, chemical and marine industries within the region. Pursuant to Article 87 of the Company's Articles of Association, Mr Long is due for re-election at the forthcoming Annual General Meeting ("AGM"). However, Mr Long has indicated his intention not to seek re-election at the forthcoming AGM.

Details of his shareholdings can be found on page 9 of the Annual Report.

## **HING YIH PEIR, JEFFREY**

*Non-Executive Director*

Mr Hing was appointed a Non-Executive Director of the Company on 22 March 2011. Mr Hing is also a substantial shareholder of the Company. He was last re-elected as Director on 27 April 2011.

Mr Hing has over 30 years' experience in the marine and offshore industry in a variety of roles ranging from finance & administration, business development and management. He is the founder and managing director of Trinity Offshore Pte. Ltd., a Singapore-based owner-operator of offshore support/utility vessels and is currently the Executive Chairman of Penguin International Ltd. Mr Hing is also a Director of Team Engineering and Marine Pte Ltd. An accountant by training, Mr Hing has served in various role as auditor, accountant, senior executive and director of diversified corporations. Pursuant to Article 87 of the Company's Articles of Association, Mr Hing will offer himself for re-election at the forthcoming Annual General Meeting.

Details of his shareholdings can be found on page 9 of the Annual Report.

## **YEO AH KIANG, RENNY**

*Independent Non-Executive Director*

Mr Yeo was appointed a non-Executive Director of the Company on 12 August 2005, and has been re-designated to Independent Non-Executive Director with effect from 1 March 2010. He is also a member of the Audit, Remuneration and Nominating Committees and was appointed as a Lead Independent Director with effect from 3 March 2014. He was last re-elected as Director on 26 April 2013.

He holds a Higher National Diploma (HND) in Electrical & Electronic Engineering from Southampton College of Technology UK and a Master in Management from Asia Institute of Management, Philippines. He has nearly 40 years of working experience in the field of shipbuilding/ship repairing, electrical engineering and cable industries. He is a full member of the Singapore Institute of Directors. He was a former board member of Building and Construction Authority (01 March 2005 – 31 March 2007), Board member of the Productivity & Standards Board, director of PSB Corporation Pte Ltd (until 24 March 2006). He was also the founding Board member of the Singapore Green Building Council (01 July 2009 – 31 March 2013). Mr Yeo is currently a SPRING Board member. He is also the President of the Singapore National Committee (SNC) of The International Electrotechnical Commission (IEC) (until 31 March 2014) and currently also sits on several government committees, including as a Member of the SPRING Standard Council (until 31 March 2014) and Chairman of The Singapore Accreditation Council. Mr Yeo is also the Director of Singapore Business Advisors & Consultants Council Ltd and Emeritus President of Singapore Manufacturers' Federation (SMF). He was the President of SMa, Chairman of GS1 Singapore and EPC Global Singapore, Director of EDC@SMa and Director of SMa Services Pte Ltd (01 July 2008 – 30 June 2010). He was recently appointed a Member of SMF Board of Governors. Mr Yeo is also an Independent Non-Executive Director of Sin Heng Heavy Machinery

# Board of Directors

Ltd. He was conferred the Pingkat Bakti Masyarakat (Public Service Medal) by The President of the Republic of Singapore (2000) and awarded the SPRING Singapore distinguished Partner Award (2011), SISIR Standards Council Distinguished Award (1994). Prior to Mr Yeo's retirement in 2009, he was also the Chairman and Director of Draka Cableteq Asia Pacific and its subsidiaries.

Details of his shareholdings can be found on page 9 of the Annual Report.

## **TAY AH KONG, BERNARD**

*Independent Non-Executive Director*

Mr Tay was appointed an Independent Non-Executive Director of the Company on 15 December 2000. He is also Chairman of the Audit Committee and a member of both the Remuneration and Nominating Committees. He was last re-elected as Director on 26 April 2013.

Mr Tay is currently the Non-Executive Chairman of Crowe Horwath First Trust LLP, which is a Certified Public Accountants firm and Chairman of the Risk Committee of RHT Capital Pte. Ltd. (RHT). RHT is an approved SGX (Catalist) Continuing Sponsor's Company. Mr Tay is an Independent Director of several public companies listed on the SGX Mainboard and Catalist, including a dual listing on SEHK Mainboard.

He is the President of the Automobile Association of Singapore and Chairman of Singapore Road Safety Council. Mr Tay is also the Vice-President of the Singapore Productivity Association and a Member of Ministry of Home Affairs - Community Involvement Steering Committee. He was appointed, Senior Advisor to the Government of Huzhou City, Zhejiang Province of the People's Republic of China.

He is a recipient of the Service to Education Award and Community Service Medal and was conferred the Bintang Bakti Masyarakat (Public Service Star) and Pingat Bakti Masyarakat (Public Service Medal) by the President of the Republic of Singapore.

In addition, he was a Member of the Resource Panel of the Government Parliamentary Committees for Home Affairs and Communications. He had also sat on several committees under the Accounting and Corporate Regulatory Authority which includes the Complaints and Disciplinary Panel - Public Accountants Oversight Committee, Standing Law Review Focus Group and Directors' Duties Study Team. He was also a Member of the Singapore Corporate Awards Judging Panel for the Best Annual Report Award.

Mr Tay is a Fellow of the Association of Chartered Certified Accountants (U.K.), the Institute of Singapore Chartered Accountants and the Singapore Institute of Directors. He is also a Chartered Accountant of Malaysia.

Mr Tay has a wide range of experience, from having worked in public accounting firms in the United Kingdom and Singapore, the Inland Revenue Authority of Singapore and companies in commerce, industry and management consulting for a period over 30 years.

The present directorships of Mr Tay in listed companies are China Hongxing Sports Limited, Hengxin Technology Ltd, China Yongsheng Limited, Ramba Energy Limited and SIIC Environment Holdings Ltd. (formerly known as Asia Water Technology Ltd). He was also an Independent Non-Executive Director of Juken Technology Limited (ceased in December 2012).

## **LAI KWOK SENG**

*Advocate & Solicitor, Singapore Barrister-at-Law, Lincoln's Inn  
Independent Non-Executive Director*

Mr Lai was appointed an Independent Non-Executive Director of the Company on 12 August 2005. He is also Chairman of the Nominating Committee, and a member of both the Audit and Remuneration Committees. He was last re-elected as Director on 26 April 2013.

Mr Lai holds various degrees including Bachelor Degrees in Economics and Laws from the University of London, a Masters of Laws from the National University of Singapore and a Masters of Education from Australia. He also has vast experience and expertise in administration, management and business. Among other appointments, he has served as an Assistant Director of the Planning & Review Division with the Ministry of Education, a Vice-President of commercial banking with a large local bank, and a Dealing Director with a local stockbrokerage house. Mr Lai, since January 2012, is a Board Member of the Academic and Examination Board of the Singapore Human Resources Academy.

## **GOH YEOW TIN**

*Independent Non-Executive Director*

Mr Goh was appointed an Independent Non-Executive Director of the Company on 1 September 2006. He is also Chairman of the Remuneration Committee and a member of both the Audit and Nominating Committees. He was last re-elected as Director on 25 April 2012.

Mr Goh holds a Bachelor Degree in Mechanical Engineering (Hons) and a Masters Degree in Industrial Engineering and Management. Mr Goh is the Non-Executive Chairman of Seacare Medical Holdings Pte Ltd. Mr Goh began his career with the Economic Development Board ("EDB") where he headed the Local Industries Unit and was subsequently appointed a Director of EDB's Automation Applications Centre located in the Singapore Science Park. Mr Goh was the founding member of the Association of Small and Medium Enterprise ("ASME") and founded International Franchise Pte Ltd, a pioneer in franchising business in Singapore. Prior to his present business, Mr Goh was the Vice-President of Times Publishing Ltd and was responsible for the Group's Retail and Distribution businesses.

In recognition of his many years of social and community work, Mr Goh was awarded the Public Service Medal (1995) and the Public Service Star (2006) by the President of the Republic of Singapore.

Mr Goh is currently a member of the Singapore Institute of Directors and an Independent Director of Lereno Bio-Chem Ltd, Vicom Limited, AsiaPhos Limited and Sheng Siong Group Limited. He was previously an Independent Non-Executive Director of ETLA Limited and Juken Technologies Limited (ceased in December 2012).

# Operations & Financial Review

On 31 October 2013, the Group completed the sale of its Distributorship business, together with related engineering and assembly services, ("Distribution Business") to Sonepar Asia Pacific Limited for a consideration sum of S\$70.0 million. As such, the Distribution Business contributed to the Group's financial performance for the first 10 months of the financial year ended 31 December 2013 ("FY2013") and was discontinued from 1 November 2013 ("Discontinued Operations").

Following the disposal of the Distribution Business, the Group's ongoing businesses ("Continuing Operations") comprise its Shipyard Operations in Thailand and 51% equity interest in a biofuel business in Singapore. In addition, from 1 November 2013, the Group receives rental income from the leasing of its property at No. 8 Aljunied Avenue 3 in Singapore to the Distribution Business ("Property Management").

## Continuing Operations

The Group's revenue from Continuing Operations decreased to S\$10.5 million in FY2013, from S\$14.4 million in FY2012. This was mainly due to a decline in the revenue of the Shipyard Operations to S\$8.8 million, compared to S\$12.2 million previously, as a result of lower revenue recognition from a survey vessel project that was delivered to the customer in July 2013.

The Property Management segment recorded maiden revenue of S\$120,000 from two months of rental income in FY2013. The biofuel business contributed revenue of S\$1.6 million, down from S\$2.1 million in FY2012, due to the general decline in related commodity prices in the market.

The gross loss in FY2013 narrowed considerably to S\$11.0 million, from S\$35.4 million previously, due to lower gross loss of the Shipyard Operations. The Shipyard Operations posted a gross loss of S\$12.5 million in FY2013, as compared to S\$36.7 million in FY2012 which arose from additional costs that stemmed from unexpected project delays.

Operating expenses comprise mainly distribution, administrative and other operating expenses. Total operating expenses in FY2013 increased significantly to S\$12.9 million, compared to S\$5.0 million in FY2012, as a consequence of higher administrative and other operating expenses.

The increase in administrative expenses was due to higher legal and professional fees that were incurred for the ongoing arbitrations of the Shipyard Operations. Other operating expenses were also higher in FY2013 due to allowance made for doubtful receivables of the Shipyard Operations and unrealized exchange losses caused by weakening of the Thai Baht.

Finance costs in FY2013 decreased to S\$0.2 million from S\$0.4 million in FY2012 due to repayment of bank borrowings.

As a result, the Group narrowed its loss from Continuing Operations to S\$23.3 million in FY2013 from S\$40.4 million in the previous year. The Shipyard Operations recorded lower operating loss (before interest and tax) of S\$22.5 million in FY2013, compared to S\$40.1 million in FY2012, due to the restructuring and downsizing of operations.

## Discontinued Operations

The Group's Discontinued Operations registered a profit of S\$38.1 million in FY2013, up 240.5% from S\$11.2 million in FY2012. The substantial increase was driven mainly by a gain of S\$34.5 million from the Group's disposal of the Distribution Business. This was partially offset by lower operating profit from the Distribution Business in FY2013 as the profit earned in FY2013 was for a period of 10 months as compared to 12 months in FY2012.

## Profit Attributable to Owners of the Company

The Group recorded profit attributable to owners of the company of S\$14.9 million in FY2013, reversing a loss of S\$29.3 million in FY2012. The turnaround in the bottom line was attributed mainly to the gain on disposal of the Distribution Business and a decrease in operating loss of the Shipyard Operations.

## Financial Position as at 31 December 2013

At the end of December 2013, shareholders' equity increased to S\$46.4 million from S\$32.1 million last year. Total borrowings decreased substantially to S\$3.8 million from S\$40.3 million at the end of FY2012 while cash and bank balances increased to S\$24.5 million. As a result, the Group was in a net cash position as at 31 December 2013.

Current assets decreased to S\$67.2 million from S\$128.2 million last year. The disposal of the Distribution Business in FY2013 resulted in a general decline in all current assets with the exception of cash and bank balances. Cash and bank balances increased by S\$1.4 million during FY2013 due mainly to the proceeds received for the sale of Distribution Business, which was partially offset by repayment of outstanding bank borrowings and loans.

Current liabilities as at 31 December 2013 decreased to S\$44.8 million from S\$117.9 million as at 31 December 2012. This was mainly due to repayment of bank borrowings as well as the disposal of Distribution Business during the year, which resulted in a general decrease in current liabilities.

# Corporate Information

## OEL (Holdings) Limited

### OPERATING SEGMENTS

Property Management • Engineering Design and Fabrication • Shipyard

### SUBSIDIARIES

**Singapore**  
OSEC Shipyard Pte. Ltd.  
Bio Fuel Research Pte. Ltd.

**Thailand**  
OSC Co., Ltd.

#### BOARD OF DIRECTORS

Executive Directors

**Low Beng Tin**

(Chairman and Managing Director)

**Alex Long Yoke Hian**

Non-Executive Director

**Jeffrey Hing Yih Peir**

Independent Non-Executive Directors

**Renny Yeo Ah Kiang**

(Lead Independent Director)

**Bernard Tay Ah Kong**

**Goh Yeow Tin**

**Lai Kwok Seng**

#### GROUP FINANCIAL CONTROLLER

**Lim Chien Joo, Derick** (CPA)

#### COMPANY SECRETARIES

**Chia Luang Chew, Hazel** (FCIS)

**Lim Chien Joo, Derick** (CPA)

#### SHARE REGISTRAR

Tricor Barbinder Share

Registration Services

(A division of Tricor Singapore Pte. Ltd.)

80 Robinson Road

#02-00 Singapore 068898

#### REGISTERED OFFICE

No. 8 Aljunied Ave 3

Oakwell Building

Singapore 389933

Tel: 6742 8000

Fax: 6742 3000

#### PRINCIPAL BANKERS

Standard Chartered Bank

United Overseas Bank Limited

DBS Bank Ltd

#### INVESTOR RELATIONS CONSULTANT

Octant Consulting LLP

7500A Beach Road

The Plaza #08-318

Singapore 199591

Tel: 6296 3583

#### AUDIT COMMITTEE

**Bernard Tay Ah Kong\*** (Chairman)

**Goh Yeow Tin\***

**Lai Kwok Seng\***

**Renny Yeo Ah Kiang\***

#### NOMINATING COMMITTEE

**Lai Kwok Seng\*** (Chairman)

**Bernard Tay Ah Kong\***

**Goh Yeow Tin\***

**Renny Yeo Ah Kiang\***

#### REMUNERATION COMMITTEE

**Goh Yeow Tin\*** (Chairman)

**Bernard Tay Ah Kong\***

**Lai Kwok Seng\***

**Renny Yeo Ah Kiang\***

\*Independent Non-Executive Directors

#### AUDITORS

Deloitte & Touche LLP

6 Shenton Way

OUE Downtown 2, #32-00

Singapore 068809

Partner In-Charge:

Mr Rankin Brandt Yeo

(Appointed since April 25, 2012)

#### SPONSOR

RHT Capital Pte. Ltd.

Six Battery Road #10-01

Singapore 049909

Registered Professional:

Mr Tan Chong Huat



# Financial Report

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# Report of the Directors

The directors present their report together with the audited consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the financial year ended December 31, 2013.

## 1 DIRECTORS

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

Low Beng Tin  
Alex Long Yoke Hian  
Jeffrey Hing Yih Peir  
Bernard Tay Ah Kong  
Goh Yeow Tin  
Lai Kwok Seng  
Renny Yeo Ah Kiang

## 2 ARRANGEMENTS TO ENABLE DIRECTORS TO ACQUIRE BENEFITS BY MEANS OF THE ACQUISITION OF SHARES AND DEBENTURES

Neither at the end of the financial year nor at any time during the financial year did there subsist any arrangement whose object is to enable the directors of the Company to acquire benefits by means of the acquisition of shares or debentures in the Company or any other body corporate.

## 3 DIRECTORS' INTERESTS IN SHARES AND DEBENTURES

The directors of the Company holding office at the end of the financial year had no interests in the share capital and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act except as follows:

Names of directors and company in which interests are held	Shareholdings registered in the names of directors		Shareholdings in which directors are deemed to have interests	
	At beginning of year	At end of year	At beginning of year	At end of year
<u>QEL (Holdings) Limited</u> (Ordinary shares)				
Low Beng Tin	4,769,754	4,769,754	28,000,000 <sup>(1)</sup>	28,000,000 <sup>(1)</sup>
Alex Long Yoke Hian	1,046,480	1,046,480	139,000 <sup>(2)</sup>	139,000 <sup>(2)</sup>
Jeffrey Hing Yih Peir	195,000	195,000	197,350,000 <sup>(3)</sup>	197,350,000 <sup>(3)</sup>
Renny Yeo Ah Kiang	2,765,000	1,765,000	-	-

<sup>(1)</sup> 28,000,000 shares (2012: 28,000,000 shares) were registered in the name of a nominee, Bank of Singapore Nominees Pte Ltd.

<sup>(2)</sup> 139,000 shares (2012: 139,000 shares) were registered in the name of his spouse, Ms Shirley Long @ Lim Choo Joon.

<sup>(3)</sup> 197,350,000 shares (2012: 197,350,000 shares) were registered in the name of Phillip Securities Pte Ltd.

The directors' interests in the shares of the Company at January 21, 2014 were the same at December 31, 2013.

# Report of the Directors

## 4 DIRECTORS' RECEIPT AND ENTITLEMENT TO CONTRACTUAL BENEFITS

Since the beginning of the financial year, no director has received or become entitled to receive a benefit which is required to be disclosed under Section 201(8) of the Singapore Companies Act, by reason of a contract made by the Company or a related corporation with the director or with a firm of which he is a member, or with a company in which he has a substantial financial interest except for salaries, bonuses and other benefits as disclosed in the financial statements.

## 5 SHARE OPTIONS

### a) *Options to take up unissued shares*

During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted.

### b) *Options exercised*

During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of an option to take up unissued shares.

### c) *Unissued shares under option*

At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option.

## 6 AUDIT COMMITTEE

The Audit Committee of the Company, consists of all independent non-executive directors, is chaired by Mr Bernard Tay Ah Kong and includes Mr Goh Yeow Tin, Mr Lai Kwok Seng and Mr Renny Yeo Ah Kiang. The Audit Committee meets at least 2 times a year, and as and when deemed appropriate to review the following, where relevant:

- a) the audit plan and results of the internal auditors' examination and evaluation of the Group's system of internal accounting controls;
- b) the Group's financial and operating results and accounting policies;
- c) the financial statements of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and external auditors' report on those financial statements;
- d) the half-yearly and annual announcements as well as the related press releases (if any) on the results and financial position of the Group and the Company;
- e) the co-operation and assistance given by the management to the Company's internal and external auditors;
- f) the re-appointment of the external auditors of the Company; and
- g) interested person transactions.

# Report of the Directors

## 6 AUDIT COMMITTEE (cont'd)

The Audit Committee has full access to and has the co-operation of the management and has been given the resources required for it to discharge its function properly. It also has full discretion to invite any director and executive officer to attend its meetings. The external and internal auditors have unrestricted access to the Audit Committee.

The Audit Committee has recommended to the directors the nomination of Deloitte & Touche LLP for re-appointment as external auditors at the forthcoming AGM of the Company.

## 7 AUDITORS

The auditors, Deloitte & Touche LLP, have expressed their willingness to accept re-appointment.

ON BEHALF OF THE DIRECTORS

.....  
Low Beng Tin

.....  
Alex Long Yoke Hian

Date: March 31, 2014

# Statement of Directors

In the opinion of the directors, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 15 to 84 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 December 31, 2013, and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year then ended and at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts when they fall due.

ON BEHALF OF THE DIRECTORS

.....  
Low Beng Tin

.....  
Alex Long Yoke Hian

Date: March 31, 2014

# Independent Auditors' Report

TO THE MEMBERS OF OEL (HOLDINGS) LIMITED  
(formerly known as Oakwell Engineering Limited)

## Report on the Financial Statements

We have audited the accompanying financial statements of OEL (Holdings) Limited (formerly known as Oakwell Engineering Limited) (the "Company") and its subsidiaries (the "Group") which comprise the statements of financial position of the Group and the Company as at December 31, 2013, and the consolidated statement of profit or loss and other comprehensive income, statement of changes in equity and statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 15 to 84.

## 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, Cap. 50 (the "Act") and Singapore Financial Reporting Standards and for devising and maintaining a system of internal accounting controls sufficient to provide 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.

## Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 judgement, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

# Independent Auditors' Report

TO THE MEMBERS OF OEL (HOLDINGS) LIMITED  
(formerly known as Oakwell Engineering Limited)

## Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at December 31, 2013 and of the results, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date.

## Emphasis of Matter

We draw attention to the following matter in the notes to the financial statements concerning significant judgements, including the use of estimates.

In 2013, the Group's shipyard operations incurred a loss of \$22.5 million and have total assets of \$49.0 million as at December 31, 2013. Details are set out in Note 3I(a) and Note 3II(a) to the financial statements.

Our opinion is not modified in respect of these matters.

## 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.

Deloitte & Touche LLP  
Public Accountants and  
Chartered Accountants  
Singapore

Date: March 31, 2014

# Statements of Financial Position

December 31, 2013

	Note	Group		Company	
		2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000
<b>ASSETS</b>					
<b>Current assets</b>					
Cash and bank balances	7	24,502	23,115	23,922	6,322
Trade receivables	8	28,830	58,885	453	27,860
Other receivables	9	3,845	12,234	28,896	49,082
Inventories	11	10,072	33,998	-	12,630
Total current assets		67,249	128,232	53,271	95,894
<b>Non-current assets</b>					
Subsidiaries	12	-	-	808	8,930
Associate	13	-	-	-	-
Restricted cash	7	5,000	-	5,000	-
Available-for-sale investments	14	12	375	12	375
Property, plant and equipment	15	18,415	23,708	4,985	9,479
Investment property	16	3,612	-	3,612	-
Goodwill	17	-	32	-	-
Deferred tax assets	24	-	302	-	-
Total non-current assets		27,039	24,417	14,417	18,784
<b>Total assets</b>		<b>94,288</b>	<b>152,649</b>	<b>67,688</b>	<b>114,678</b>
<b>LIABILITIES AND EQUITY</b>					
<b>Current liabilities</b>					
Bank overdrafts and borrowings	18	944	27,084	944	26,986
Trade payables	19	23,966	56,463	296	19,233
Other payables	20	18,738	21,399	8,836	8,917
Provision for warranty	21	-	493	-	-
Current portion of finance leases	22	127	152	33	33
Income tax payable		362	767	362	494
Current portion of bank loans	23	708	11,504	708	6,025
Total current liabilities		44,845	117,862	11,179	61,688

See accompanying notes to financial statements.

# Statements of Financial Position

December 31, 2013

	Note	Group		Company	
		2013	2012	2013	2012
		\$'000	\$'000	\$'000	\$'000
<b>Non-current liabilities</b>					
Finance leases	22	138	285	98	132
Bank loans	23	1,928	1,248	540	1,248
Deferred tax liabilities	24	1,004	1,184	1,004	1,184
Total non-current liabilities		3,070	2,717	1,642	2,564
<b>Capital, reserves and non-controlling interests</b>					
Share capital	25	38,530	38,530	38,530	38,530
Currency translation reserve	26	1,237	(20)	-	-
Revaluation reserve	27	6,397	6,123	6,397	6,123
Capital reserve	28	-	102	-	-
Share issue reserve	29	(182)	(182)	(182)	(182)
(Accumulated losses) Retained earnings		(83)	(15,000)	10,122	5,955
Equity attributable to owners of the Company		45,899	29,553	54,867	50,426
Non-controlling interests		474	2,517	-	-
Net equity		46,373	32,070	54,867	50,426
<b>Total liabilities and equity</b>		94,288	152,649	67,688	114,678

See accompanying notes to financial statements.

# Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended December 31, 2013

	Note	Group	
		2013 \$'000	2012 \$'000
<b>Continuing operations</b>			
<b>Revenue</b>	30	10,537	14,388
<b>Cost of sales</b>		(21,578)	(49,745)
<b>Gross loss</b>		(11,041)	(35,357)
Other operating income	31	251	460
Distribution costs		(794)	(1,309)
Administrative expenses		(5,930)	(3,121)
Other operating expenses	32	(6,187)	(607)
Share of loss of associate	13	-	-
Finance costs	33	(207)	(426)
<b>Loss before tax</b>		(23,908)	(40,360)
Income tax benefit	34	627	-
<b>Loss for the year from continuing operations</b>	36	(23,281)	(40,360)
<b>Discontinued operation</b>			
<b>Profit for the year from discontinued operation</b>	35	38,054	11,177
<b>Profit (Loss) for the year</b>		14,773	(29,183)
Other comprehensive income (loss):			
Item that will not be reclassified subsequently to profit or loss			
- revaluation of property, net of tax		274	4,418
Item that may be reclassified subsequently to profit or loss			
- exchange differences on translation of foreign operations		1,257	(52)
Other comprehensive income for the year		1,531	4,366
Total comprehensive income (loss) for the year		16,304	(24,817)
Profit (Loss) attributable to:			
Owners of the Company		14,917	(29,257)
Non-controlling interests		(144)	74
		14,773	(29,183)
Total comprehensive income (loss) attributable to:			
Owners of the Company		16,448	(24,891)
Non-controlling interests		(144)	74
		16,304	(24,817)
Earnings (Loss) per share (cents)	37		
<b>From continuing and discontinued operation:</b>			
Basic		2.23	(4.38)
Diluted		2.23	(4.38)
<b>From continuing operations:</b>			
Basic		(3.46)	(6.05)
Diluted		(3.46)	(6.05)

See accompanying notes to financial statements.

# Statements of Changes in Equity

Year ended December 31, 2013

	Share capital \$'000	Currency translation reserve \$'000	Revaluation reserve \$'000	Capital reserve \$'000	Share issue reserve \$'000	Retained earnings (Accumulated losses) \$'000	Attributable to owners of the Company \$'000	Non-controlling interests \$'000	Total \$'000
<b>Group</b>									
Balance at January 1, 2012	38,530	32	1,705	102	(182)	14,591	54,778	5,109	59,887
<b>Total comprehensive (loss) income for the year</b>									
(Loss) Profit for the year	-	-	-	-	-	(29,257)	(29,257)	74	(29,183)
Other comprehensive (loss) income for the year	-	(52)	4,418	-	-	-	4,366	-	4,366
Total	-	(52)	4,418	-	-	(29,257)	(24,891)	74	(24,817)
<b>Transactions with owners, recognised directly in equity</b>									
Dividends (Note 39)	-	-	-	-	-	(334)	(334)	-	(334)
Effect of disposal of a subsidiary	-	-	-	-	-	-	-	(2,176)	(2,176)
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	(490)	(490)
Total	-	-	-	-	-	(334)	(334)	(2,666)	(3,000)
Balance at December 31, 2012	38,530	(20)	6,123	102	(182)	(15,000)	29,553	2,517	32,070
<b>Total comprehensive (loss) income for the year</b>									
Profit (Loss) for the year	-	-	-	-	-	14,917	14,917	(144)	14,773
Other comprehensive income for the year	-	1,257	274	-	-	-	1,531	-	1,531
Total	-	1,257	274	-	-	14,917	16,448	(144)	16,304
<b>Transactions with owners, recognised directly in equity</b>									
Acquisition of interest in subsidiary from non-controlling shareholder (Note 12)	-	-	-	-	-	-	-	(155)	(155)
Effect of disposal of Distribution business (Note 35)	-	-	-	(102)	-	-	(102)	(1,744)	(1,846)
Total	-	-	-	(102)	-	-	(102)	(1,899)	(2,001)
Balance at December 31, 2013	38,530	1,237	6,397	-	(182)	(83)	45,899	474	46,373

See accompanying notes to financial statements.

# Statements of Changes in Equity

Year ended December 31, 2013

	Share capital \$'000	Revaluation reserve \$'000	Share issue reserve \$'000	Retained earnings \$'000	Total \$'000
<b>Company</b>					
Balance at January 1, 2012	38,530	1,705	(182)	13,589	53,642
<b>Total comprehensive income (loss) for the year</b>					
Loss for the year	-	-	-	(7,300)	(7,300)
Other comprehensive income for the year	-	4,418	-	-	4,418
Total	-	4,418	-	(7,300)	(2,882)
<b>Transactions with owners, recognised directly in equity</b>					
Dividends (Note 39)	-	-	-	(334)	(334)
Balance at December 31, 2012	38,530	6,123	(182)	5,955	50,426
<b>Total comprehensive income for the year</b>					
Profit for the year	-	-	-	4,167	4,167
Other comprehensive income for the year	-	274	-	-	274
Total	-	274	-	4,167	4,441
Balance at December 31, 2013	38,530	6,397	(182)	10,122	54,867

See accompanying notes to financial statements.

# Consolidated Statement of Cash Flows

Year ended December 31, 2013

	Group	
	2013	2012
	\$'000	\$'000
<b>Operating activities</b>		
Profit (Loss) before tax	14,814	(28,762)
Adjustments for:		
Allowance for doubtful trade receivables	523	184
Allowance for doubtful non-trade receivables	2,064	-
Inventories written off	472	-
(Reversal of) Allowance for inventories	(196)	858
(Reversal of) Allowance for foreseeable losses	(613)	9,246
Gain on disposal of an associate	-	(39)
Gain on disposal of a subsidiary	-	(99)
Gain on disposal of available-for-sale investment	(201)	-
Gain on disposal of Distribution business	(34,415)	-
Depreciation of property, plant and equipment	1,260	1,321
Loss on disposal of property, plant and equipment	6	-
Impairment of club memberships	10	7
Interest expense	1,488	1,349
Interest income	(27)	(57)
Foreign currency exchange losses, net	2,902	1,277
Property, plant and equipment written off	244	7
Provision for warranty	326	37
Operating cash flows before movements in working capital	(11,343)	(14,671)
Trade receivables	(9,134)	815
Other receivables	1,327	9
Inventories	944	(1,864)
Trade payables	(3,566)	13,086
Other payables	1,270	7,887
Provision for warranty	(34)	(41)
Cash (used in) generated from operations	(20,536)	5,221
Income tax paid	(497)	(856)
Interest paid	(1,484)	(1,289)
Interest received	27	57
Net cash (used in) from operating activities	(22,490)	3,133

See accompanying notes to financial statements.

# Consolidated Statement of Cash Flows

Year ended December 31, 2013

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<b>Investing activities</b>		
Proceeds from disposal of available-for-sale investments	504	-
Purchase of property, plant and equipment (Note 40)	(3,063)	(4,420)
Purchase of club membership	-	(49)
Disposal of a subsidiary, net of cash disposed	-	(1,781)
Disposal of Distribution business, net of cash disposed of (Note 35)	68,106	-
Proceeds from disposal of an associate	-	39
Proceeds on disposal of property, plant and equipment	24	-
Net cash from (used in) investing activities	<u>65,571</u>	<u>(6,211)</u>
<b>Financing activities</b>		
Proceeds from bank borrowings	1,062	22,920
Repayment of bank borrowings	(22,827)	(15,861)
Proceeds from bank loans	1,388	7,154
Repayment of bank loans	(11,504)	(15,122)
Repayment of obligations under finance leases	(207)	(212)
Dividends paid	-	(334)
Dividends paid to non-controlling interests	-	(490)
Restricted cash	(5,307)	3,645
Net cash (used in) from financing activities	<u>(37,395)</u>	<u>1,700</u>
Net increase (decrease) in cash and cash equivalents	5,686	(1,378)
Cash and cash equivalents at beginning of the year	11,581	14,730
Effect of exchange rate changes on the balance of cash and bank balances held in foreign currencies	(349)	(1,771)
<b>Cash and cash equivalents at end of the year</b>	<b><u>16,918</u></b>	<b><u>11,581</u></b>
Cash and cash equivalents consist of:		
Cash and bank balances (Note 7)	29,502	23,115
Less: Restricted cash (Note 7)	(12,584)	(7,277)
	<u>16,918</u>	<u>15,838</u>
Bank overdrafts (Note 18)	-	(4,257)
Cash and cash equivalents at end of the year	<u>16,918</u>	<u>11,581</u>

See accompanying notes to financial statements.

# Notes to Financial Statements

December 31, 2013

## 1 GENERAL

The Company (Registration Number 198403368H) is incorporated in Singapore with its principal place of business and registered office at No. 8, Aljunied Avenue 3, Singapore 389933. The Company is listed on Catalist, the sponsor-supervised board of the Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars.

The principal activities of the Company are that of investment holding, engineering, trading and contracting services.

The principal activities of the subsidiaries and associates are disclosed in Notes 12 and 13 to the financial statements respectively.

The consolidated financial statements of the Group and statement of financial position and statement of changes in equity of the Company for the year ended December 31, 2013 were authorised for issue by the Board of Directors on March 31, 2014.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** - The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards ("FRS").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of FRS 102, leasing transactions that are within the scope of FRS 17, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in FRS 2 or value in use in FRS 36.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

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

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**ADOPTION OF NEW AND REVISED STANDARDS** - On January 1, 2013, the Group has adopted all the new and revised FRSs, Amendments to FRSs and Interpretations of FRS ("INT FRS") that are relevant to its operations. The adoption of these new / revised FRSs, Amendments to FRSs and INT FRSs does not result in changes to the Group's and Company's accounting policies and has no material effect on the amounts reported for the current or prior years except as disclosed below:

### FRS 1 Presentation of Items of Other Comprehensive Income

The Group has applied the amendments to *FRS 1 Presentation of Items of Other Comprehensive Income* retrospectively for the first time in the current year, and renamed the 'statement of comprehensive income' as the 'statement of profit or loss and other comprehensive income'. Under the amendments to FRS 1, the Group also grouped items of other comprehensive income into two categories in the other comprehensive income section: (a) items that will not be reclassified subsequently to profit or loss and (b) items that may be reclassified subsequently to profit or loss when specific conditions are met. Other than the above mentioned presentation changes, the application of the amendments to FRS 1 does not result in any impact on profit or loss, other comprehensive income and total comprehensive income.

### FRS 113 Fair Value Measurement

The Group has applied FRS 113 for the first time in the current year. FRS 113 establishes a single source of guidance for fair value measurements and disclosures about fair value measurements. The fair value measurement requirements of FRS 113 apply to both financial instrument items and non-financial assets for which other FRSs require or permit fair value measurements and disclosures about fair value measurements, except for share-based payment transactions that are within the scope of FRS 102 *Share-based Payment*, leasing transactions that are within the scope of FRS 17 *Leases*, and measurements that have some similarities to fair value but are not fair value (e.g. net realisable value for the purposes of measuring inventories or value in use for impairment assessment purposes).

FRS 113 includes extensive disclosure requirements, although specific transitional provisions were given to entities such that they need not apply the disclosure requirements set out in the Standard in comparative information provided for periods before the initial application of the Standard. Consequently, the Group has not made any new disclosures required by FRS 113 for the comparative period.

Other than the additional disclosures, the application of FRS 113 has not had any material impact on the amounts recognised in the consolidated financial statements.

At the date of authorisation of these financial statements, the following new/revised FRSs and amendments to FRS that are relevant to the Group and the Company were issued but not effective:

- FRS 27 (Revised) *Separate Financial Statements*
- FRS 110 *Consolidated Financial Statements*
- FRS 112 *Disclosure of Interests in Other Entities*
- FRS 110, FRS 111, FRS 112 *Transition Guidance*
- Amendments to FRS 32 *Financial Instruments: Presentation*
- Amendments to FRS 36 *Impairment of Assets*

Consequential amendments were also made to various standards as a result of these new/revised standards.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

The management anticipates that the adoption of the above FRSs and amendments to FRSs in future periods will not have a material impact on the financial statements of the Group and the Company in the period of their initial adoption except for the following:

### FRS 110 Consolidated Financial Statements and FRS 27 Separate Financial Statements

FRS 110 replaces the control assessment criteria and consolidation requirements currently in FRS 27 and INT FRS 12 *Consolidation - Special Purpose Entities*.

FRS 110 defines the principle of control and establishes control as the basis for determining which entities are consolidated in the consolidated financial statements. It also provides more extensive application guidance on assessing control based on voting rights or other contractual rights. Under FRS 110, control assessment will be based on whether an investor has (i) power over the investee; (ii) exposure, or rights, to variable returns from its involvement with the investee; and (iii) the ability to use its power over the investee to affect the amount of the returns. FRS 27 remains as a standard applicable only to separate financial statements.

FRS 110 will take effect from financial years beginning on or after January 1, 2014, with retrospective application subject to transitional provisions.

When the Group adopts FRS 110, entities it currently consolidates may not qualify for consolidation and entities it currently does not consolidate may qualify for consolidation. The Group is currently estimating the effects of FRS 110 on its investments in the period of initial adoption.

### FRS 112 Disclosure of Interests in Other Entities

FRS 112 requires an entity to provide more extensive disclosures regarding the nature of and risks associated with its interest in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

FRS 112 will take effect from financial years beginning on or after January 1, 2014. Upon adoption of FRS 112, the Group expects expanded disclosures relating to its interests in subsidiaries, associates and joint arrangements.

### Amendments to FRS 32 Financial Instruments: Presentation

The amendments to FRS 32 clarify existing application issues relating to the offsetting requirements. Specifically, the amendments clarify the meaning of 'currently has a legal enforceable right of set-off' and 'simultaneous realisation and settlement'.

The amendments to FRS 32 are effective for annual periods beginning on or after January 1, 2014, with retrospective application required.

The management is still evaluating the impact of the amendments to FRS 32 on the financial assets and liabilities that have been set-off on the statement of financial position.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Amendments to FRS 36 Impairment of Assets

The amendments to FRS 36 restrict the requirement to disclose the recoverable amount of an asset or cash generating unit ("CGU") to periods in which an impairment loss has been recognised or reversed. The amendments also expand and clarify the disclosure requirements applicable when such asset or CGU's recoverable amount has been determined on the basis of fair value less costs of disposal, such as the level of 'fair value hierarchy' within which the fair value measurement of the asset or CGU has been determined, and where the fair value measurements are at Level 2 or 3 of the fair value hierarchy, a description of the valuation techniques used and any changes in that valuation technique, key assumptions used including discount rate(s) used.

Upon adoption of the amendments to FRS 36, the Group expects additional disclosures arising from any asset impairment loss or reversals, and where their respective recoverable amounts are determined based on fair value less costs of disposal.

**BASIS OF CONSOLIDATION** - The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries). Control is achieved where the Company has the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

The results of subsidiaries acquired or disposed of during the year are included in the Consolidated statement of profit or loss and other comprehensive income from the effective date of acquisition or up to the effective date of disposal, as appropriate.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with those used by other members of the Group.

All intra-group transactions, balances, income and expenses are eliminated on consolidation.

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. The interest of non-controlling shareholders may be initially measured (at date of original business combination) either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The carrying amounts of the Group's interests and the 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 interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When the Group loses control of a subsidiary, the profit or loss on disposal is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the subsidiary and any non-controlling interests. Amounts previously recognised in other comprehensive income in relation to the subsidiary are accounted for (i.e. reclassified to profit or loss or transferred directly to retained earnings) in the same manner as would be required if the relevant assets or liabilities were disposed of. The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under FRS 39 *Financial Instruments: Recognition and Measurement* or, when applicable, the cost on initial recognition of an investment in an associate or jointly controlled entity.

In the Company's financial statements, investments in subsidiaries and associates are carried at cost less any impairment in net recoverable value that has been recognised in the profit or loss.

**BUSINESS COMBINATIONS** - Acquisitions of subsidiaries and businesses are accounted for using the acquisition method. The consideration for each acquisition is measured at the aggregate of the acquisition date fair values of assets given, liabilities incurred by the Group to the former owners of the acquiree, and equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred.

Where applicable, the consideration for the acquisition includes any asset or liability resulting from a contingent consideration arrangement, measured at its acquisition-date fair value. Subsequent changes in such fair values are adjusted against the cost of acquisition where they qualify as measurement period adjustments (see below). The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Contingent consideration that is classified as an asset or a liability is remeasured at subsequent reporting dates in accordance with FRS 39 *Financial Instruments: Recognition and Measurement*, or FRS 37 *Provisions, Contingent Liabilities and Contingent Assets*, as appropriate, with the corresponding gain or loss being recognised in profit or loss.

Where a business combination is achieved in stages, the Group's previously held interests in the acquired entity are remeasured to fair value at the acquisition date (i.e. the date the Group attains control) and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of.

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS are recognised at their fair value at the acquisition date, except that:

- deferred tax assets or liabilities and liabilities or assets related to employee benefit arrangements are recognised and measured in accordance with FRS 12 *Income Taxes* and FRS 19 *Employee Benefits* respectively;
- liabilities or equity instruments related to the replacement by the Group of an acquiree's share-based payment awards are measured in accordance with FRS 102 *Share-based Payment*; and
- assets (or disposal groups) that are classified as held for sale in accordance with FRS 105 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that Standard.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period (see below), or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date.

The measurement period is the period from the date of acquisition to the date the Group obtains complete information about facts and circumstances that existed as of the acquisition date - and is subject to a maximum of one year from acquisition date.

The accounting policy for initial measurement of non-controlling interests is described above.

The policy described above is applied to all business combinations that take place on or after January 1, 2010.

**FINANCIAL INSTRUMENTS** - Financial assets and financial liabilities are recognised on the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument.

### Effective interest method

The effective interest method is a method of calculating the amortised cost of a financial instrument and of allocating interest income or expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts or payments (including all fees on points paid or received that form an integral part of the effective interest rate, transactions costs and other premiums and discounts) through the expected life of the financial instrument, or where appropriate, a shorter period. Income and expense is recognised on an effective interest basis for debt instruments other than those financial instruments "at fair value through profit or loss".

### **Financial assets**

All financial assets are recognised and de-recognised on a trade date where the purchase or sale of an investment is under a contract whose terms require delivery of the investment within the timeframe established by the market concerned, and are initially measured at fair value plus transaction costs, except for those financial assets classified as at fair value through profit or loss which are initially measured at fair value.

Financial assets are classified into the following specified categories: financial assets "at fair value through profit or loss", "held-to-maturity investments", "available-for-sale" financial assets and "loans and receivables". The classification depends on the nature and purpose of financial assets and is determined at the time of initial recognition.

### Cash and cash equivalents

Cash and cash equivalents in the statement of cash flows comprise cash on hand, cash at bank and fixed deposits less restricted cash and bank overdrafts and are subject to an insignificant risk of changes in value.

### Available-for-sale financial assets

For available-for-sale equity investments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, they are measured as cost less any identified impairment losses at the end of each reporting period subsequent to initial recognition (see accounting policy on impairment loss on financial assets below).

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

### Loans and receivables

Trade and other receivables that have fixed or determinable payments that are not quoted in an active market are classified as "loans and receivables". Loans and receivables are measured at amortised cost using the effective interest method less impairment. Interest is recognised by applying the effective interest rate method, except for short-term receivables when the recognition of interest would be immaterial.

### Impairment of financial assets

Financial assets are assessed for indicators of impairment at the end of each reporting period. Financial assets are impaired where there is objective evidence that, as a result of one or more events that occurred after the initial recognition of the financial asset, the estimated future cash flows of the investment have been impacted. For available-for-sale equity instruments, a significant or prolonged decline in the fair value of the investment below its cost is considered to be objective evidence of impairment.

For all other financial assets, objective evidence of impairment could include:

- significant financial difficulty of the issuer or counterparty; or
- default or delinquency in interest or principal payments; or
- it becoming probable that the borrower will enter bankruptcy or financial re-organisation.

For certain categories of financial asset, such as receivables, assets that are assessed not to be impaired individually are, in addition, assessed for impairment on a collective basis. Objective evidence of impairment for a portfolio of receivables could include the Group's past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period, as well as observable changes in national or local economic conditions that correlate with default on receivables.

For financial assets carried at amortised cost, the amount of the impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate.

For financial assets that are carried at cost, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of the estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment loss will not be reversed in subsequent periods.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. When a trade receivable is uncollectible, it is written off against the allowance account. Subsequent recoveries of amounts previously written off are credited against the allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

For financial assets measured at amortised cost, 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 through profit or loss to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

When an available-for-sale financial asset is considered to be impaired, cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

### Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

### **Financial liabilities and equity instruments**

#### Classification as debt or equity

Financial liabilities and equity instruments issued by the Group are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability and an equity instrument.

#### Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments are recorded at the proceeds received, net of direct issue costs.

#### Financial liabilities

Trade and other payables are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, using the effective interest method, with interest expense recognised on an effective yield basis except for short-term payables, when the recognition of interest would be immaterial.

Interest-bearing bank loans and overdrafts are initially measured at fair value, and are subsequently measured at amortised cost, using the effective interest method. Any difference between the proceeds (net of transaction costs) and the settlement or redemption of borrowings is recognised over the term of the borrowings in accordance with the Group's accounting policy for borrowing costs (see below).

Financial guarantee contract liabilities are measured initially at their fair values and subsequently at the higher of the amount of obligation under the contract recognised as a provision in accordance with FRS 37 *Provisions, Contingent Liabilities and Contingent Assets* and the amount initially recognised less cumulative amortisation in accordance with FRS 18 *Revenue*.

#### Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**CONSTRUCTION CONTRACTS** - Where the outcome of a contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of reporting period, as measured by the proportion that contract costs incurred for work performed to date relative to the estimated total contract costs or engineers' professional estimate, except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that the amount can be measured reliably and its receipt is considered probable.

Where the outcome of a contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that it is probable will be recoverable. Contract costs are recognised as expenses in the period in which they are incurred.

When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

**INVENTORIES** - Inventories include raw material, work-in-progress and finished goods and are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. Cost is calculated using the weighted average method. Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing, selling and distribution.

**ASSOCIATES** - An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for under FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*. Under the equity method, investments in associates are carried in the consolidated statement of financial position at cost as adjusted for post-acquisition changes in the Group's share of the net assets of the associate, less any impairment in the value of individual investments. Losses of an associate in excess of the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate) are not recognised, unless the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

Any excess of the cost of acquisition over the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities of the associate recognised at the date of acquisition is recognised as goodwill. The goodwill is included within the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the net fair value of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

Where a group entity transacts with an associate of the Group, profits and losses are eliminated to the extent of the Group's interest in the relevant associate.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

PROPERTY, PLANT AND EQUIPMENT - Leasehold buildings are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses where the recoverable amount of the asset is estimated to be lower than its carrying amount. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period.

Any revaluation increase arising on the revaluation of such leasehold buildings is recognised in other comprehensive income and accumulated in revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of the leasehold buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the asset revaluation reserve relating to a previous revaluation of that asset.

Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Plant and equipment are stated at cost less accumulated depreciation and any accumulated impairment losses.

Depreciation is charged so as to write off the cost or valuation of assets, other than properties under construction, over their estimated useful lives, using the straight-line method, on the following bases:

Freehold buildings	-	2% to 5%
Leasehold buildings	-	2 $\frac{1}{3}$ %
Plant and equipment	-	10% to 33 $\frac{1}{3}$ %

Depreciation is not provided on freehold land.

Fully depreciated assets are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these assets.

The estimated useful lives, residual values and depreciation method are reviewed at each year end, with the effect of any changes in estimate accounted for on a prospective basis.

Assets held under finance leases are depreciated over their expected useful lives on the same basis as owned assets or, if there is no certainty that the lessee will obtain ownership by the end of the lease term, the asset shall be fully depreciated over the shorter of the lease term and its useful life.

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the properties revaluation reserve is transferred directly to retained earnings. No transfer is made from the revaluation reserve to retained earnings except when an asset is derecognised.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**INVESTMENT PROPERTY** - Investment property, which is property held to earn rentals and/or for capital appreciation, including property under construction for such purposes, is measured initially at its cost, including transaction costs. Subsequent to initial recognition, investment property is measured at fair value. Gains or losses arising from changes in the fair value of investment property are included in profit or loss for the period in which they arise.

An investment property is derecognised upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from the disposal. Any gain or loss arising on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised.

**GOODWILL** - Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed.

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period.

On disposal of a subsidiary or the relevant cash generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

**IMPAIRMENT OF TANGIBLE AND INTANGIBLE ASSETS EXCLUDING GOODWILL** - At the end of each reporting period, the Group reviews the carrying amounts of its tangible and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. Where a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs to sell and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

**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 the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows.

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

**LEASES** - Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

### The Group as lessor

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease income.

### The Group as lessee

Assets held under finance leases are recognised as assets of the Group at their fair value at the inception of the lease or, if lower, at the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation. Lease payments are apportioned between finance charges and reduction of the lease obligation so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are charged directly to profit or loss, unless they are directly attributable to qualifying assets, in which case they are capitalised in accordance with the Group's general policy on borrowing costs (see below). Contingent rentals are recognised as expenses in the periods in which they are incurred.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Rentals payable under operating leases are charged to profit or loss on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed. Contingent rentals arising under operating leases are recognised as an expense in the period in which they are incurred.

In the event that lease incentives are received to enter into operating leases, such incentives are recognised as a liability. The aggregate benefit of incentives is recognised as a reduction of rental expense on a straight-line basis, except where another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

REVENUE RECOGNITION - Revenue is measured at the fair value of the consideration received or receivable. Revenue is reduced for estimated customer returns, rebates and other similar allowances.

### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions are satisfied:

- the Group has transferred to the buyer the significant risks and rewards of ownership of the goods;
- the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits associated with the transaction will flow to the entity; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

### Contract revenue

Revenue from contracts is recognised in accordance with the Group's accounting policy on construction contracts (see above).

### Commission income

Commission income is recognised when the services are rendered.

### Rental income

Rental income from investment property is recognised on a straight-line basis over the term of the relevant lease.

### Dividend income

Dividend income from investments is recognised when the shareholders' rights to receive payment have been established.

### Interest income

Interest income is accrued on a time basis, by reference to the principal outstanding and at the effective interest rate applicable.

### Administrative and management income

Administrative and management income is recognised when the services are rendered.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

**BORROWING COSTS** - Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

**RETIREMENT BENEFIT COSTS** - Payments to defined contribution retirement benefit plans are charged as an expense when employees have rendered the services entitling them to the contributions. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's and Company's obligations under the plans are equivalent to those arising in a defined contribution retirement benefit plan.

**EMPLOYEE LEAVE ENTITLEMENT** - Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for annual leave as a result of services rendered by employees up to the end of the reporting period.

**INCOME TAX** - Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the statement of comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period.

Deferred tax is recognised on differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit, and is accounted for using the balance sheet liability method. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis.

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost.

**FOREIGN CURRENCY TRANSACTIONS AND TRANSLATION** - The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are presented in Singapore dollars, which is the functional currency of the Company, and the presentation currency for the consolidated financial statements.

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. At the end of each reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing on the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

Exchange differences arising on the settlement of monetary items, and on retranslation of monetary items are included in profit or loss for the period. Exchange differences arising on the retranslation of non-monetary items carried at fair value are included in profit or loss for the period except for differences arising on the retranslation of non-monetary items in respect of which gains and losses are recognised in other comprehensive income. For such non-monetary items, any exchange component of that gain or loss is also recognised in other comprehensive income.

Exchange differences on foreign currency borrowings relating to assets under construction for future productive use, are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings.

# Notes to Financial Statements

December 31, 2013

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollars using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

On the disposal of a foreign operation (i.e. a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, loss of joint control over a jointly controlled entity that includes a foreign operation, or loss of significant influence over an associate that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss.

In the case of a partial disposal (i.e. no loss of control) of a subsidiary that includes a foreign operation, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. of associates or jointly controlled entities not involving a change of accounting basis), the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 2, management is required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

### (I) *Critical judgements in applying the entity's accounting policies*

The following are the critical judgements, apart from those involving estimations (see below), that management has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the financial statements.

# Notes to Financial Statements

December 31, 2013

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

### (I) *Critical judgements in applying the entity's accounting policies (cont'd)*

#### (a) Shipyard operations

Since 2006, the Group incurred losses for its shipyard operations due to high start-up costs, project delay and cancellation.

In 2013, the Group's shipyard operations incurred a loss of \$22.5 million (2012: \$40.1 million) and has total assets of \$49.0 million (2012: \$59.7 million) as at December 31, 2013. The Group has implemented a right-sizing exercise for the shipyard operations and continues to explore various options including repairs, outsourcing and other services to improve the results of the shipyard operations. Management is confident that the shipyard operations remain viable.

### (II) *Key sources of estimation uncertainty*

The key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period, 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) Shipyard operations

In 2013, the Group's shipyard operations incurred a loss of \$22.5 million (2012: \$40.1 million) and has total assets of \$49.0 million (2012: \$59.7 million) as at December 31, 2013.

In complying with FRS 36, management has reviewed the carrying amount of its shipyard assets to determine whether those assets have suffered an impairment loss taking into account the recoverable amount of the shipyard operations assets. In this regard, the management is satisfied that no impairment is required. The carrying amount of shipyard assets at the end of the reporting period is disclosed in Note 44.

#### (b) Allowance for foreseeable losses

In estimating foreseeable losses on contracts-in-progress, management evaluates the status of each project and estimates the cost required to complete the work and recoverable amounts, taken into consideration on-going arbitration proceedings as disclosed in Note 42. Management estimated allowance for foreseeable losses of \$6,000,000 (2012: \$10,646,000) at December 31, 2013 as disclosed in Note 10.

#### (c) Allowances for bad and doubtful debts

The policy for allowances for bad and doubtful debts of the Group and the Company is based on the evaluation of collectibility and on management's judgement. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, including the current creditworthiness, the past collection history of each customer and on-going dealings with these parties. If the financial conditions of the counterparties were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The carrying amounts of trade and other receivables at the end of the reporting period are disclosed in Notes 8 and 9 respectively.

# Notes to Financial Statements

December 31, 2013

## 3 CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (cont'd)

### (II) Key sources of estimation uncertainty (cont'd)

#### (d) Allowances for inventories

At the end of the reporting period, the Group and the Company reviewed the carrying value of their inventories to ensure that they are stated at the lower of cost and net realisable value. In assessing net realisable value and making appropriate allowances, the management identified inventories that are slow moving, considers their physical conditions, market conditions and market price for similar inventories. The carrying amount of inventories at the end of the reporting period is disclosed in Note 11.

#### (e) Impairment of investments in subsidiaries

Determining whether investments in subsidiaries are impaired requires an estimation of the recoverable amounts of the investments. The recoverable amounts are determined based on net asset value of respective investment, which approximate the fair value less costs to sell. The carrying amounts of investments in subsidiaries in the Company's financial statements at the end of the reporting period are disclosed in Note 12.

#### (f) Fair value of leasehold building and investment property

The preparation of financial statements in accordance with FRS requires the Company's management to make estimates affecting the reported amounts of assets and liabilities, of revenue and expenses, and of gains and losses. As described in Note 2, the Company's leasehold building and investment property are stated at fair value, as determined by independent valuers. These estimated market values may differ from the prices at which the Company's asset could be sold at a particular time, since actual selling prices are negotiated between willing buyers and sellers. Also, certain estimates require an assessment of factors not within management's control, such as overall market conditions. As a result, actual results of operations and realisation of net assets in the future could differ from the estimates set forth in these financial statements. The carrying values of leasehold building and investment property are disclosed in Note 15 and 16 to the financial statements.

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT

### (a) *Categories of financial instruments*

The following table sets out the financial instruments as at the end of the reporting period:

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
<b>Financial assets</b>				
Loans and receivables (including cash and bank balances)	61,684	91,651	58,258	81,967
Available-for-sale financial assets	12	375	12	375
	<hr/>			
<b>Financial liabilities</b>				
Amortised cost	43,482	113,076	11,456	60,291
	<hr/>			

# Notes to Financial Statements

December 31, 2013

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (b) *Financial risk management policies and objectives*

The Group's financial instruments comprise bank overdrafts and borrowings, finance leases, bank loans and cash and bank balances. It is management's intent to maintain a balanced portfolio of financial instruments to finance the Group's operations. The Group also has various other financial assets and liabilities such as trade receivables and trade payables which arise directly from its operations.

The Group does not hold or issue derivative financial instruments for speculative purposes. Market risk exposures are measured using sensitivity analysis indicated below.

### (i) Foreign exchange risk management

The Group transacts business in various foreign currencies and therefore is exposed to foreign exchange risk.

At the end of the reporting period, the carrying amounts of significant monetary assets and monetary liabilities denominated in currencies other than the respective group's entities' functional currencies are as follows:

	Group				Company			
	Assets		Liabilities		Assets		Liabilities	
	2013	2012	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Australian dollar	-	457	8	487	-	-	-	21
Chinese renminbi	-	-	230	87	-	-	230	87
Euro	537	24,490	7,198	36,266	456	9,117	2,378	12,344
Norwegian kroner	-	48	-	329	-	48	-	329
Sterling pound	26	257	5	873	26	115	3	603
Thailand baht	51	2,052	55	39,176	-	-	21	21
United States dollar	2,871	81,963	6,211	68,392	2,150	42,314	2,429	30,995
Singapore dollar	371	3	3,689	37,626	-	-	-	-

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

### *Foreign currency sensitivity*

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss and/or equity.

# Notes to Financial Statements

December 31, 2013

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

### (b) *Financial risk management policies and objectives (cont'd)*

#### (i) Foreign exchange risk management (cont'd)

##### *Foreign currency sensitivity (cont'd)*

If the relevant foreign currency strengthens by 10% against the functional currency of each group entity, profit or loss from continuing operations will increase (decrease) by:

	Profit or loss			
	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
<u>Impact of:</u>				
Australian dollar	(1)	(3)	-	(2)
Chinese renminbi	(23)	(9)	(23)	(9)
Euro	(666)	(1,178)	(192)	(323)
Norwegian kroner	-	(28)	-	(28)
Singapore dollar	(2,762)	(3,762)	-	-
Sterling pound	2	(62)	2	(49)
Thailand baht	(265)	(3,712)	(2)	(2)
United States dollar	(334)	1,357	(28)	1,132

If the relevant foreign currency weakens by 10% against the functional currency of each group entity, the effects on profit or loss will be *vice versa*.

#### (ii) Interest rate risk management

Summary quantitative data of the Group's and the Company's interest-bearing financial instruments can be found in Section (v) of this Note. The Group's primary source of interest rate risk is from its borrowings from banks and other financial institutions.

##### *Interest rate sensitivity*

The sensitivity analysis below has been determined based on the exposure to interest rates for both derivative and non-derivative instruments at the end of the reporting period and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points higher or lower and all other variables were held constant, the Group's and the Company's loss for the year ended December 31, 2013 would increase/decrease by \$12,000 and \$5,000 (2012: profit would decrease/ increase by \$183,000 and \$155,000) respectively. This is mainly attributable to the Group's and the Company's exposure to interest rates on its variable rate borrowings.

# Notes to Financial Statements

December 31, 2013

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) *Financial risk management policies and objectives (cont'd)*

(iii) Investment risk management

The Group is exposed to investment risks arising from its investments classified as available-for-sale. Available-for-sale investments are held for strategic rather than trading purposes. The Group does not actively trade in available-for-sale investments. Further details of these investments can be found in Note 14 to the financial statements.

No sensitivity analysis is prepared as the Group's available-for-sale investments are measured at cost less impairment at the end of each reporting period.

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group's exposure to its counterparties are continuously monitored. Credit exposure is controlled by the counterparty limits that are reviewed and approved by the management on an on-going basis.

As of December 31, 2013 and 2012, the Group and the Company do not have any significant concentration of credit risk to any counterparty.

The maximum amount the Company could be forced to settle under the financial guarantee contract in Notes 23 and 41, if the full guaranteed amount is claimed by the counterparty to the guarantee is \$1.4 million (2012: \$27.5 million). Based on expectations at the end of the reporting period, the Company considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The carrying amount of financial assets recorded in the financial statements, grossed up for any allowances for losses, represents the Group's maximum exposure to credit risk.

Further details of credit risks on trade and other receivables are disclosed in Notes 3, 8 and 9 to the financial statements.

# Notes to Financial Statements

December 31, 2013

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) *Financial risk management policies and objectives (cont'd)*

(v) Liquidity risk management

The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities.

### Liquidity and interest-risk analysis

#### Non-derivative financial liabilities

The following tables detail the contractual maturity for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position.

	<b>Weighted average effective interest rate</b>	<b>On demand or within 1 year</b>	<b>Within 2 to 5 years</b>	<b>After 5 years</b>	<b>Adjustment</b>	<b>Total</b>
	<b>%</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<u>Group</u>						
<b>2013</b>						
Non-interest bearing	-	39,637	-	-	-	39,637
Variable interest rate instruments	3.1	947	-	1,916	(531)	2,332
Fixed interest rate instruments	2.9	758	-	552	(62)	1,248
Finance lease liability (fixed rate)	4.9	135	153	-	(23)	265
		<u>41,477</u>	<u>153</u>	<u>2,468</u>	<u>(616)</u>	<u>43,482</u>
<b>2012</b>						
Non-interest bearing	-	72,803	-	-	-	72,803
Variable interest rate instruments	3.0	36,802	-	-	(163)	36,639
Fixed interest rate instruments	4.0	2,066	1,309	-	(178)	3,197
Finance lease liability (fixed rate)	4.1	172	311	-	(46)	437
		<u>111,843</u>	<u>1,620</u>	<u>-</u>	<u>(387)</u>	<u>113,076</u>

# Notes to Financial Statements

December 31, 2013

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) *Financial risk management policies and objectives (cont'd)*

(v) Liquidity risk management (cont'd)

	Weighted average effective interest rate	On demand or within 1 year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	\$'000	\$'000	\$'000	\$'000	\$'000
<u>Company</u>						
<b>2013</b>						
Non-interest bearing	-	9,132	-	-	-	9,132
Variable interest rate instruments	2.2	947	-	-	(3)	944
Fixed interest rate instruments	2.9	758	552	-	(62)	1,248
Finance lease liability (fixed rate)	3.2	37	110	-	(15)	132
		<u>10,874</u>	<u>662</u>	<u>-</u>	<u>(80)</u>	<u>11,456</u>
<b>2012</b>						
Non-interest bearing	-	25,795	-	-	-	25,795
Variable interest rate instruments	3.0	31,168	-	-	(106)	31,062
Fixed interest rate instruments	4.0	2,066	1,309	-	(178)	3,197
Finance lease liability (fixed rate)	3.2	37	147	-	(19)	165
		<u>59,066</u>	<u>1,456</u>	<u>-</u>	<u>(303)</u>	<u>60,219</u>

# Notes to Financial Statements

December 31, 2013

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) *Financial risk management policies and objectives (cont'd)*

(v) Liquidity risk management (cont'd)

### Non-derivative financial assets

The following table details the expected maturity for non-derivative financial assets. The tables below have been drawn up based on the carrying value of the financial assets including interest that are expected to be earned on assets carried at amortised cost.

	<b>Weighted average effective interest rate</b>	<b>On demand or within 1 year</b>	<b>Within 2 to 5 years</b>	<b>Total</b>
	%	\$'000	\$'000	\$'000
<u>Group</u>				
<b>2013</b>				
Fixed interest rate instruments	0.5	1,783	5,801	7,584
Non-interest bearing	-	49,100	5,000	54,100
		50,883	10,801	61,684
<b>2012</b>				
Fixed interest rate instruments	1.5	1,974	-	1,974
Non-interest bearing	-	89,677	-	89,677
		91,651	-	91,651
<u>Company</u>				
<b>2013</b>				
Fixed interest rate instruments	0.5	1,783	5,801	7,584
Non-interest bearing	-	45,674	5,000	50,674
		47,457	10,801	58,258
<b>2012</b>				
Non-interest bearing	-	81,967	-	81,967

# Notes to Financial Statements

December 31, 2013

## 4 FINANCIAL INSTRUMENTS, FINANCIAL RISKS AND CAPITAL RISKS MANAGEMENT (cont'd)

(b) *Financial risk management policies and objectives (cont'd)*

(vi) Fair value of financial assets and financial liabilities

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables and other liabilities approximate their respective fair values due to the relatively short-term maturity of these financial instruments. The fair values of other classes of financial assets and liabilities are disclosed in the respective notes to financial statements.

Management considers that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the financial statements approximate their fair values.

(c) *Capital risk management policies and objectives*

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance, and to ensure that all externally imposed capital requirements are complied with.

The capital structure of the Group consists of debt, which includes the borrowings disclosed in Notes 18, 22 and 23 to the financial statements and equity attributable to owners of the Company, comprising share capital, reserves and retained earnings as disclosed in Notes 25 to 29 to the financial statements.

The Group's overall strategy remains unchanged from 2012.

## 5 RELATED COMPANY TRANSACTIONS

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

Transactions between the Company and its subsidiaries, which are related companies of the Company, have been eliminated on consolidation and are not disclosed.

# Notes to Financial Statements

December 31, 2013

## 6 OTHER RELATED PARTY TRANSACTIONS

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

During the year, Group entities entered into the following transactions:

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
<u>Associate</u>		
Charges for subcontracting work	299	982
<u>Company in which a company's director has a financial interest</u>		
Services provided to a company which a company's director has a financial interest	(104)	(2)
Purchase of goods and services from a company in which a company's director has a financial interest	462	632
Fees paid to companies in which a company's director has a financial interest	81	17
<u>Company with common director</u>		
Rental income earned from a company with common director	(120)	-
<u>Director</u>		
Advisory fees paid to a director	36	33

The amounts outstanding are unsecured and will be settled in cash. No guarantees have been given or received.

No expense has been recognised in the period for bad or doubtful debts in respect of the amounts owed by related parties.

### ***Compensation of directors and key management personnel***

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

	<b>Group</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Short-term benefits	4,837	2,072
Post-employment benefits	57	62
	<b>4,894</b>	<b>2,134</b>

The remuneration of directors and key management is determined by the Remuneration Committee having regard to the performance of individuals and market trends.

# Notes to Financial Statements

December 31, 2013

## 7 CASH AND BANK BALANCES

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Cash on hand	27	26	1	11
Cash at bank	21,891	21,115	21,337	6,311
Fixed deposits	7,584	1,974	7,584	-
	29,502	23,115	28,922	6,322
Current portion	(24,502)	(23,115)	(23,922)	(6,322)
Non-current portion	5,000	-	5,000	-

The Group's cash at bank included restricted cash of \$10,002,000 (2012: \$5,303,000) which represented cash pledged with banks as security for trade credit lines, performance guarantees issued to third parties and cash being withheld as retention fund as part of the disposal of the Distribution business. The restricted cash at bank bears interest at 0.5% (2012: 0.20%) per annum.

The restricted fixed deposits of \$2,582,000 (2012: \$1,974,000) bear interest ranging from 0.34% to 0.62% (2012: 0.05% to 3.10%) per annum and for a tenure of 84 days to 16 months (2012: 30 days to 3 months).

The unrestricted fixed deposits of \$5,002,000 (2012: Nil) bear interest ranging at 0.485% (2012: ranging from 0.05% to 3.05%) per annum and for a tenure of approximately 1 month (2012: 30 days to 3 months).

The carrying amounts of these assets approximate their fair values.

The Group's and Company's cash and bank balances that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
United States dollar	1,569	16,027	1,385	5,603
Euro	103	1,774	99	653
Sterling pound	25	129	25	13
Canadian dollar	6	6	6	6

# Notes to Financial Statements

December 31, 2013

## 8 TRADE RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Outside parties	4,087	43,145	453	22,100
Less: Allowance for doubtful debts	(49)	(555)	-	(43)
	4,038	42,590	453	22,057
Subsidiaries (Note 12)	-	-	7,012	9,522
Less: Allowance for doubtful debts	-	-	(7,012)	(3,779)
	-	-	-	5,743
Associates (Notes 6 and 13)	185	215	185	215
Less: Allowance for doubtful debts	(185)	(185)	(185)	(185)
	-	30	-	30
Companies in which the Group and Company have a financial interest (Notes 6 and 14)	-	993	-	35
Less: Allowance for doubtful debts	-	(5)	-	(5)
Less: Impairment loss	-	(88)	-	-
	-	900	-	30
Amounts due from construction contract customers (Note 10)	24,792	15,365	-	-
	28,830	58,885	453	27,860

The amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

The amounts due from associates are unsecured, interest-free and repayable on demand.

The average credit period on sales of goods is 60 days (2012: 60 days). No interest is charged on the trade receivables.

Before accepting any new customers, the Group assesses the potential customer's credit quality and defines credit limits by customer.

Included in the Group's and the Company's trade receivable balance are debtors with a carrying amount of \$2.0 million and \$0.5 million (2012: \$17.2 million and \$16.5 million) respectively which are past due at the reporting date for which the Group and the Company have not provided as there has not been a significant change in credit quality and the amounts are still considered recoverable.

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Management does not believe that there has been a significant change in credit quality and no further credit provision is required in excess of the allowance for doubtful debts. The Group does not hold any collateral for these balances.

# Notes to Financial Statements

December 31, 2013

## 8 TRADE RECEIVABLES (cont'd)

The table below is an analysis of trade receivables as at December 31, 2013:

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Not past due and not impaired	26,798	41,709	-	11,375
Past due but not impaired	2,032	15,993	453	13,630
	28,830	57,702	453	25,005
Receivables	234	1,081	7,197	6,867
Less: Allowance for doubtful debts	(234)	(745)	(7,197)	(4,012)
	-	336	-	2,855
Impaired receivables	-	935	-	-
Less: Impairment loss	-	(88)	-	-
	-	847	-	-
Total trade receivables, net	28,830	58,885	453	27,860

The table below is an analysis of trade receivables which are past due for which no allowance has been made.

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
<3 months	20	13,958	2	12,590
3 months to 6 months	336	1,629	1	1,907
6 months to 12 months	824	594	7	442
1 to 2 years	852	91	443	1,032
2 to 5 years	-	27	-	27
5 to 10 years	-	847	-	-
More than 10 years	-	30	-	487
	2,032	17,176	453	16,485

# Notes to Financial Statements

December 31, 2013

## 8 TRADE RECEIVABLES (cont'd)

### *Movement in the allowance for doubtful debts*

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the year	745	1,022	4,012	408
Amounts written off during the year	(113)	(189)	(5)	
Amounts recovered during the year	(27)	(223)	(27)	(223)
Increase in allowance recognised in profit or loss	523	184	3,561	3,827
Disposal of Distribution business	(894)	-	(344)	-
Disposal of subsidiary	-	(49)	-	-
Balance at end of the year	234	745	7,197	4,012

The allowance made during the year is in respect of estimated irrecoverable amounts from the sale of goods.

### *Movement in the impairment loss*

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the year	88	100	-	12
Reversal of impairment due to settlement during the year	(88)	-	-	-
Interest recognised	-	(12)	-	(12)
Balance at end of the year	-	88	-	-

The Group's and Company's trade receivables (net of allowance and impairment loss) that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
United States dollar	163	23,304	1	16,508
Euro	358	3,907	357	3,809
Singapore dollar	341	-	-	-
Sterling pound	1	40	1	40
Norwegian kroner	-	48	-	48

# Notes to Financial Statements

December 31, 2013

## 9 OTHER RECEIVABLES

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Prepayments	110	588	13	202
Deposits	867	4,668	454	71
	977	5,256	467	273
Advances	-	18	-	1
Other receivables	1,827	4,984	22	1,208
Company with common director (Note 6)	1,037	-	1,037	-
Subsidiaries (Note 12)	-	-	84,579	72,338
Less: Allowance for doubtful debts	-	-	(57,213)	(24,783)
	-	-	27,366	47,555
Associates (Notes 6 and 13)	2,006	1,935	4	4
Less: Allowance for doubtful debts	(2,002)	-	-	-
	4	1,935	4	4
Companies in which the Group and Company have a financial interest (Notes 6 and 14)	3,034	3,075	3,034	3,075
Less: Allowance for doubtful debts	(3,034)	(3,034)	(3,034)	(3,034)
	-	41	-	41
	3,845	12,234	28,896	49,082

Advances to outside parties are unsecured, interest-free and repayable on demand.

Included in other receivables are advance payment to certain suppliers amounting to \$383,000 (2012: \$1,995,000) and expenses reimbursable from outside parties amounting to \$2,481,000 (2012: \$2,989,000).

The amounts due from subsidiaries were unsecured, interest-free and repayable on demand.

The amounts due from associates are unsecured, interest-free and repayable on demand.

# Notes to Financial Statements

December 31, 2013

## 9 OTHER RECEIVABLES (cont'd)

### *Movement in the allowance for doubtful debts*

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of the year	3,034	3,034	27,817	14,429
Increase in allowance recognised in profit or loss	2,064	-	32,525	13,388
Exchange Differences	(62)	-	-	-
Disposal of Distribution business	-	-	(95)	-
Balance at end of the year	5,036	3,034	60,247	27,817

The Group's and Company's other receivables (net of allowance and impairment loss) that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
United States dollar	1,139	4,854	764	20,203
Euro	76	420	-	4,655
Singapore dollar	30	-	-	-
Sterling pound	-	-	-	62
Thailand baht	51	901	-	-

## 10 CONSTRUCTION CONTRACTS

	Group	
	2013	2012
	\$'000	\$'000
Contracts-in-progress at end of the reporting period:		
Amounts due from contract customers included in trade receivables (Note 8)	24,792	15,365
Amounts due to contract customers included in trade payables (Note 19)	(3,215)	(12,505)
	21,577	2,860
Contracts-in-progress:		
Contract costs incurred plus recognised profits (less recognised losses to date)	55,978	66,673
Less: Progress billings	(28,401)	(53,167)
Allowance for foreseeable losses	(6,000)	(10,646)
	21,577	2,860

At December 31, 2012, retention monies held by customers for contract work included in trade receivables (Note 8) amounted to \$710,000. There were no retention monies held by customers at December 31, 2013.

Advances received from customers for contract work included in trade payables (Note 19) amounted to \$7,882,000 (2012: \$9,215,000).

The cost of sales from continuing operations includes \$613,000 (2012: \$9,246,000) in respect of reversal of allowance for foreseeable losses (2012: allowance for foreseeable losses) recognised for the year ended December 31, 2013.

# Notes to Financial Statements

December 31, 2013

## 11 INVENTORIES

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Raw materials, at net realisable value	38	2,903	-	-
Work-in-progress, at net realisable value	10,000	10,000	-	-
Finished goods, at net realisable value	34	21,095	-	12,630
	10,072	33,998	-	12,630

The cost of inventories recognised as an expense includes \$276,000 (2012: \$858,000) in respect of write-downs of inventories to net realisable value.

## 12 SUBSIDIARIES

	Company	
	2013	2012
	\$'000	\$'000
Unquoted equity shares, at cost	5,808	16,738
Less: Impairment loss	(5,000)	(7,808)
Carrying amount	808	8,930

Details of all the subsidiaries at December 31, 2013 are as follows:

Name of subsidiary	Country of incorporation (or registration) and operation	Proportion of ownership interest and voting power held		Principal activities
		2013	2012	
		%	%	
FST Protection Pte Ltd <sup>(1)(3)</sup>	Singapore	-	100	Dormant
Oakwell Engineering International Pte Ltd <sup>(1)(5)</sup>	Singapore	-	100	Providing design, fabrication, procurement, construction and supervisory services
Oakwell Engineering (M) Sdn Bhd <sup>(2)(5)(6)</sup>	Malaysia	-	70	Trading, engineering and contracting services
Oakwell Marine Services (S) Pte Ltd <sup>(1)(5)</sup>	Singapore	-	100	Investment holding
M&I Electric Far East Pte Ltd <sup>(1)(5)</sup>	Singapore	-	51	Supplying and servicing switchgears and Motor Control Centre for oil and gas, chemical industries and offshore platform
OID Pte. Ltd. <sup>(1)(5)</sup>	Singapore	-	100	Investment holding

# Notes to Financial Statements

December 31, 2013

## 12 SUBSIDIARIES (cont'd)

Name of subsidiary	Country of incorporation (or registration) and operation	Proportion of ownership interest and voting power held		Principal activities
		2013 %	2012 %	
OSEC Shipyard Pte. Ltd. (formerly known as Oakwell Shipbuilding Engineering & Construction Pte. Ltd.) <sup>(1)</sup>	Singapore	100	100	Shipbuilding and ship repairs
Biofuel Research Pte. Ltd. <sup>(1)(4)</sup>	Singapore	51	51	Research and development of advance technology, engineering and manufacturing and consultancy for biofuel industry
Subsidiary of Oakwell Engineering International Pte Ltd				
Oakwell Engineering (Vietnam) Company Limited <sup>(5)</sup>	Vietnam	-	100	Trading of engineering parts
Subsidiaries of Oakwell Marine Services (S) Pte Ltd				
Oakwell Inc. <sup>(1)(5)</sup>	United States of America	-	100	Trading, fabricating and servicing of engineering parts
Oakwell Do Brasil Comercio De Equipmentos Ltda <sup>(5)</sup>	Brazil	-	100	Trading, fabricating and servicing of engineering parts
Oakwell Korea Co., Ltd <sup>(5)</sup>	South Korea	-	100	Trading of engineering parts
Subsidiaries of OID Pte. Ltd.				
Oakwell Engineering Equipment (Shanghai) Co., Ltd <sup>(2)(5)</sup>	People's Republic of China	-	100	Providing design, fabrication, procurement, construction and supervisory services
Oakwell International Trading (Shanghai) Co., Ltd <sup>(2)(5)</sup>	People's Republic of China	-	100	Engineering services, import and export of materials and equipment
Subsidiary of OSEC Shipyard Pte. Ltd.				
OSC Co., Ltd (formerly known as Oakwell Shipyard Co., Ltd) <sup>(2)</sup>	Thailand	100	100	Engages in shipbuilding and ship repairs

# Notes to Financial Statements

December 31, 2013

## 12 SUBSIDIARIES (cont'd)

- (1) Audited by Deloitte & Touche LLP, Singapore.
- (2) Audited by overseas practices of Deloitte Touche Tohmatsu Limited.
- (3) Liquidated during the year.
- (4) As part of the disposal of Distribution business, the subsidiary was transferred to the Company during the year. Prior to the transfer, this subsidiary was owned by Oakwell Engineering International Pte Ltd.
- (5) Disposed during the year as part of disposal of Distribution business (Note 35).
- (6) The following schedule shows the effects of changes in the Group's ownership interest in a subsidiary from 70% to 100% on the equity attributable to owners of the Company. This subsidiary was subsequently disposed as part of disposal of Distribution business (Note 35).

	<u>2013</u> <u>\$'000</u>
Net assets acquired	495
Amount paid on changes in ownership interest in a subsidiary	(340)
Effect on non-controlling interest	<u>155</u>

The Company tests the investments annually for impairment or more frequently if there are indications that the investments might be impaired.

As part of the Company's impairment assessment, the management concluded that the investment in OSEC Shipyard Pte. Ltd. (formerly known as Oakwell Shipbuilding Engineering & Construction Pte. Ltd.) (2012: OID Pte. Ltd., FST Protection Pte Ltd and Oakwell Shipbuilding Engineering & Construction Pte. Ltd.) is impaired and accordingly, an accumulated impairment loss of \$5,000,000 (2012: \$7,808,000) representing the excess of carrying amounts over recoverable amounts of the investments had been recorded. The recoverable amounts of the investments are determined based on net asset value of the investment, which approximate the fair value less costs to sell at the end of the reporting period.

## 13 ASSOCIATE

	<u>Group</u>		<u>Company</u>	
	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>	<u>2013</u> <u>\$'000</u>	<u>2012</u> <u>\$'000</u>
Unquoted equity shares, at cost	36	36	36	36
Share of post-acquisition losses	(36)	(36)	-	-
Impairment loss	-	-	(36)	(36)
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

# Notes to Financial Statements

December 31, 2013

## 13 ASSOCIATE (cont'd)

Details of the associate at December 31, 2013 are as follows:

Name of associate	Country of incorporation (or registration) and operation	Proportion of ownership interest and voting power held		Principal activities
		2013 %	2012 %	
Oakwell Corporation Thailand Co., Ltd <sup>(1)</sup>	Thailand	49	49	Providing construction and repair services for marine vessel

<sup>(1)</sup> Audited by VAT Accounting, Bangkok, Thailand.

Summarised financial information based on the unaudited management accounts in respect of the Group's associate is set out below:

	2013 \$'000	2012 \$'000
Total assets	12,146	11,964
Total liabilities	(12,390)	(12,083)
Net liabilities	(244)	(119)
Group's share of associates' net assets	-	-
Revenue	517	1,154
Loss for the year	(72)	(51)
Group's share of associates' loss for the year	-	-

For the year ended December 31, 2013, the Group has not recognised losses amounting to \$35,000 (2012: profit of \$25,000) for Oakwell Corporation Thailand Co., Ltd. as the accumulated losses not recognised as at December 31, 2013 were \$133,000 (2012: \$98,000).

# Notes to Financial Statements

December 31, 2013

## 14 AVAILABLE-FOR-SALE INVESTMENTS

	<b>Group and Company</b>	
	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Unquoted equity shares	-	303
Club memberships	12	72
	12	375

In 2013, the investments in unquoted equity shares of the Group consist of:

- a) Shares in a company that is engaged in engineering sales, trading and servicing of metering instrumentation and control equipment and systems.
- b) Shares in a company that is engaged in the supplying and servicing of switchgears and Motor Control Centre for oil and gas, chemical industries and offshore platform.

In 2012, the investments in unquoted equity shares of the Group consisted of:

- a) Shares in a company that is engaged in the trading and servicing of engineering parts, and renting of plant and machinery to the oil and gas industry held by the Company.
- b) Shares in a company that is engaged in engineering sales, trading and servicing of metering instrumentation and control equipment and systems.
- c) Shares in a company that is engaged in the supplying and servicing of switchgears and Motor Control Centre for oil and gas, chemical industries and offshore platform.

The investments in unquoted equity shares are measured at cost less impairment at the end of each reporting period because management is of the opinion that their fair values cannot be measured reliably. An accumulated impairment loss of \$447,000 (2012: \$524,000) had been recorded.

During the year, the Group and the Company carried out a review of the recoverable amount of its club memberships. An impairment loss (included in other operating expenses) of \$10,000 (2012: \$7,000) has been charged against club memberships for the Group and the Company. In 2012, an accumulated impairment loss of \$17,000 had been recorded. No accumulated impairment loss has been recorded in 2013 as club memberships with impairment losses were included as part of disposal of Distribution business (Note 35).

The Group's and Company's available-for-sale investments (net of impairment loss), that are not denominated in the functional currencies of the respective entities are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2013</b>	<b>2012</b>	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Malaysian ringgit	-	303	-	303

# Notes to Financial Statements

December 31, 2013

## 15 PROPERTY, PLANT AND EQUIPMENT

Group	Construction in progress \$'000	Freehold land \$'000	Freehold buildings \$'000	Leasehold buildings \$'000	Plant and equipment \$'000	Total \$'000
<b>Cost or Valuation:</b>						
At January 1, 2012	629	320	1,353	4,307	24,560	31,169
Exchange differences	(23)	(6)	(51)	(15)	(304)	(399)
Revaluation	-	-	-	4,300	-	4,300
Additions	2,804	-	-	-	1,673	4,477
Reclassification	-	-	-	(292)	292	-
Eliminated on disposal of subsidiary	-	-	-	-	(290)	(290)
Disposals and write-off	-	-	-	-	(401)	(401)
At December 31, 2012	3,410	314	1,302	8,300	25,530	38,856
Exchange differences	(81)	(5)	50	-	(262)	(298)
Revaluation	-	-	-	331	-	331
Additions	2,813	-	-	-	428	3,241
Reclassification to investment property (Note 16)	-	-	-	(3,711)	-	(3,711)
Disposal of Distribution business	-	(309)	(1,352)	-	(6,709)	(8,370)
Disposals and write-off	(244)	-	-	-	(488)	(732)
At December 31, 2013	5,898	-	-	4,920	18,499	29,317
<b>Comprising:</b>						
December 31, 2013						
At cost	5,898	-	-	-	18,499	24,397
At valuation	-	-	-	4,920	-	4,920
	5,898	-	-	4,920	18,499	29,317
December 31, 2012						
At cost	3,410	314	1,302	-	25,530	30,556
At valuation	-	-	-	8,300	-	8,300
	3,410	314	1,302	8,300	25,530	38,856

# Notes to Financial Statements

December 31, 2013

## 15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Construction in progress	Freehold land	Freehold buildings	Leasehold buildings	Plant and equipment	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Accumulated depreciation:</b>						
At January 1, 2012	-	-	821	1,055	12,278	14,154
Exchange differences	-	-	(1)	4	(111)	(108)
Depreciation	-	-	46	189	1,086	1,321
Depreciation charge included in contracts -in-progress	-	-	-	-	1,346	1,346
Revaluation	-	-	-	(1,023)	-	(1,023)
Reclassification	-	-	-	(225)	225	-
Eliminated on disposal of subsidiary	-	-	-	-	(151)	(151)
Eliminated on disposals and write-off	-	-	-	-	(391)	(391)
At December 31, 2012	-	-	866	-	14,282	15,148
Exchange differences	-	-	(26)	-	(59)	(85)
Depreciation	-	-	45	257	958	1,260
Depreciation charge included in contracts -in-progress	-	-	-	-	1,275	1,275
Reclassification to investment property (Note 16)	-	-	-	(99)	-	(99)
Eliminated on disposal of Distribution business	-	-	(885)	-	(5,254)	(6,139)
Eliminated on disposals and write-off	-	-	-	-	(458)	(458)
At December 31, 2013	-	-	-	158	10,744	10,902
<b>Carrying amounts:</b>						
At December 31, 2013	5,898	-	-	4,762	7,755	18,415
At December 31, 2012	3,410	314	436	8,300	11,248	23,708

# Notes to Financial Statements

December 31, 2013

## 15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

	Freehold building \$'000	Leasehold building \$'000	Plant and equipment \$'000	Total \$'000
<b>Company</b>				
<b>Cost or Valuation:</b>				
At January 1, 2012	250	4,000	5,473	9,723
Additions	-	-	343	343
Revaluation increase	-	4,300	-	4,300
Disposals	-	-	(364)	(364)
At December 31, 2012	250	8,300	5,452	14,002
Additions	-	-	102	102
Revaluation increase	-	331	-	331
Reclassification to investment property (Note 16)	-	(3,711)	-	(3,711)
Disposal of Distribution business	(250)	-	(4,396)	(4,646)
Disposals and write-off	-	-	(325)	(325)
At December 31, 2013	-	4,920	833	5,753
<b>Comprising:</b>				
December 31, 2013				
At cost	-	-	833	833
At valuation	-	4,920	-	4,920
	-	4,920	833	5,753
December 31, 2012				
At cost	250	-	5,452	5,702
At valuation	-	8,300	-	8,300
	250	8,300	5,452	14,002
<b>Accumulated depreciation:</b>				
At January 1, 2012	213	930	4,130	5,273
Depreciation	12	93	530	635
Eliminated on revaluation	-	(1,023)	-	(1,023)
Eliminated on disposals	-	-	(362)	(362)
At December 31, 2012	225	-	4,298	4,523
Depreciation	9	257	312	578
Reclassification to investment property (Note 16)	-	(99)	-	(99)
Eliminated on disposal of Distribution business	(234)	-	(3,678)	(3,912)
Eliminated on disposals and write-off	-	-	(322)	(322)
At December 31, 2013	-	158	610	768
<b>Carrying amounts:</b>				
At December 31, 2013	-	4,762	223	4,985
At December 31, 2012	25	8,300	1,154	9,479

# Notes to Financial Statements

December 31, 2013

## 15 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Leasehold building classified as property, plant and equipment at respective reporting periods represents the portion of owner-occupied property. During the year, a gross area of 1,865.7 square metres in the leasehold building is leased out under operating lease and is classified as investment property as disclosed in Note 16.

The Group's leasehold building was revalued by Asian Appraisal Company Pte Ltd, independent valuer having an appropriate recognised professional qualification and recent experience in the location and category of the property being valued, and not connected with the Group. The fair values of the leasehold building at respective reporting periods have been determined on the basis of valuations carried out at or close to the respective year end dates. The valuations were arrived at by reference to market evidence of transaction prices for similar properties on the basis of open market values and existing use. The valuation conforms to International Valuation Standards.

The Group classified fair value measurement using a fair value hierarchy that reflects the nature and complexity of the significant inputs used in making the measurement. As at the end of December 31, 2013, the fair value measurements of the Group's leasehold building are classified within Level 3 of the fair value hierarchy. There were no transfers between different levels during the year.

Management considers that certain unobservable inputs used in the fair value measurement of the Group's leasehold building are sensitive to the fair value measurement. A change in these inputs will have a corresponding increase/decrease in the fair valuation, such that, an increase in the transacted price of comparable property, ranging from \$1,857 to \$2,615 per square metre for the respective property, will lead to an increase in the fair value of the investment property.

The carrying amount of the Group's and the Company's plant and equipment includes an amount of \$437,000 and \$224,000 (2012: \$664,000 and \$256,000) respectively, that are under finance leases (Note 22).

At December 31, 2013, had the leasehold building classified as property, plant and equipment been carried at historical cost less accumulated depreciation, the carrying amount would have been approximately \$581,000 (2012: \$1,097,000) for the Group and the Company.

## 16 INVESTMENT PROPERTY

	<b>Group and Company</b>
	<b>2013</b>
	<b>\$'000</b>
<u>At fair value</u>	
Balance at beginning of year	-
Transfer from property, plant and equipment (Note 15)	3,612
Balance at end of year	<u>3,612</u>

Details relating to fair value measurement of the investment property are disclosed in Note 15.

# Notes to Financial Statements

December 31, 2013

## 16 INVESTMENT PROPERTY (cont'd)

Details of the investment property are as follows:

Location	Description	Title	Gross area (Sq. Metres)
8 Aljunied Avenue 3 Singapore 389933	3 storey building (Lot 6023P of Mu Kim 24)	30 years lease commencing from 1 September 2013	1,865.7

The property rental income from the Group's investment property leased out under operating leases amounted to \$120,000. Direct operating expenses (including repairs and maintenance) arising from the rental-generating investment property amounted to \$54,052.

## 17 GOODWILL

	Group \$'000
Cost:	
At January 1, 2012	115
Eliminated on disposal of a subsidiary	(83)
At December 31, 2012	32
Eliminated on disposal of a subsidiary	(32)
At December 31, 2013	-
Impairment:	
At January 1, 2012 and December 31, 2012	83
Eliminated on disposal of a subsidiary	(83)
At December 31, 2012 and December 31, 2013	-
Carrying amount:	
At December 31, 2013	-
At December 31, 2012	32

Goodwill acquired in a business combination is allocated, at acquisition, to the cash generating units ("CGUs") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill had been allocated as follows:

	2012 \$'000
Distributorship:	
Oakwell Inc.	32

At December 31, 2012, the Group did not test goodwill for impairment as the amount was insignificant and there were no indications that goodwill might be impaired.

# Notes to Financial Statements

December 31, 2013

## 18 BANK OVERDRAFTS AND BORROWINGS

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Bills payable - secured	-	3,036	-	2,938
Bills payable - unsecured	944	19,791	944	19,791
Bank overdrafts - unsecured	-	4,257	-	4,257
	944	27,084	944	26,986

The bills payable bear interest at rates of 2.18% (2012: ranging from 2.02% to 4.75%) per annum. The bills have maturity dates of 4 months (2012: ranging from 1 to 5 months) and their fair values approximate their book values because of their short-term nature.

In 2012, bills payable of \$2.9 million was secured by the assignment of shipbuilding agreement and a charge over fixed deposits held for the assurance of advance payment guarantee. The remaining \$0.1 million was secured by the assignment of shipbuilding agreements, cash pledged with a bank (Note 7), mortgage over the vessels, corporate debenture of a wholly-owned subsidiary, corporate guarantee (Note 41) by the Company and the IF scheme, an internationalisation finance scheme by IE Singapore.

In 2012, the interest on the bank overdrafts was charged 5.25% to 6.75% per annum and was determined based on 0.25% to 1.75% plus the bank's prime rate. The bank overdrafts were repayable on demand.

The Group's and Company's bank overdrafts and borrowings that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
United States dollar	-	15,131	-	15,131
Euro	944	4,590	944	4,590
Sterling pound	-	301	-	301

## 19 TRADE PAYABLES

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Outside parties	20,634	43,953	179	19,225
Subsidiaries (Note 12)	-	-	-	8
Company with common director (Note 6)	117	-	117	-
Amounts due to construction contract customers (Note 10)	3,215	12,505	-	-
Non-controlling interests	-	5	-	-
	23,966	56,463	296	19,233

The average credit period on purchases of goods is 60 days (2012: 60 days). No interest is charged on the trade payables.

Trade creditors principally comprise amounts outstanding for trade purchases and ongoing costs.

# Notes to Financial Statements

December 31, 2013

## 19 TRADE PAYABLES (cont'd)

The Group's and Company's trade payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
United States dollar	3,365	13,706	2	10,548
Euro	4,441	10,869	13	5,765
Sterling pound	2	309	-	297
Norwegian kroner	-	329	-	329
Australian dollar	8	30	-	21
Thailand baht	54	207	21	21
Singapore dollar	820	616	-	-
Indonesian rupiah	-	14	-	14
Chinese renminbi	-	2	-	2

## 20 OTHER PAYABLES

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Accrued operating expenses	11,783	9,863	7,814	6,120
Other payables	1,568	5,108	70	347
Customer deposits	3,067	4,783	-	2,261
Director of a subsidiary (Note 6)	1,368	1,368	-	-
Advance billing to customer	-	276	-	94
	17,786	21,398	7,884	8,822
Subsidiaries (Note 12)	-	-	-	94
Company with common director (Note 6)	952	-	952	-
Company in which the Group and Company have a financial interest	-	1	-	1
	18,738	21,399	8,836	8,917

The amounts due to directors are unsecured, interest-free and repayable on demand.

The amounts due to subsidiaries are unsecured, interest-free and repayable on demand.

# Notes to Financial Statements

December 31, 2013

## 20 OTHER PAYABLES (cont'd)

The Group's and Company's other payables that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
United States dollar	2,846	4,041	2,427	3,490
Euro	1,813	2,427	1,421	1,989
Singapore dollar	2,869	-	-	-
Chinese renminbi	230	85	230	85
Sterling pound	3	5	3	5
Thailand baht	1	149	-	-

## 21 PROVISION FOR WARRANTY

	Group	
	2013	2012
	\$'000	\$'000
Warranty provision	-	493

### *Movement in warranty provision*

Balance at beginning of the year	493	776
Increase in provision recognised in profit or loss	326	37
Amount utilised during the year	(34)	(41)
Effect of disposal of Distribution business	(785)	-
Disposal of a subsidiary	-	(279)
Balance at end of the year	-	493

The warranty provision represented management's best estimate of the Group's liability under "12-24 months" warranties granted on completed projects/designed and fabricated products/agency products and mechanical projects, based on past experience and industry averages for defective products.

# Notes to Financial Statements

December 31, 2013

## 22 FINANCE LEASES

	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
<b>Group</b>				
Amounts payable under finance leases:				
Within one year	135	172	127	152
In the second to fifth years inclusive	153	311	138	285
	288	483	265	437
Less: Future finance charges	(23)	(46)	-	-
Present value of lease obligations	265	437	265	437
Less: Amount due for settlement within 12 months (shown under current liabilities)			(127)	(152)
Amount due for settlement after 12 months			138	285

	Minimum lease payments		Present value of minimum lease payments	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
<b>Company</b>				
Amounts payable under finance leases:				
Within one year	37	37	33	33
In the second to fifth years inclusive	109	147	98	132
	146	184	131	165
Less: Future finance charges	(15)	(19)	-	-
Present value of lease obligations	131	165	131	165
Less: Amount due for settlement within 12 months (shown under current liabilities)			(33)	(33)
Amount due for settlement after 12 months			98	132

It is the Group's and the Company's policy to lease certain of its plant and equipment under finance leases. The average lease term is 3 years (2012: 5 years). For the year ended December 31, 2013, the average effective borrowing rates ranges from 3.20% to 5.68% (2012: 3.28% to 4.90%) and at 3.2% (2012: 3.2%) per annum for the Group and the Company respectively. Interest rates are fixed at the contract date, and thus expose the Group to fair value interest rate risk. All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

All lease obligations are denominated in the functional currencies of the respective entities.

The fair value of the Group's and the Company's lease obligations approximate their carrying amount.

The Group's and the Company's obligations under finance leases are secured by the lessors' title to the leased assets (Note 15).

# Notes to Financial Statements

December 31, 2013

## 23 BANK LOANS

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Bank loans - unsecured	1,248	7,273	1,248	7,273
Bank loan - secured	1,388	5,479	-	-
	<u>2,636</u>	<u>12,752</u>	<u>1,248</u>	<u>7,273</u>
Amount due for settlement within 12 months (shown under current liabilities)	708	11,504	708	6,025
Amount due for settlement after 12 months	1,928	1,248	540	1,248
	<u>2,636</u>	<u>12,752</u>	<u>1,248</u>	<u>7,273</u>

Bank loans of \$1,248,000 (2012: \$3,197,000) are arranged at fixed interest rates and expose the Group to fair value interest rate risk. Management is of the view that the impact of fair value interest rate risk from bank loans at fixed interest rates is not material to the Group.

Details of the bank loans are as follows:

- a) Secured bank loan of \$1,388,000 (2012: \$5,479,000) bear interests at 3% plus SIBOR rate, subject to a minimum of 4% (2012: 3.15%) per annum for 18 months from November 27, 2013 the date of first drawdown. Thereafter, subject to no breach of any of the terms of the loan, the outstanding principal (without interest) due under the loan shall be converted to a 8-year term loan. The loan is secured by the assignment of mortgage over the land corporate guarantee (Note 41) by the Company and the guarantee by a director and shareholder of a subsidiary.
- b) Unsecured bank loans of \$1,248,000 (2012: \$7,273,000) bear interest at 2.9% (2012: ranging from 2.85% to 5.00%) per annum, with monthly principal and interest payments through September 2015.

The fair value of the Group's and Company's bank loans approximates their carrying amount.

The Group's and Company's bank loans that are not denominated in the functional currencies of the respective entities are as follows:

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
United States dollar	-	7,305	-	1,826

# Notes to Financial Statements

December 31, 2013

## 24 DEFERRED TAX ASSETS/LIABILITIES

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

	Provisions \$'000	Accelerated book (tax) depreciation \$'000	Asset revaluation reserve \$'000	Tax losses \$'000	Total \$'000
<b>Group</b>					
At January 1, 2012	(123)	(67)	362	-	172
Credit to profit or loss for the year (Note 34)	(19)	10	-	(249)	(258)
Disposal of subsidiary	47	(1)	-	-	46
Revaluation	-	-	905	-	905
Exchange differences	-	-	-	17	17
At December 31, 2012	(95)	(58)	1,267	(232)	882
Credit to profit or loss for the year (Note 34)	(40)	(116)	-	-	(156)
Disposal of Distribution business	135	(145)	-	219	209
Revaluation	-	-	56	-	56
Exchange differences	-	-	-	13	13
At December 31, 2013	-	(319)	1,323	-	1,004

	Accelerated book (tax) depreciation \$'000	Asset revaluation reserve \$'000	Total \$'000
<b>Company</b>			
At January 1, 2012	(94)	362	268
Charge to profit or loss for the year	11	-	11
Revaluation	-	905	905
At December 31, 2012	(83)	1,267	1,184
(Credit) Charge to profit or loss for the year	(236)	55	(181)
At December 31, 2013	(319)	1,322	1,003

Certain deferred tax assets and liabilities have been offset in accordance with the Group's and Company's accounting policy. The following is the analysis of the deferred tax balances (after offset) for statement of financial position purposes:

	Group		Company	
	2013 \$'000	2012 \$'000	2013 \$'000	2012 \$'000
Deferred tax liabilities	1,004	1,184	1,003	1,184
Deferred tax assets	-	(302)	-	-
	1,004	882	1,003	1,184

# Notes to Financial Statements

December 31, 2013

## 24 DEFERRED TAX ASSETS/LIABILITIES (cont'd)

In 2012, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities had not been recognised was \$194,000. No liability had been recognised in respect of these differences because the Group was in a position to control the timing of the reversal of the temporary differences and it was probable that such differences will not reverse in the foreseeable future.

In 2013, there were no temporary differences associated with undistributed earnings of subsidiaries as these subsidiaries were disposed as part of disposal of Distribution business.

Temporary differences arising in connection with interests in associates are insignificant.

## 25 SHARE CAPITAL

	Group and Company			
	2013	2012	2013	2012
	'000	'000	\$'000	\$'000
Number of ordinary shares Issued and paid-up:				
At the beginning and end of the year	668,267	668,267	38,530	38,530

Fully paid ordinary shares, which have no par value, carry one vote per share and carry a right to dividends as and when declared by the Company.

## 26 CURRENCY TRANSLATION RESERVE

Exchange differences relating to the translation from the functional currencies of the Group's foreign subsidiaries into Singapore dollars are brought to account by entries made directly to the foreign currency translation reserve.

## 27 REVALUATION RESERVE

The revaluation reserve arises on the revaluation of property. Where revalued property is sold, the portion of the property revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings.

The revaluation reserves are not available for distribution to the Company's shareholders.

## 28 CAPITAL RESERVE

Capital reserve represented the Group's share of retained earnings of a subsidiary which has been capitalised. The subsidiary was disposed during the year as part of disposal of Distribution business.

## 29 SHARE ISSUE RESERVE

Share issue reserve represents the costs incurred in relation to the shares issued by the Company.

# Notes to Financial Statements

December 31, 2013

## 30 REVENUE

	Group					
	Continuing operations		Discontinued operation		Total	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Sale of goods	-	-	123,046	146,795	123,046	146,795
Contract revenue	10,417	14,388	18,413	22,852	28,830	37,240
Commission income	-	-	147	414	147	414
Rental income	120	-	-	-	120	-
	10,537	14,388	141,606	170,061	152,143	184,449

## 31 OTHER OPERATING INCOME

	Group					
	Continuing operations		Discontinued operation		Total	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Administrative and management income	13	138	124	75	137	213
Interest income from third parties	18	24	9	20	27	44
Interest income arising from financial assets carried at amortised cost	-	-	-	13	-	13
Recovery of doubtful debts previously provided for	30	-	-	223	30	223
Recovery of bad debts previously written off	-	-	87	57	87	57
Gain on disposal of a subsidiary	-	-	-	99	-	99
Gain on disposal of an associate	-	-	-	39	-	39
Gain on disposal of available-for-sale investments	-	-	201	-	201	-
Sales of scrap	140	236	11	20	151	256
Insurance claim	-	-	-	45	-	45
Service charges	33	35	2	-	35	35
Others	17	27	31	84	48	111
	251	460	465	675	716	1,135

# Notes to Financial Statements

December 31, 2013

## 32 OTHER OPERATING EXPENSES

	Group					
	Continuing operations		Discontinued operation		Total	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Depreciation of property, plant and equipment	425	334	835	987	1,260	1,321
Rental expense	731	302	812	884	1,543	1,186
Foreign currency exchange loss, net	2,020	(75)	(580)	1,048	1,440	973
Allowance for doubtful receivables:						
- trade	52	-	471	184	523	184
- non-trade	2,064	-	-	-	2,064	-
Bad debts written off						
- trade	-	-	8	-	8	-
Inventory written off	472	-	-	-	472	-
Impairment of club memberships	-	-	10	7	10	7
Utilities	16	17	185	275	201	292
Property taxes	44	-	150	171	194	171
Land lease expenses	54	-	194	202	248	202
Repair and maintenance	17	23	356	346	373	369
Loss on disposal of property, plant and equipment	1	-	5	-	6	-
Property, plant and equipment written off	244	-	-	7	244	7
Others	47	6	123	103	170	109
	<b>6,187</b>	<b>607</b>	<b>2,569</b>	<b>4,214</b>	<b>8,756</b>	<b>4,821</b>

## 33 FINANCE COSTS

	Group					
	Continuing operations		Discontinued operation		Total	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Interest expense on:						
Bank overdraft and borrowings	43	-	1,057	515	1,100	515
Bank loans	153	409	214	396	367	805
Finance leases	11	17	10	12	21	29
	<b>207</b>	<b>426</b>	<b>1,281</b>	<b>923</b>	<b>1,488</b>	<b>1,349</b>

# Notes to Financial Statements

December 31, 2013

## 34 INCOME TAX (BENEFIT) EXPENSE

	Group					
	Continuing operations		Discontinued operation		Total	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Tax (benefit) expense comprises:						
Current tax (benefit) expense	(622)	-	1,326	837	704	837
Adjustments recognised in the current year in relation to the current tax of prior years	-	-	(507)	(158)	(507)	(158)
Deferred tax income relating to the origination and reversal of temporary differences	(5)	-	(151)	(258)	(156)	(258)
Total tax (benefit) expense	(627)	-	668	421	41	421

Domestic income tax is calculated at 17% (2012: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

The total charge for the year can be reconciled to the accounting profit as follows:

	Group	
	2013	2012
	\$'000	\$'000
Loss before tax from continuing operations	(23,908)	(40,360)
Profit before tax from discontinued operation	38,722	11,598
Profit (Loss) before tax	14,814	(28,762)
Income tax expense (benefit) calculated at 17% (2012: 17%)	2,518	(4,890)
Effect of (income) expenses that are not (taxable) deductible in determining taxable profit	(2,037)	5,694
Effect of utilisation of prior years' tax loss not previously recognised as deferred tax assets	-	(184)
Effect of income that is exempt from taxation	(68)	(126)
Effect of different tax rates of overseas jurisdictions	166	64
Others	(31)	21
	548	579
Adjustments recognised in the current year in relation to the current tax of prior years	(507)	(158)
	41	421

# Notes to Financial Statements

December 31, 2013

## 34 INCOME TAX (BENEFIT) EXPENSE (cont'd)

The Group has tax loss carryforwards arising from 1 (2012: 1) local subsidiary and Nil (2012: 3) overseas subsidiaries available for offsetting against future taxable income as follows:

	Group	
	2013	2012
	\$'000	\$'000
Amount at beginning of year	3,440	5,210
Currency realignment	13	(109)
Adjustment in respect of prior years	(288)	(2,725)
Amount in current year	9,452	7,700
Amount utilised in current year	-	(6,636)
Disposal of Distribution business	(1,304)	-
Amount at end of year	11,313	3,440
Deferred tax benefit on above unrecorded	1,923	585

No deferred tax asset has been recognised due to unpredictability of future profit streams.

## 35 DISCONTINUED OPERATION

On May 23, 2013, the Group entered into a conditional and binding letter of intent with a third party for the sale of the Company's and the Group's assets and liabilities of the distribution of electrical and mechanical products and accessories together with the related engineering and assembly services (the "Distribution business"). The sale was completed on October 31, 2013 (date of disposal), on which date control passed to the acquirer.

The profit for the year from the discontinued operation is analysed as follows:

	2013	2012
	\$'000	\$'000
Profit of the Distribution business for the year	3,639	11,177
Gain on disposal of Distribution business	34,415	-
	38,054	11,177

# Notes to Financial Statements

December 31, 2013

## 35 DISCONTINUED OPERATION (cont'd)

The results of the Distribution business are as follows:

	<b>2013</b>	<b>2012</b>
	<b>\$'000</b>	<b>\$'000</b>
Revenue	141,606	170,061
Cost of sales	(110,788)	(131,372)
Other operating income	465	675
Distribution costs	(12,360)	(14,285)
Administrative expenses	(10,766)	(8,342)
Other operating expenses	(2,569)	(4,216)
Finance costs	(1,281)	(923)
Profit before tax	4,307	11,598
Income tax expense	(668)	(421)
Profit for the year (attributable to owners of the company)	<u>3,639</u>	<u>11,177</u>

The carrying amounts of assets and liabilities of the Distribution business at the date of disposal are as follows:

	<b>2013</b>
	<b>\$'000</b>
<b>ASSETS</b>	
<b>Current assets</b>	
Cash and bank balances	9,690
Trade receivables	39,700
Other receivables	5,020
Inventories	22,706
Total current assets	<u>77,116</u>
<b>Non-current assets</b>	
Available-for-sale investments	50
Property, plant and equipment	2,231
Deferred tax assets	332
Total non-current assets	<u>2,613</u>

# Notes to Financial Statements

December 31, 2013

## 35 DISCONTINUED OPERATION (cont'd)

	<b>2013</b>
	<b>\$'000</b>
<b><u>LIABILITIES AND EQUITY</u></b>	
<b>Current liabilities</b>	
Bank overdrafts and borrowings	152
Trade payables	29,299
Other payables	4,780
Current portion of finance leases	10
Income tax payable	105
Total current liabilities	<u>34,346</u>
<b>Non-current liabilities</b>	
Finance leases	135
Deferred tax liabilities	123
Total non-current liabilities	<u>258</u>
<b>Net Assets derecognised</b>	<u>45,125</u>
<b>Non-controlling interest derecognised</b>	<u>(1,744)</u>
<b>Consideration received</b>	
Cash consideration received	60,000
Restricted cash (Note 7)	10,000
	<u>70,000</u>
Additional adjustment amount	7,796
	<u>77,796</u>
<b>Gain on disposal</b>	<u>34,415</u>
<p>The gain on disposal is recorded as part of profit of the year from discontinued operation in the consolidated income statement.</p>	
<b>Net cash inflow arising on disposal</b>	
Consideration received	77,796
Cash and cash equivalents disposed of	(9,690)
	<u>68,106</u>

# Notes to Financial Statements

December 31, 2013

## 36 PROFIT (LOSS) FOR THE YEAR

Profit (Loss) for the year has been arrived at after charging (crediting):

	Group					
	Continuing operations		Discontinued operation		Total	
	2013	2012	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Cost of inventories recognised as an expense						
– sale of goods	-	-	88,809	110,973	88,809	110,973
Cost of inventories recognised as an expense						
– contract revenue	18,550	44,973	19,657	10,285	38,207	55,258
(Reversal of) Allowance for inventories	(196)	(15)	-	873	(196)	858
Directors' remuneration:						
Directors of the Company	450	-	3,268	600	3,718	600
Directors of the subsidiaries	134	120	129	373	263	493
Fees paid to companies in which a company's directors have financial interests	75	-	6	17	81	17
Advisory fees paid to a director	36	33	-	-	36	33
Foreign currency exchange adjustment loss (gain), net	2,019	(75)	(579)	1,048	1,440	973
Employee benefits expense (including directors' remuneration)	1,024	406	17,929	17,191	18,953	17,597
Costs of defined contribution plans included in employee benefits expense *	17	9	1,472	1,771	1,489	1,780

\* This amount is the employers' share of Central Provident Fund (for Singapore) and similar schemes that may be applicable to subsidiaries incorporated in other countries.

# Notes to Financial Statements

December 31, 2013

## 37 EARNINGS (LOSS) PER SHARE

### From continuing and discontinued operations

The calculation of basic earnings (loss) per share is calculated on the Group's profit attributable to owners of the Company of \$14,917,000 (2012: loss of \$29,257,000) divided by the weighted average number of ordinary shares of 668,266,667 (2012: 668,266,667) in issue during the year.

There were no dilutive earnings per ordinary share for both 2013 and 2012.

### From continuing operations

The calculation of basic loss per share is calculated on the Group's loss profit attributable to owners of the Company of \$23,137,000 (2012: \$40,434,000) divided by the weighted average number of ordinary shares of 668,266,667 (2012: 668,266,667) in issue during the year.

There were no dilutive earnings per ordinary share for both 2013 and 2012.

## 38 RETIREMENT BENEFIT OBLIGATIONS

### *Defined contribution plans*

The employees of OEL (Holdings) Limited and its subsidiaries that are located in Singapore are members of a state-managed retirement benefit plan, the Central Provident Board Fund, operated by the Government of Singapore. The Company and the subsidiaries are required to contribute a specified percentage of payroll costs to the retirement benefit scheme to fund the benefits. The only obligation of the Group with respect to the retirement benefit plan is to make the specified contributions.

The Group operates defined contribution retirement benefit plans for all qualifying employees in Malaysia, People's Republic of China and United States of America. The assets of the plans are held separately from those of the Group in funds under the control of trustees. Where employees leave the plans prior to the contributions fully vesting, the contributions payable by the Group are reduced by the amount of forfeited contributions.

The total expense recognised in the profit or loss of \$1,672,000 (2012: \$2,094,000) represents contributions payable to these plans by the Group at rates specified in the rules of the plans. As at December 31, 2013, contributions of \$23,000 (2012: \$467,000) due in respect of current financial year had not been paid over to the plans. The amounts were paid over subsequent to the end of the reporting period.

## 39 DIVIDENDS

In May 2012, a one-tier tax exempt dividend of 0.05 cents per share (total dividend \$334,000) was paid to shareholders.

In respect of the current year, the directors propose that tax exempt (one-tier) final dividend of 0.5 cents per share be paid to shareholders. This dividend is subject to the approval by shareholders at the forthcoming Annual General Meeting and has not been included as a liability in these financial statements. The total estimated dividend to be paid is \$3,341,000. No dividend was proposed for the financial year ended December 31, 2012.

# Notes to Financial Statements

December 31, 2013

## 40 NON-CASH TRANSACTION

During the financial year, the Group acquired property, plant and equipment with an aggregate cost of \$3,241,000 (2012: \$4,477,000) of which \$178,000 (2012: \$57,000) were acquired through finance leases. Cash payments of \$3,063,000 (2012: \$4,420,000) were made to purchase property, plant and equipment.

## 41 GUARANTEES

At December 31, 2013, the Company has provided corporate guarantees of \$1.4 million (2012: \$27.5 million) to a bank in respect of bank facilities utilised by its subsidiary. The amount represents the maximum amount the Company could be forced to settle under the financial guarantee contract.

The Company has agreed to provide continuing financial support to certain subsidiaries which have a combined deficit of shareholders' funds as at December 31, 2013 of approximately \$73,069,000 (2012: \$52,242,000).

## 42 ARBITRATION

At end of the reporting period, the Group has on-going arbitration proceedings with the following third parties:

- a) Baggermaatschappij Boskalis B.V. and BW Marine Cyprus Limited (the "Boskalis entities") in relation to work undertaken by a subsidiary of the Group in connection with a vessel owned by the Boskalis entities - The claims by the Boskalis entities are essentially for alleged breaches of two contracts signed by the Group (namely the steel works contract and cleaning contract for the vessel) as well as in relation to certain work orders issued by the Boskalis entities. The Group has denied the claims and has counterclaimed against the Boskalis entities for sums due and owing from them. The Group will vigorously defend against the abovementioned allegations.

In addition, one of the Boskalis entities has brought arbitration in relation to a construction contract for two split hopper barges which are included in inventories. The claim is for the refund of amounts paid under the contract which is provided for by the Group and damages for the Group's failure to complete the works under the contract. The Group is seeking an order that the Boskalis entities execute a deed of transfer recording the transfer of title in the split hopper barges to the Group as well as indemnity.

- b) Fugro Australis Pty Ltd ("FAPL") in relation to a shipbuilding contract ("SBC") entered into between a subsidiary of the Group and FAPL - The Group is claiming, inter alia, for (i) a declaration that FAPL's termination of the SBC on 28 August 2013 is wrongful and in breach of the SBC; and (ii) damages as a result of FAPL's breach to be assessed.
- c) Fr. Fassmer GmbH & Co. KG ("Fassmer") in relation to a cooperation agreement entered into between a subsidiary of the Group and Fassmer ("Cooperation Agreement") - The Group is claiming, inter alia, for costs and expenses to rectify and/or mitigate the repeated breaches of the Cooperation Agreement by Fassmer by reason of its repeated failures to discharge its obligations thereunder, and failing to carry out its obligations with all due skill and care, refund (or part thereof) of payments and/or fees made by the Group under the Cooperation Agreement, as well as other losses arising from the breaches.

Management is of the view that any contracts-in-progress amounts included in receivables from these parties are recoverable and there is no significant liability not already provided for at end of the reporting period.

# Notes to Financial Statements

December 31, 2013

## 43 OPERATING LEASE ARRANGEMENTS

### *The Group as lessee*

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Minimum lease payments under operating leases recognised as an expense during the year	3,504	2,422	527	478

At the end of the reporting period, the Group and the Company has outstanding commitments under non-cancellable operating leases, which fall due as follows:

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Future minimum lease payments payable:				
Within one year	1,583	1,789	647	467
In the second to fifth year inclusive	3,493	2,114	1,586	648
> 5 years	13,891	-	8,000	-
	18,967	3,903	10,233	1,115

Operating lease payments represent rentals payable by the Group and the Company for its equipment, office land and warehouse property. The lease for its office, which is from the Housing Development Board, is for a 30 years period with an option to renew for another 30 years. The lease payment is subject to escalation adjustments from time to time and the above future lease payment has been computed based on the last escalation adjustment. The remaining leases are negotiated for an average term of 3 to 5 years.

### *The Group as lessor*

The Group rents out its investment property in Singapore under an operating lease. Property rental income earned during the year was \$120,000. The property held has a committed tenant for the next 22 months.

At the end of the reporting period, the Group and the Company has contracted with a tenant for the following future minimum lease payments:

	Group		Company	
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Within one year	720	-	720	-
In the second to fifth year inclusive	600	-	600	-
	1,320	-	1,320	-

# Notes to Financial Statements

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## 44 SEGMENT INFORMATION

### *Products and services from which reportable segments derive their revenues*

At December 31, 2013, the Group's reportable segments are organised into three reportable segments – Property Management, Engineering Design and Fabrication and Shipyard.

Up to the date of disposal of Distribution business (Note 35), the Group's reportable segments were organised into three reportable segments – Distributorship, Engineering Design and Fabrication and Shipyard.

The Group continues to explore various options for its Shipbuilding business including repairs, outsourcing and other services, thus, the renaming of the Shipbuilding business to Shipyard operations.

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Segment revenue represents revenue generated from external and internal customers. Segment results represent the profit earned by each segment without allocation of interest income, finance costs, share of profits of associate and income tax expense. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and assessment of segment performance.

For the purposes of monitoring segment performance and allocating resources between segments, the chief operating decision maker monitors the tangible, intangible and financial assets attributable to each segment.

All assets are allocated to reportable segments other than deferred tax assets. Goodwill has been allocated to reportable segments as described in Note 17. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments.

All liabilities are allocated to reportable segments other than bank overdrafts and borrowings, finance leases, income tax payable, bank loans and deferred tax liabilities.

Inter-segment transfers: Segment revenue and expenses include transfers between business segments. Inter-segment sales are charged at prevailing market prices. These transfers are eliminated on consolidation.

Segment revenues and results:

	<b>Property management</b>	<b>Engineering design and fabrication</b>	<b>Shipyard</b>	<b>Others</b>	<b>Elimination</b>	<b>Total</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
<b><u>Continuing operations</u></b>						
<b>2013</b>						
<b>Revenue</b>						
External sales	120	1,635	8,782	-	-	10,537
Inter-segment sales	-	5	-	-	(5)	-
Total revenue	120	1,640	8,782	-	(5)	10,537
<b>Results</b>						
Segment result	66	(467)	(22,549)	(769)	-	(23,719)
Interest income						18
Finance costs						(207)
Loss before tax						(23,908)
Income tax credit						627
Loss for the year						<u>(23,281)</u>

# Notes to Financial Statements

December 31, 2013

## 44 SEGMENT INFORMATION (cont'd)

	Distributorship	Engineering design and fabrication	Shipyard	Elimination	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b><u>Continuing operations</u></b>					
<b>2012</b>					
<b>Revenue</b>					
External sales	-	2,142	12,246	-	14,388
Inter-segment sales	-	3	-	(3)	-
Total revenue	-	2,145	12,246	(3)	14,388
<b>Results</b>					
Segment result	-	119	(40,077)	-	(39,958)
Interest income					24
Finance costs					(426)
Loss before tax					(40,360)
Income tax expense					-
Loss for the year					(40,360)
<b><u>Discontinued operations</u></b>					
<b>2013</b>					
<b>Revenue</b>					
External sales	123,128	18,478	-	-	141,606
Inter-segment sales	1,606	6,607	-	(8,213)	-
Total revenue	124,734	25,085	-	(8,213)	141,606
<b>Results</b>					
Segment result	5,261	676	-	(358)	5,579
Gain on disposal of Distribution business					34,415
Interest income					9
Finance costs					(1,281)
Profit before tax					38,722
Income tax expense					(668)
Profit for the year					38,054
<b>2012</b>					
<b>Revenue</b>					
External sales	147,104	22,957	-	-	170,061
Inter-segment sales	5,840	4,207	-	(10,047)	-
Total revenue	152,944	27,164	-	(10,047)	170,061
<b>Results</b>					
Segment result	10,791	1,697	-	-	12,488
Interest income					33
Finance costs					(923)
Profit before tax					11,598
Income tax expense					(421)
Profit for the year					11,177

# Notes to Financial Statements

December 31, 2013

## 44 SEGMENT INFORMATION (cont'd)

	Property management	Engineering design and fabrication	Shipyard	Elimination	Total
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>2013</b>					
<b>Statement of financial position</b>					
Assets					
Segment assets	39,513	5,735	49,040	-	94,288
Unallocated other assets					-
Consolidated assets					<u>94,288</u>
Liabilities					
Segment liabilities	9,133	2,990	30,581	-	42,704
Unallocated other liabilities					5,211
Consolidated liabilities					<u>47,915</u>
<b>Other information</b>					
Capital additions	260	2,962	19	-	3,241
Depreciation	844	416	-	-	1,260
<b>2012</b>					
<b>Statement of financial position</b>					
Assets					
Segment assets	72,305	20,318	59,724	-	152,347
Unallocated other assets					302
Consolidated assets					<u>152,649</u>
Liabilities					
Segment liabilities	32,993	5,862	39,500	-	78,355
Unallocated other liabilities					42,224
Consolidated liabilities					<u>120,579</u>
<b>Other information</b>					
Capital additions	560	72	3,845	-	4,477
Depreciation	916	405	-	-	1,321

# Notes to Financial Statements

December 31, 2013

## 44 SEGMENT INFORMATION (cont'd)

### Geographical information

The Group operates in six principal geographical areas – Singapore (country of domicile), Indonesia, Thailand, China, Asia Pacific (excluding Singapore, Indonesia, Thailand and China) and United States of America.

The Group's revenue from external customers and information about its segment assets (non-current assets excluding restricted cash, goodwill and deferred tax assets) by geographical location are detailed below:

	Revenue from		Non-current assets	
	external customers			
	2013	2012	2013	2012
	\$'000	\$'000	\$'000	\$'000
Singapore	37,391	46,115	13,358	12,237
Indonesia	25,553	16,994	-	-
Thailand	23,773	25,802	8,681	10,424
China	23,634	32,744	-	36
Asia Pacific (excluding Singapore, Indonesia, Thailand and China)	15,357	23,730	-	347
United States of America	15,573	24,936	-	946
Others	10,862	14,128	-	93
	152,143	184,449	22,039	24,083

### Information about major customer

In 2012 and 2013, there is no single customer from the Distributorship segment, Property Management segment, Engineering Design and Fabrication segment and Shipyard segment that contributes greater than 10% of the Group's total revenue.

## 45 SUBSEQUENT EVENT

Subsequent to year-end, the Company entered into a conditional sale and purchase agreement to acquire 100% equity interests in two property companies, namely Singapore Service Residence Pte Ltd and Expats Residences Pte Ltd, for consideration of \$53.9 million, subject to certain condition precedents including shareholders' approval. The consideration shall be satisfied by way of payment of \$10.0 million in cash and issuance of \$43.9 million of secured convertible bonds to the seller by the Company.

# Report on Corporate Governance

The Company believes in maintaining high standards of corporate governance, and is committed to ensure that effective self-regulatory corporate practices are in place to protect the interests of its shareholders. The Company recognises the importance of practising good corporate governance and fully supports the recommendations of the Code of Corporate Governance 2012 (the “Code”).

The Company is pleased to disclose below a description of its corporate governance processes and activities with specific reference to the Code. Other than deviations which are explained in this statement, the Company has generally complied with the principles and guidelines of the Code, where applicable, relevant and practical to the Group.

## 1. BOARD MATTERS

### Principle 1: Board's Conduct of its Affairs

In managing the Group's business, the Board performs the following key functions:

- (1) Supervises the overall management of the business and affairs of the Group;
- (2) Approves the Company's key strategic and operational matters, financial and funding decisions;
- (3) Regularly reviews business plans of the Group and the Company;
- (4) Reviews and monitors financial performance of the Group and the Company;
- (5) Establishes and maintains a sound system of internal controls, covering not only financial controls but also operational and compliance controls; and
- (6) Reviews the adequacy and improvement of its internal controls systems.

The approval of the Board is required for any matter which is likely to have a material impact on the Group's operating divisions and/or financial positions as well as matters other than in the ordinary course of business.

The Board has adopted internal guidelines and matters that require Board approval, including appointment of Directors, major funding and investment proposals and material capital expenditures. To assist the Board in discharging its responsibilities, the Board delegates specific authority to three Board committees namely, the Audit Committee, Nominating Committee and Remuneration Committee. The roles and responsibilities of the Board committees are set out separately in this statement.

The Board meets at least 2 times a year, and as and when warranted by particular circumstances. The Company's Articles of Association allows Board meetings to be conducted by way of telephone conferencing or any other electronic means of communication.

The Directors are provided with updates on changes in relevant laws and regulations, where appropriate, to enable them to make well-informed decisions and to discharge their duties responsibly.

# Report on Corporate Governance

Details of Directors' attendance at Board and Board committees' meetings, as well as the frequency of such meetings held in the financial year ended 31 December 2013 ("FY2013") are summarized in the table below:

	Board		Audit Committee		Remuneration Committee		Nominating Committee	
	No. of Meetings held	No. of Meetings Attended	No. of Meetings held	No. of Meetings Attended	No. of Meetings held	No. of Meetings Attended	No. of Meetings held	No. of Meetings Attended
Mr Low Beng Tin	10	10	-	-	-	-	-	-
Mr Alex Long Yoke Hian	10	9	-	-	-	-	-	-
Mr Bernard Tay Ah Kong	10	10	5	5	5	5	1	1
Mr Renny Yeo Ah Kiang	10	10	5	5	5	5	1	1
Mr Lai Kwok Seng	10	9	5	5	5	5	1	1
Mr Goh Yeow Tin	10	9	5	5	5	5	1	1
Mr Jeffrey Hing Yih Peir	10	8	-	-	-	-	-	-

## Principle 2: Board Composition and Balance

The Board comprises 7 members of whom 2 are Executive Directors, 4 are Independent Non-Executive Directors and 1 is Non-Executive Director.

The Nominating Committee ("**NC**") on an annual basis, determines the independence of each Director (including Director whose tenure had exceeded nine (9) years from the date of his first appointment). The NC had reviewed the independence of each Director for FY2013 in accordance with the Code's definition of independence, and is satisfied that more than 50% of the Board continues to be independent.

In respect of an Independent Director, Mr Bernard Tay Ah Kong ("**Mr Tay**"), who has served on the Board for more than nine (9) years since his first date of appointment on 15 December 2000, the NC had reviewed and confirmed that he continues to be independent after taking into consideration the following factors:

- (i) There has been a change in the controlling shareholder of the Company in January 2011.
- (ii) The considerable amount of experience and wealth of knowledge that Mr Tay brings to the Company.
- (iii) Mr Tay's attendance and active participation in the proceeding and decision making process of the Board and Board committee meetings.
- (iv) The qualification and expertise of Mr Tay provide reasonable check and balances for Management.
- (v) Mr Tay has provided continuity and stability as well as valuable experience to the Board of the Company and the Group.
- (vi) Mr Tay provides adequate attention and sufficient time devoted to the proceedings and business of the Company. He is adequately prepared and responsive and heavily involved in the discussion at the Board and Board committees' meetings.
- (vii) Mr Tay provides overall guidance to the Management and acts as safeguard for the protection of the Company's assets and shareholders' interests.

# Report on Corporate Governance

Details of the Board members are set out in the “Board of Directors” section of the Annual Report. The Board is satisfied that its composition is effective and appropriate for decision making.

The Board is of the view that there exists a sufficiently strong element on the Board to enable independent exercise of objective judgement of corporate affairs of the Group by members of the Board, taking into account factors such as the number of Non-Executive and Independent Non-Executive Directors on the Board, as well as the size and scope of the affairs and operations of the Group. The Board derives its strength from the background, diversity, skills and experience of the Board members.

As a group, the Directors bring with them a broad range of expertise and experience in areas such as finance, law, corporate, business and management experience and knowledge. The Board considers the combination of experience, knowledge and expertise of its members to be balanced and effective in carrying out its functions.

To keep abreast with developments in corporate, financial, legal and other compliance requirements, Directors are encouraged to attend relevant courses and seminars funded by the Company.

During the year under review, the Directors have attended relevant trainings.

The Non-Executive Directors contribute to the Board by monitoring and reviewing Management’s performance against goals and objectives. Their views and opinions provide different perspectives to the Group’s business. While challenging Management’s proposals or decisions, they bring independent judgement to bear on business activities and transactions, involving conflicts of interest and other complexities.

Information relating to the Directors’ academic and professional qualification, date of first appointment, date of last re-election and appointment on the respective committees is set out in the “Board of Directors” section of the Annual Report.

## **Principle 3: Chairman and Chief Executive Officer**

Currently, Mr Low Beng Tin holds the position of both Chairman and Managing Director (“**MD**”) of the Company and plays an instrumental role in developing the business of the Group. Mr Low also provides the Group with strong leadership and vision. The Board is of the view that it is in the best interests of the Group to adopt a single leadership structure as the current scale of the Group’s business does not warrant a division of duties.

As Chairman of the Board, and with the assistance of the Company Secretaries, Mr Low ensures that Board meetings are held when necessary, sets the Board meeting agenda and ensures that Directors receive adequate and timely information. Mr Low also facilitates constructive relationship between the Board and Management, executes strategic plans and ensures that Directors are kept updated and informed of the Group’s business.

As an MD, Mr Low is responsible for the day-to-day management of the Group’s affairs and ensures that views of shareholders are considered appropriately.

Mr Renny Yeo Ah Kiang was appointed the Lead Independent Director on 3 March 2014. As a Lead Independent Director, Mr Yeo is available to shareholders should they have concerns or issues for which communication with the Executive Chairman/MD or Group Financial Controller has failed to resolve or where such communication is inappropriate.

# Report on Corporate Governance

## Principle 4: Board Membership

Nominating Committee (“**NC**”)

The NC, regulated by written terms of reference, comprises 4 members, all of whom are Independent Non-Executive Directors and the NC Chairman is not associated with any substantial shareholder. The current composition of the NC is as follows:-

Chairman: Mr Lai Kwok Seng

Members: Mr Goh Yeow Tin  
Mr Bernard Tay Ah Kong  
Mr Renny Yeo Ah Kiang

The key objectives of the NC are to ensure that there is a formal and transparent process in the nomination, appointment and re-appointment of Directors to the Board and to assess the effectiveness and contribution of the Board and its members to the welfare, strategic growth and development of the Company.

The terms of reference of the NC had been amended to be in line with the recommendations of the Code. The principal functions of the NC are summarized as follows:

- 1) Reviews the Board structure, size and composition and makes recommendations to the Board with regards to any adjustments that are deemed necessary;
- 2) Identifies candidates, reviews and makes recommendations to the Board on all nominations for Board appointments or re-appointments;
- 3) Determines the independence of each Director and assesses the adequacy of Board members with multiple board representations;
- 4) Evaluates Board’s performance and proposes objective performance criteria, where appropriate, for the Board’s approval;
- 5) Assesses the effectiveness of the Board as a whole, and the performance and contribution of each Director; and
- 6) Reviews training and professional development programmes for the Board.

In accordance with the Company’s Articles of Association, one-third of the Board retires by rotation and all newly appointed Directors retire at the next Annual General Meeting (“**AGM**”) following their appointments. The retiring Directors are eligible to offer themselves for re-election.

The following Directors will be retiring at the forthcoming AGM:

- Mr Jeffrey Hing Yih Peir
- Mr Alex Long Yoke Hian

The relevant information on each of the above-named Directors is set out in the “Board of Directors” section of the Annual Report.

# Report on Corporate Governance

Mr Alex Long Yoke Hian has, however, indicated his intention not to seek re-election at the forthcoming AGM. Accordingly, the NC had recommended to the Board the nomination of Mr Jeffrey Hing Yih Peir for re-election as Director at the forthcoming AGM. The Board had accepted the recommendation of the NC, and accordingly, Mr Jeffrey Hing Yih Peir will be offering himself for re-election.

The NC had also adopted an NC Procedures and Director Qualification Criteria. This provides the procedures for the identification of potential candidates, a review of the candidates' skills, knowledge and experience, an assessment of candidates' suitability and finally recommending their appointments or otherwise for the consideration by the Board.

Each newly appointed Director will be provided a formal letter setting out his duties, obligations and terms of appointment. Newly appointed Directors will also be briefed on the Group's business activities and its strategic directions as well as statutory and other responsibilities as a Director. Newly appointed Directors will be recommended by the NC to attend training in the roles and responsibilities of a listed company director if they do not have any prior experience.

Having regard to the attendance of the Directors and their contributions at meetings of the Board and Board Committees, and their time commitment to the affairs of the Company, the Board, on the recommendation of the NC, has agreed that the Company shall not impose a maximum number of listed company board representations and other principal commitments on each Director. However, the NC would continue to review from time to time, their board representations and other principal commitments to ensure that the Directors continue to meet the demands of the Group and are able to discharge their duties adequately.

## **Principle 5: Board Performance**

The Board carried out an assessment of its performance as a whole, for the financial year under review. This process involved the completion of a questionnaire by Board members. A summary of finding was prepared based on the completed questionnaires and was reviewed and deliberated by the NC. The Chairman of the NC conferred with the Chairman of the Board on the findings and appropriate follow-up actions were taken as necessary. No external facilitator had been engaged by the Board for this purpose.

The evaluation on the Board performance deals with matters on Board's composition, size and expertise, timeliness of Board information, accountability and processes, amongst other things.

As the Board committees, namely Audit Committee, Nominating Committee and Remuneration Committee, comprise members who are Non-Executive Independent Directors, the NC had reviewed and considered that separate assessment of the effectiveness of each Board committee as recommended by the Code was not deemed necessary and that assessment of the Board as a whole was sufficient for the time being.

## **Principle 6: Access to Information**

The Directors in their individual capacity have access to complete information on a timely basis in the form and quality necessary for the discharge of their duties and responsibilities. Prior to each Board meeting, the Directors are provided with the relevant documents and information to enable them to obtain a comprehensive understanding of the issues to deliberate upon and to enable them to arrive at an informed decision. The Directors can request for independent professional advice if necessary, at the Company's expense.

The Management provides the Board members with the management accounts on a timely basis. Information on major developments and material transactions are also circulated to Directors, as and when deemed appropriate.

The Directors have direct and independent access to Management and the Company Secretaries.

# Report on Corporate Governance

The Company Secretaries provide advice, secretarial support and assistance to the Board and ensure adherence to Board procedures and relevant rules and regulations applicable to the Company. The Company Secretaries attend all Board and Board committee meetings.

Pursuant to the Company's Articles of Association, the appointment and removal of the Company Secretaries requires approval of the Board.

The Directors, whether as a group or individually, may seek independent professional advice to fulfill their duties and such cost will be borne by the Company.

## 2. REMUNERATION MATTERS

### **Principle 7: Procedures for Developing Remuneration Policies**

### **Principle 8: Level and Mix of Remuneration**

### **Principle 9: Disclosure on Remuneration**

Remuneration Committee ("RC")

The RC, regulated by its written terms of reference, comprises 4 members, all of whom are Independent Non-Executive Directors, as follows:

Chairman: Mr Goh Yeow Tin

Members: Mr Bernard Tay Ah Kong  
Mr Lai Kwok Seng  
Mr Renny Yeo Ah Kiang

The terms of reference of the RC had been amended to be in line with the recommendations of the Code. The principal functions of the RC are summarized as follows:

- 1) Reviews and recommends to the Board a framework of remuneration for the Directors and key management personnel;
- 2) Reviews and recommends the remuneration of Executive Directors and fees for the Non-Executive and Independent Non-Executive Directors which are subject to shareholders' approval at the AGM;
- 3) Reviews the remuneration of key management personnel;
- 4) Reviews and recommends to the Board the terms of renewal of Directors' service contracts; and
- 5) Performs such other duties as may be agreed by the RC and the Board.

The RC is assisted by the Group's human resource department. The RC may from time to time seek external professional advice on remuneration matters, if required. During the year under review, the Company had appointed Hay Group (S) Pte Ltd ("**Hay Group**"), an external remuneration consultant, to advise remuneration of Directors and key management personnel of the Company. Hay Group had confirmed to the RC that they do not have any relationships with the Company and their appointment would not affect the independence and objectivity of the remuneration review carried out by them.

The RC also reviews the recommendation from the MD on the remuneration of key management personnel of the Group. The RC considers amongst other things, the Directors' and key management personnel's responsibilities and contributions to the Company's performance and ensures that their rewards are linked to corporate and individual performance.

# Report on Corporate Governance

In setting remuneration packages for Executive Directors of the Company and key management personnel of the Group, the pay and employment conditions within the industry and in comparable companies are taken into account to maintain an appropriate and competitive level of remuneration that will attract, retain and motivate key management personnel. A RC member abstains from deciding and recommending his own fees.

Executive Directors are on Employment Contracts which can be terminated by either party by giving not less than 12 months notice and are subject to review each year.

Directors' fees payable to the Independent Non-Executive Directors and a Non-Executive Director are set in accordance within a remuneration framework and in consideration of their contributions, effort, time incurred and responsibilities.

The RC has recommended to the Board an amount up to S\$350,000 as Directors' fees for the year ending 31 December 2014.

The RC has also recommended to the Board a special Directors' fees of an amount up to S\$222,500 payable to the Independent Non-Executive Directors and a Non-Executive Director in recognition of their extraordinary efforts in relation to the divestment of the Company's and Group's Distributorship business, together with related engineering and assembly services (the "Distribution Business"). The Board will table the above recommendations at the forthcoming AGM for shareholders' approval.

No Director was involved in determining his own remuneration.

Breakdowns (in percentage terms) of the Directors' remuneration and that of the Group's top executives (who are not Directors of the Company), for FY2013 are as follows -

Remuneration Band	Name of Director	Salary and CPF	Bonus and other variable performance components	Allowances and other benefits	Director's Fee	Total
Below S\$250,000	Mr Bernard Tay Ah Kong	-	-	-	100%	100%
	Mr Goh Yeow Tin	-	-	-	100%	100%
	Mr Renny Yeo Ah Kiang	-	-	-	100%	100%
	Mr Lai Kwok Seng	-	-	-	100%	100%
	Mr Jeffrey Hing Yih Peir	-	-	-	100%	100%
S\$250,000 to below S\$500,000	Mr Alex Long Yoke Hian	78%	5%	17%	-	100%
S\$2,750,000 to below S\$3,000,000	Mr Low Beng Tin	14%	86%	-	-	100%

## Remuneration of top 5 Key Management Personnel (who are not Directors of the Company)

Except for 2 key management personnel whose remuneration was below S\$250,000, the remuneration for each of the other 3 key management personnel exceeded S\$250,000 but was below S\$500,000.

Given the highly competitive industry conditions and confidentiality of remuneration matters, the Board was of the view that detailed disclosure of the remuneration of the Company's Directors and its key management personnel as recommended by the Code would not be in the interest of the Company.

# Report on Corporate Governance

In recognition of the efforts and contributions of Mr Low Beng Tin, MD, towards the success and growth of the Distribution Business, the Company had, at the recommendations of the RC, with the concurrence of the Board, made a special payment of S\$2,500,000 to Mr Low Beng Tin in connection with the disposal of the Distribution Business.

There were no employees in the Group who are immediate family members of a Director or the Chairman/MD.

The Company has in place a remuneration policy for staff which comprises a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of a variable bonus that is linked to the Company and individual performance. Staff appraisals are conducted on an annual basis.

The Company does not have any long-term incentive or share option scheme in place.

## 3. ACCOUNTABILITY AND AUDIT

### Principle 10: Accountability

The Board is accountable to the shareholders while the Management is accountable to the Board. The Management presents quarterly financial statements to the Audit Committee and Board for review and approval. The Board approves and authorizes the release of the Company's half-year and full-year results, as well as all discloseable material information in relation to the Group, via SGXNET, to Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the investing public.

The Board takes adequate steps to ensure compliance with legislative and regulatory requirements where appropriate.

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

### Principle 11: Internal Controls

The Board is responsible for the governance of the risk and internal control framework, but acknowledges that no cost-effective internal control system will preclude all errors and irregularities. The system is designed to manage rather than eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss. The internal controls in place will address the financial, operational and compliance risks and the objectives of these controls are to provide reasonable assurance that there are no material financial misstatements or material loss, there are maintenance of proper accounting records, financial information are reliable and assets are safeguarded.

The Group has in place a Risk Management Committee ("**RMC**") comprising of the Managing Director, an Executive Director and key management personnel to assist the Board in its oversight of risk governance and risk management in the Group.

The Group's Risk Management Framework covers financial, operational (including information technology) and compliance risks, and helps management identify, compile, categorise, assess, manage and monitor key risks factors of the Group. The key risks identified are deliberated by key management and the RMC. Risks associated with the Distribution Business that was disposed of in October 2013 will no longer be relevant to the Group. With the proposed acquisition of the 2 property companies in 2014, the Group will reassess its risks and internal controls for FY2014.

# Report on Corporate Governance

The Risk Management Framework is complemented by the Group's system of internal controls, which includes the Code of Conduct, documented policies and procedures, proper segregation of duties, approval procedures and other checks-and-balances built into the business processes.

To ensure that internal controls and risk management processes are adequate and effective, the Audit Committee is assisted by various independent professional service providers. The assistance of the internal and external auditors enabled the Audit Committee to carry out assessments of the effectiveness of key internal controls during the year. Any material non-compliance or weaknesses in internal controls or recommendations from the internal and external auditors to further improve and enhance the internal controls were reported to the Audit Committee. The Audit Committee will also follow up on the actions taken by the Management on the recommendations made by the internal and external auditors. Based on the reports submitted by the internal and external auditors received by the Audit Committee and the Board, nothing material has come to the attention of the Audit Committee and the Board to cause the Audit Committee and the Board to believe that the internal controls and risk management processes are not satisfactory for the type and size of business conducted.

The Directors have received and considered the representation letters from the Managing Director, Group Financial Controller and the Management of the key subsidiaries in relation to the financial information for the year. The Managing Director and the Group Financial Controller have assured the Board that:

- (a) The financial records of the Company have been properly maintained and the financial statements for FY2013 give a true and fair view in all material respects of the Company's operations and finances; and
- (b) The Group's internal control systems are operating effectively in all material respects given its current business environment.

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors, and reviews performed by the Management, the Board with the concurrence of the Audit Committee, is of the opinion that the Group's internal controls are adequate in addressing the financial, operational and compliance risks of the Group.

## **Principle 12: Audit Committee ("AC")**

The AC comprises 4 members, all of whom are Independent Non-Executive Directors, as follows:

Chairman: Mr Bernard Tay Ah Kong

Members: Mr Goh Yeow Tin  
Mr Lai Kwok Seng  
Mr Renny Yeo Ah Kiang

All AC members bring with them invaluable managerial and professional expertise in the financial, legal and business management spheres. The Board is of the view that the AC has the relevant and recent financial management expertise and experience to discharge its responsibilities properly.

The AC is regulated by a written set of terms of reference. The terms of reference of the AC had been amended to be in line with the recommendations of the Code.

The AC performs the following key functions:

1. Reviews the audit plans of both the external and internal auditors;

# Report on Corporate Governance

2. Reviews the result of the internal auditors' examination and evaluation of internal controls of the Company and its subsidiaries, to determine overall effectiveness of the Company's internal audit functions;
3. Reviews the Group's financial and operating results and accounting policies;
4. Reviews the financial statements of the Company, the consolidated financial statements and external auditors' report on those financial statements, before submission to the Board for approval;
5. Reviews the half-year and full-year results announcements and financial position of the Group and the Company before submission to the Board for approval;
6. Reviews transactions with interested persons and related parties;
7. Reviews the co-operation and assistance given by the Management to the Group's external and internal auditors and determines that no restrictions were imposed on the scope of the external and internal auditors' examination;
8. Reviews the actions taken by the Management in response to the internal auditors' recommendations;
9. Reviews the suitability of external auditors appointed for the Group's significant foreign-incorporated subsidiaries and associate companies;
10. Reviews and recommends the nomination of the appointment and re-appointment of external auditors; and
11. Review of whistle-blowing reports (if any).

The AC takes measures to keep abreast of the changes to accounting standards and issues which have a direct impact on financial statements, with updates being given by the external and internal auditors.

The AC meets at least 2 times a year, and as and when deemed appropriate, to carry out its functions and has direct access to, and full co-operation of the Management.

The AC also has full discretion to invite any Director or executive officer to attend its meetings and has been given reasonable resources to enable it to discharge its functions.

Annually, the AC meets with the external and internal auditors, without the presence of Management. The AC has reviewed the nature and extent of all audit and non-audit services performed by the external auditors to establish whether their independence had in any way been compromised. The AC is of the opinion that the provision of non-audit services did not affect the independence or objectivity of the external auditors.

The audit and non-audit fees paid to the Company's auditors were S\$432,000 and S\$69,000 respectively for FY2013.

The external auditors of the Company, its Singapore-incorporated subsidiaries and significant foreign-incorporated subsidiaries are Deloitte & Touche LLP and overseas practices of Deloitte Touche Tohmatsu Limited. Accordingly, the Company has complied with Rules 712 and 715 of Section B of the Listing Manual

The AC has nominated Deloitte & Touche LLP for re-appointment as the Company's auditors at the forthcoming AGM.

In line with the recommendation of the Code to put in place, arrangements to encourage and to provide a channel for staff of the Group and external parties to report and to raise in good faith and in confidence, any concerns about possible improprieties in matters of financial reporting or other matters, the AC has implemented a "Whistle-Blowing

# Report on Corporate Governance

& Fraud Policy” to ensure that there are arrangements in place, for independent investigation of such matters and concerns raised on financial or other improprieties, and for appropriate follow-up action. The “Whistle-Blowing & Fraud Policy” allows for staff of the Group and external parties to make reports to designated email address and Post Box mailing independently administered and managed by an external service provider.

## **Principle 13: Internal Audit (“IA”)**

The Company’s internal audit function is outsourced to Messrs One e-Risk Services Pte Ltd, who is independent of the Company’s business activities and is properly staffed with persons with the appropriate qualifications and experience. The internal auditors conduct audit based on the standards set by internationally recognised professional bodies.

The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit work. The internal auditors review the effectiveness of key internal controls in accordance with the internal audit plan. The internal auditors have a direct and primary reporting line to the AC and assist the AC in overseeing and monitoring the implementation and improvements required on internal control weaknesses identified. The AC assesses the adequacy and effectiveness of the internal audit function annually.

The AC approves the appointment, removal, evaluation and compensation of the internal auditors.

## **4. SHAREHOLDER RIGHTS AND RESPONSIBILITIES**

### **Principle 14: Shareholders’ Rights**

The Group treats all shareholders fairly and equitably, and recognizes, protects and facilitates the exercise of shareholders’ rights.

Shareholders are informed of changes in the Company’s business that are likely to materially affect the value of the Company’s shares.

At each AGM and/or General Meetings, shareholders are given the opportunity to participate effectively and raise their concerns with the Directors and Management on matters pertaining to the Group’s business and its operations. Any notice of a general meeting of shareholders is despatched at least 14 days before the scheduled date for such meeting.

### **Principle 15: Communication with Shareholders**

The Board believes in timely communication of information to shareholders and the investing public. It is the Board’s policy that all shareholders and the investing public should be informed in an equal, adequate and timely manner of all major developments that impact the Group and Company.

Information is communicated to shareholders and the investing public on a timely basis through the following channels:

- Details of all general meetings via SGXNET, notices published in newspapers and circulars/reports;
- Annual reports that are issued to all shareholders. The Board makes every effort to ensure that the Annual Report include all relevant information on the Group, including current developments, strategic plans and disclosures required under the Singapore Companies Act, Singapore Financial Reporting Standards, etc;
- Announcements of half-year and full-year results released via SGXNET; announcements relating to major developments of the Group made via SGXNET; press and analysts’ briefings as may be appropriate.

# Report on Corporate Governance

To better understand the views of shareholders and investors, the Company conducts meetings with the investment community from time to time to discuss the Company's financial performance and corporate developments. To encourage communication with investors, the Company's annual reports provide Investor Relations contact information (email address and telephone number) as channels to address inquiries from shareholders and investors.

The Company does not have a fixed dividend policy. The form, frequency, and/or amount of dividends will depend on the Company's cash, earnings, gearings, financial performance and position, project capital expenditure, future investment plans, funding requirements and any other factor that the Directors considers relevant. The Company will communicate any dividend payouts to shareholders via announcements released to SGX-ST via SGXNET. The Company has declared a special and final dividend of S\$0.005 per share in respect of FY2013, subject to shareholders' approval at the forthcoming AGM.

## Principle 16: Conduct of Shareholders' Meeting

AGM and/or other General Meetings are the principal forum for dialogue with shareholders. All Directors, the Board Chairman and the respective Chairman of the AC, NC and RC as well as the external auditors, are usually present and available at these meetings to address any queries raised by shareholders on the Group's business and affairs, conduct of the audit and the preparation and content of auditors report, where appropriate.

Resolutions are, as far as possible, structured separately and may be voted on independently.

The Group fully supports the Code's principle to encourage shareholders' participation and to vote at general meetings of shareholders. The Company's Articles of Association allows the appointment of one or two proxies by shareholders, to attend AGM and/or General Meetings and vote in his/her place. The Company, however, has not implemented measures to allow shareholders who are unable to vote in person at the Company's AGM the option to vote in absentia, such as, via mail, electronic mail or facsimile transactions.

## INTERESTED PERSON TRANSACTIONS

The Company has established internal control policies to ensure that transactions with interested persons are properly reviewed and approved and are conducted at arms' length basis. All interested person transactions are subject to review by the AC.

The aggregate value of the interested person transactions entered into during FY2013 which exceeded S\$100,000 were as follows:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than \$100,000)
Renny Yeo Ah Kiang	S\$36,000
Hydroball Technics (SEA) Pte Ltd ("HTPL")	S\$91,782
Penguin Shipyard International Pte Ltd ("PSI")	S\$103,713

Note: (1) HTPL is an associate of Renny Yeo Ah Kiang, an Independent Non-Executive Director of the Company. The value of all the transactions entered into with Renny Yeo Ah Kiang and the value of all the transactions entered into with HTPL in FY2013, when aggregated, exceeded S\$100,000.

(2) Mr Jeffrey Hing Yih Peir, a Non-Executive Director of the Company, is a director and shareholder of the parent company of PSI.

The Company does not have a shareholders' mandate for interested person transactions.

# Report on Corporate Governance

## SECURITIES TRANSACTIONS

The Group has adopted a Code of Best Practice Guides for Dealings in Securities (the “**Securities Code**”) which sets out the policy on dealings in securities of the Company and implications of Insider Trading.

In line with the Securities Code, Directors, key officers and employees of the Group who have access to unpublished price-sensitive and confidential information have been informed not to deal in the securities of the Company, at least one month before the release of the half-year and full-year financial results to SGX-ST and ending on the date of announcement of the relevant results, or when they are in possession of any unpublished material price-sensitive information.

Directors, key officers and employees are also encouraged not to deal in the Company’s securities on short-term considerations.

## RISK MANAGEMENT AND PROCESSES

Information relating to risk management policies and processes are set out on pages 39 to 46 of the Annual Report.

## MATERIAL CONTRACTS

Since the end of the previous financial year, the Company and its subsidiaries did not enter into any material contracts involving the interests of Directors or controlling shareholders and no other material contract subsist at the end of the financial year.

## CODE OF BUSINESS CONDUCT

The Directors, officers and employees are required to observe and maintain high standards of integrity, as are in compliance with the law and the regulations and the Company’s policies.

## SPONSORSHIP

Pursuant to Catalist Rule 1204 (21), the Company did not pay any non-sponsor fee to the Company’s sponsor, RHT Capital Pte. Ltd.

## NON-CONFLICT OF INTERESTS

Mr Bernard Tay Ah Kong, AC Chairman of the Company, has declared to the Directors that he has chaired the risk committee of RHT Capital Pte. Ltd. (“RHT Capital”), since 26 August 2011. RHT Capital has been the Company’s sponsor since 18 February 2012. Mr Tay is appointed as the Independent Chairman and member of the risk committee of RHT Capital which, inter-alia, oversees and advises on all risk, independence and conflict of interest aspects of RHT Capital’s activities. Mr Tay is not a shareholder or Director of RHT Capital. The NC, with the concurrence of the Board, is of the view that there is no conflict of interest arising from his aforesaid roles. He abstains from voting on any resolution where it relates to the appointment of RHT Capital and RHTLaw Taylor Wessing LLP or their related companies.

# Shareholders' Information

As at 17 March 2014

<b>No. of shares (excluding Treasury Shares)</b>	:	668,266,667
<b>Class of shares</b>	:	Ordinary Shares
<b>Voting Rights</b>	:	One Vote Per Ordinary Share

## TREASURY SHARES

The Company does not hold any Treasury Shares.

## DISTRIBUTION OF SHAREHOLDERS BY SIZE OF SHAREHOLDINGS AS AT 17 MARCH 2014

<b>Size of Shareholdings</b>	<b>No. of Shareholders</b>	<b>% of Shareholders</b>	<b>No. of Shares</b>	<b>% of Shareholdings</b>
1 - 999	11	0.34	5,346	0.00
1,000 - 10,000	1,273	39.39	5,970,000	0.89
10,001 - 1,000,000	1,895	58.63	204,387,512	30.59
1,000,001 AND ABOVE	53	1.64	457,903,809	68.52
<b>Grand Total</b>	<b>3,232</b>	<b>100.00</b>	<b>668,266,667</b>	<b>100.00</b>

## Percentage of Shareholdings in Public Hands

Based on information available to the Company as at 17 March 2014, approximately 65.1% of the Company's ordinary shares (excluding Treasury Shares) are held by the public and therefore Catalist Rule 723 is complied with.

# Shareholders' Information

As at 17 March 2014

## TWENTY LARGEST SHAREHOLDERS AS AT 17 MARCH 2014

	<b>Name of Shareholder</b>	<b>No. of Shares</b>	<b>% of Shareholdings</b>
1	PHILLIP SECURITIES PTE LTD	221,867,000	33.20
2	OCBC SECURITIES PRIVATE LIMITED	47,942,000	7.17
3	BANK OF SINGAPORE NOMINEES PTE LTD	29,000,000	4.34
4	MAYBANK KIM ENG SECURITIES PTE LTD	20,738,000	3.10
5	MAYBANK NOMINEES (S) PTE LTD	14,638,000	2.19
6	RAFFLES NOMINEES (PTE) LTD	10,876,000	1.63
7	SHIE YONG FAH	10,000,000	1.50
8	DBS NOMINEES PTE LTD	5,610,000	0.84
9	UNITED OVERSEAS BANK NOMINEES PRIVATE LIMITED	5,118,000	0.77
10	LOW BENG TIN	4,769,754	0.71
11	LIM TCHEN NAN	4,500,000	0.67
12	CIMB SECURITIES (SINGAPORE) PTE LTD	4,370,000	0.65
13	THIAM KOK YONG	4,000,000	0.60
14	UOB KAY HIAN PTE LTD	3,904,000	0.58
15	EVA MEISANTI ONG	3,767,000	0.56
16	TAN SOY KOON	3,565,575	0.53
17	OCBC NOMINEES SINGAPORE PTE LTD	3,512,000	0.53
18	BONG YEW KENG ( HUANG YOUQING )	3,315,000	0.50
19	TAN SOO CHONG	3,200,000	0.48
20	CHUA SWEE KHENG	3,000,000	0.45
	<b>TOTAL</b>	<b>407,692,329</b>	<b>61.00</b>

## SHAREHOLDING OF SUBSTANTIAL SHAREHOLDERS AS AT 17 MARCH 2014

<b>Name</b>	<b>Registered in the name of substantial shareholder</b>	<b>Shareholdings in which substantial shareholder is deemed to have an interest</b>
Jeffrey Hing Yih Peir	195,000	197,350,000

Note:

Jeffrey Hing Yih Peir has a beneficial interest in 197,350,000 shares registered in the name of Phillip Securities Pte Ltd.

# Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of OEL (HOLDINGS) LIMITED (the “**Company**”) will be held at The Conference Room, No. 8 Aljunied Avenue 3, Oakwell Building, Singapore 389933 on Tuesday, 22 April 2014 at 3.00 p.m. for the following purposes:

## AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Report and Audited Financial Statements for the year ended 31 December 2013 together with the Auditors’ Report thereon. **(Resolution 1)**
2. To declare a special and final one-tier tax exempt dividend of 0.50 Singapore cents per ordinary share for the financial year ended 31 December 2013 (2012: Nil). **(Resolution 2)**
3. (a) To re-elect Mr Jeffrey Hing Yih Peir, a Director retiring by rotation pursuant to Article 87 of the Company’s Articles of Association. **(Resolution 3)**  
  
(b) To note the retirement of Mr Alex Long Yoke Hian, a Director retiring pursuant to Article 87 of the Company’s Articles of Association.  
*[See Explanatory Note (i)]*
4. To approve the payment of Directors’ fees of up to S\$350,000 for the financial year ending 31 December 2014 (2013: S\$350,000). **(Resolution 4)**
5. To approve the payment of a special Directors’ fees of up to S\$222,500 payable to the Independent Non-Executive Directors and a Non-Executive Director.  
*[See Explanatory Note (ii)]* **(Resolution 5)**
6. To re-appoint Deloitte & Touche LLP as the Company’s Auditors and to authorise the Directors to fix their remuneration. **(Resolution 6)**
7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

## AS SPECIAL BUSINESS

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

### 8. **SHARE ISSUE MANDATE**

That pursuant to Section 161 of the Companies Act, Cap. 50 and Rule 806 of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”) Listing Manual Section B: Rules of Catalist (the “**Catalist Rules**”), authority be given to the Directors of the Company to issue shares in the capital of the Company (“**Shares**”) whether by way of rights, bonus or otherwise, and/or 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 to such persons as the Directors may, in their absolute discretion, deem fit 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 one hundred percent (100%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company at the time of the passing of this Resolution, of which the aggregate number of Shares and convertible securities to be issued other than on a pro rata basis to all shareholders of the Company shall not exceed fifty percent (50%) of the total number of issued Shares (excluding treasury shares) in the share capital of the Company;

# Notice of Annual General Meeting

- (b) for the purpose of determining the aggregate number of Shares that may be issued under subparagraph (a) above, the total number of issued Shares (excluding treasury shares) shall be based on the total number of issued Shares (excluding treasury shares) of the Company as at the date of the passing of this Resolution, after adjusting for:
  - (i) new Shares arising from the conversion or exercise of convertible securities;
  - (ii) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed; and
  - (iii) any subsequent bonus issue, consolidation or subdivision of Shares;
- (c) in exercising the authority conferred by this Resolution, the Company shall comply with the requirements imposed by the SGX-ST from time to time and the provisions of the Catalist Rules for the time being in force (in each case, unless such compliance has been waived by the SGX-ST), all applicable legal requirements under the Companies Act, Cap. 50 and otherwise, the Articles of Association of the Company; and
- (d) unless revoked or varied by the Company in general meeting, such authority shall continue in force until the conclusion of the Company's next Annual General Meeting or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is the earlier.  
*[See Explanatory Note (iii)]* **(Resolution 7)**

## 9. RENEWAL OF SHARE BUYBACK MANDATE

That:

- (a) for the purposes of Sections 76C and 76E of the Companies Act, Chapter 50 (the "**Act**"), the exercise by the Directors of the Company of all the powers of the Company to purchase or otherwise acquire issued ordinary Shares fully paid in the capital of the Company not exceeding in aggregate the Maximum Percentage (as hereafter defined), at such price or prices as may be determined by the Directors from time to time up to the Maximum Price (as hereafter defined), whether by way of:
  - (i) on-market purchase(s), transacted on the SGX-ST through the ready market or the special trading counter on SGX-ST trading system, through one or more duly licensed stock brokers appointed by the Company for the purpose (the "**Market Purchase**"); and/or
  - (ii) off-market purchase(s) (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors of the Company as they consider fit, which scheme(s) shall satisfy all the conditions prescribed by the Catalist Rules and the Act (the "**Off-Market Purchase**"),

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

- (b) unless varied or revoked by the Company in general meeting, the authority conferred on the Directors of the Company pursuant to the Share Buyback Mandate may be exercised by the Directors at any time and from time to time during the period commencing from the date of the passing of this Resolution and expiring on the earliest of:
  - (i) the date on which the next annual general meeting of the Company ("**AGM**") is held or required by law to be held; or

# Notice of Annual General Meeting

- (ii) the date on which the purchases or acquisitions of Shares by the Company pursuant to the Share Buyback Mandate are carried out to the full extent mandated; or
  - (iii) the date on which the authority conferred by the Share Buyback Mandate is varied or revoked by shareholders in general meeting;
- (c) in this Resolution:

**“Maximum Percentage”** means that number of issued Shares representing 10% of the total number of issued Shares as at the date of the passing of this Resolution (excluding any Shares which are held as treasury shares as at that date);

**“Maximum Price”** in relation to a Share to be purchased or acquired, means the purchase price (excluding brokerage, stamp duties, commission, applicable goods and services tax and other related expenses) which shall not exceed:

- (i) in the case of a Market Purchase, 105% of the Average Closing Price of the Shares; and
- (ii) in the case of an Off-Market Purchase, 120% of the Average Closing Price of the Shares;

**“Average Closing Price”** means the average of the closing market prices of a Share over the last five (5) Market Days on which the Shares are transacted on the SGX-ST or, as the case may be, such securities exchange on which the Shares are listed or quoted, immediately preceding the date of the Market Purchase by the Company or, as the case may be, the date of the making of the offer pursuant to the Off-Market Purchase, and deemed to be adjusted, in accordance with the rules of the SGX-ST, for any corporate action that occurs after the relevant five-day period; and

**“date of the making of the offer”** means the date on which the Company makes an offer for the purchase or acquisition of Shares from holder of Shares, stating therein the relevant terms of the equal access scheme for effecting the Off-Market Purchase;

- (d) the Directors of the Company and/or any of them be and are hereby authorised to complete and do all such acts and things (including executing such documents as may be required and to approve any amendments, alterations or modifications to any documents) as they and/or any of them may consider desirable, expedient or necessary to give effect to the transactions contemplated and/or authorised by this Resolution.

*[See Explanatory Note (iv)]*

**(Resolution 8)**

By Order of the Board

Hazel Chia Luang Chew  
Derick Lim Chien Joo  
Company Secretaries

Singapore, 4 April 2014

# Notice of Annual General Meeting

## Explanatory Notes:

- (i) Mr Alex Long Yoke Hian has informed the Company that he will not be seeking re-election at this Annual General Meeting. Accordingly, he will retire as a Director of the Company at the close of the Annual General Meeting pursuant to Article 87 of the Company's Articles of Association.
- (ii) In recognition of the extraordinary efforts put in by the Independent Non-Executive Directors and a Non-Executive Director in relation to the divestment of the Company's and Group's Distributorship Business, together with related engineering and assembly services (the "Distribution Business"), the Board of Directors of the Company has recommended the payment of a special Directors' fees of up to S\$222,500 payable to the Independent Non-Executive Directors and a Non-Executive Director.
- (iii) Ordinary Resolution 7, if passed, will empower the Directors from the date of the above Meeting until the date of the next Annual General Meeting, to allot and issue Shares and convertible securities in the Company up to an amount not exceeding one hundred percent (100%) of the total number of issued Shares (excluding treasury shares) in the capital of the Company, of which up to fifty percent (50%) may be issued other than on a pro rata basis.
- (iv) Ordinary Resolution 8, if passed, will empower the Directors from the date of the above Meeting until the next Annual General Meeting to purchase or otherwise acquire issued ordinary Shares by way of Market Purchases or Off-Market Purchases of up to ten percent (10%) of the total number of issued Shares (excluding treasury shares) at the Maximum Price in accordance with the terms and conditions set out in the Appendix dated 4 April 2014 to this Notice of Annual General Meeting, the Act and the Catalist Rules. Please refer to the Appendix dated 4 April 2014 to this Notice of Annual General Meeting for details.

## Notes:

- 1. A member entitled to attend and vote at the Annual General Meeting is entitled to appoint not more than two (2) 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 must be executed under seal or the hand of its duly authorised officer or attorney.
- 3. The instrument appointing a proxy must be deposited at the Registered Office of the Company at No. 8 Aljunied Avenue 3, Oakwell Building, Singapore 389933 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

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# OEL (HOLDINGS) LIMITED

(Incorporated in Singapore)  
(Co. Reg. No: 198403368H)

## IMPORTANT:

1. For investors who have used their CPF monies to buy OEL (Holdings) Limited'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 vote should contact their CPF Approved Nominees.

## PROXY FORM

(Please see notes overleaf before completing this Form)

I/We, \_\_\_\_\_  
of \_\_\_\_\_  
being a member/members of OEL (HOLDINGS) LIMITED (the "Company"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing 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 at The Conference Room, No. 8 Aljunied Avenue 3, Oakwell Building, Singapore 389933 on Tuesday, 22 April 2014 at 3.00 p.m. and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy/proxies will vote or abstain from voting at his/her discretion. The authority herein includes the right to demand or to join in demanding a poll and to vote on a poll.

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

No.	Resolutions relating to:	For	Against
1.	Directors' Report and Audited Financial Statements for the year ended 31 December 2013 together with the Auditors' Report thereon		
2.	Payment of proposed special and final dividend		
3.	Re-election of Mr Jeffrey Hing Yih Pier as a Director		
4.	Approval of Directors' fees of up to S\$350,000 for the financial year ending 31 December 2014		
5.	Approval of special Directors' fees of up to S\$222,500		
6.	Re-appointment of Deloitte & Touche LLP as Auditors		
7.	Share Issue Mandate		
8.	Renewal of Share Buyback Mandate		

\* Delete where inapplicable

Dated this \_\_\_\_\_ day of \_\_\_\_\_ 2014

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

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



**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 meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.
3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.
4. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at No. 8 Aljunied Avenue 3, Oakwell Building, Singapore 389933 not less than forty-eight (48) hours before the time appointed for the Meeting.
5. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a notarially certified copy thereof must be lodged with the instrument.
6. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

**General:**

The Company shall be entitled to reject the instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing a proxy or proxies. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have Shares entered against his name in the Depository Register as at forty-eight (48) hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

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# OEL (Holdings) Limited

Registration No. 198403368H

No. 8 Aljunied Ave 3, Oakwell Building, Singapore 389933  
Tel: 6742 8000 Fax: 6742 3000