INTRACO Limited

FUTURE – READY

ANNUAL REPORT **2015**

TABLE OF CONTENTS

CORPORATE PROFILE	01
OUR INVESTMENTS	02
JOINT MESSAGE TO SHAREHOLDERS	03
FINANCIAL HIGHLIGHTS	06
OPERATING AND FINANCIAL REVIEW	07
BOARD OF DIRECTORS	09
EXECUTIVE TEAM	13
CORPORATE INFORMATION	14
CORPORATE GOVERNANCE	15
DIRECTORS' STATEMENT	37
INDEPENDENT AUDITORS' REPORT	41
FINANCIAL STATEMENTS	43
SUPPLEMENTARY INFORMATION	111
SHAREHOLDERS' INFORMATION	112
NOTICE OF ANNUAL GENERAL MEETING	114
PROXY FORM	

CORPORATE PROFILE

Incorporated in 1968 by the Singapore government and listed on the Singapore Exchange ("SGX") in 1972, INTRACO Limited ("**INTRACO**", or together with its subsidiaries the "**Group**") started as a trading company that played a key role in the industrialisation of Singapore. Over the years, the Group has grown through experience and is currently making its transition into an investment management company.

The Group has five main businesses, namely:

(1) Provision of passive fire protection products via its subsidiary KA Group, which is a leading player in Singapore's construction industry for such solutions;

(2) Colour compounding and modified compounding of resins via its associate SGX Mainboard-listed Dynamic Colours Limited;

(3) Management and maintenance of 4G telecommunication infrastructure for the North East Line via its telecommunications infrastructure division – Intrawave;

(4) Provision of crane rental and other related services in Myanmar via its joint-venture company, Tat Hong Intraco; and

(5) Trading and distribution of plastic resin products through Intraco Trading.

With a focus on its transition into an investment management company, INTRACO actively seeks out opportunities to expand its portfolio through strategic investments in profitable, high growth businesses and to create value for all its shareholders and generate recurring net income. The Group is committed to use its resources to help its investee companies develop their business strategies and achieve sustainable growth.

OUR INVESTMENTS

INTRACO aims to create shareholder value by strategically evolving into an investment management company with multiple higher margin revenue streams and in businesses that are highly sustainable for the long term.

Since 2013, we have made two notable investments, namely KA Group and Tat Hong Intraco and have increased our investment stake in Dynamic Colours Limited (“DCL”).

KA Group

In 2014, the Group acquired a 70% stake in KA Group, a leading one-stop provider of fire protection products. Founded in 1987, KA Group is a leading one-stop provider of fire protection products and one of the few players in Singapore’s construction industry that is both a manufacturer and applicator of such solutions.

KA Group’s double digit profit margin, business growth and strong prospects made it an attractive acquisition target. The steady growth of Singapore and the regional economies has resulted in sustained activities in urbanisation and infrastructure development projects, particularly in building and construction activities in the region. Embarking on niche specialised building-related products via KA Group’s expertise has provided INTRACO with an immediate entry point into the industry and enabled the Group to improve on its profitability.

Tat Hong Intraco

In 2013, a joint venture company, Tat Hong Intraco Pte Ltd was established between INTRACO, SGX-listed crane company Tat Hong Holdings Ltd and prominent Myanmar businessman, Mr Aung Moe Kyaw, to undertake the business of rental of cranes and other related business activities in Myanmar. It has a paid-up capital of US$5 million.

The company has made progress in establishing its customer base and a track record in the Myanmar market.

Dynamic Colours Limited

As of 31 December 2015, the Group owns a 41.27% stake in SGX Mainboard-listed DCL, a leading manufacturer of compounded resins and packaging materials.

DCL is principally engaged in the business of colour compounding and modified compounding of resins, which are used in the manufacture of external casings or component parts of electrical appliances and electronic devices. It is also a leading manufacturer and supplier of heavy-duty polyethylene bags that are used in Singapore’s petrochemical industry.

DCL’s positive earnings have contributed to INTRACO’s share of profit of associate.

JOINT MESSAGE TO SHAREHOLDERS

"We are happy to note that the FY2015 financial results marked an important milestone in the Group's transformation journey as the numbers were achieved on the back of a more diversified business stream."

DEAR SHAREHOLDERS

On behalf of the Board of Directors and Management, we are pleased to present our annual report for the financial year ended 31 December 2015 ("FY2015").

YEAR IN REVIEW

2015 was a challenging year fraught with uncertainties and major geo-political tensions.

In China, the world's second biggest economy, highly leveraged bets artificially spiked the stock markets briefly – only to be brought down fast by poor economic data and big investors unwinding their positions. Panic ensued, and the fragile Chinese economy was weakened further when the yuan was devalued. The contagion effect brought down markets around the world and the global market sentiment has remained weak since.

In the US, the United States Federal Reserve finally raised interest rates, its first in almost 10 years. This caused major issues for emerging market economies that had borrowed cheaply to fund their growth and consequently were confronted by costlier debts that they could no longer service. Europe, dragged down by the Greek debt crisis, continued on its anaemic path of weak or no growth.

TRANSFORMATION MILESTONES

Against such a backdrop, we are happy to report that INTRACO remained nimble and steadfast; indeed, notwithstanding the challenges, we thrived and chalked up a few milestones in 2015.

For FY2015, INTRACO achieved a net profit of S$3.0 million, versus FY2014's S$900,000 loss. Gross profit grew 76.8% to S$10.2 million despite a 22.8% decline in group revenue to S$116.6 million. As at 31 December 2015, the Group enjoyed a healthy balance sheet, with cash and marketable securities at S$48.5 million.

Two years ago, in 2013, we embarked on the daunting task of transformation, in an effort to scale up the business by diversifying into new areas and revenue streams.

JOINT MESSAGE TO SHAREHOLDERS

"We will strive to build on the momentum generated in 2015. We are well-positioned to pursue opportunities that will put the company on new growth platforms, with earnings that are accretive to the bottomline."

Today, we are happy to note that the FY2015 financial results marked an important milestone in the Group's transformation journey as the numbers were achieved on the back of a more diversified business stream. This is very encouraging and validation that the team – from the Board down to the last employee – is moving in the right direction.

Another significant milestone for the Group in 2015 was the changes implemented at the Board and Management levels. These changes are a key part of the Board's strategy to transform INTRACO into a high growth investment management company.

Following our last AGM held on 27 April 2015, our former Chairman Dr Tan Ng Chee and Non-Executive Director, Mr Wong Meng Choong, stepped down from the Board. Mr Colin Low, who was previously Deputy Chairman and Independent Director, succeeded Dr Tan as Chairman of the Board. Dr Lai was appointed Non-Executive Director.

At the Management level, Mr Foo Der Rong completed his tenure as Managing Director and CEO on 31 December 2015. We announced this to shareholders on 9 October 2015. In anticipation of that, the Board embarked on a seven-month search across Asia to find a new CEO who could successfully lead the Group and drive INTRACO's growth and diversification strategy.

On 1 January 2016, corporate veteran Mr Will Hoon officially took on the role of CEO after having been CEO Designate since 1 November 2015. We look forward to the leadership of Mr Hoon, who brings with him a wealth of experience in corporate and business leadership. He is widely regarded in the finance and corporate world for his business expertise backed by more than 23 years of experience in spearheading operating companies, private equity businesses and management consulting practices.

NEW FOCUS

In prioritising our business focus, we took into account the prospects of the industries that our lines of business operate in, as well as the potential profitability of each. In doing so, we aim to build a sustainable future for the Group and to deliver attractive returns to our shareholders.

Although the trading of plastics remains our biggest revenue contributor, we foresee this changing as we strategically evolve into an investment management company with multiple higher margin revenue streams and in businesses that are highly sustainable for the long term. At the moment, the Group has five lines of business in the following order:

1. KA Group (fire protection)
2. Dynamic Colours (polyethylene packaging and resin compounding)
3. IntraWave (telecommunications infrastructure)
4. Tat Hong Intraco (crane rental)
5. Intraco Trading (plastics resin trading)

We plan to expand the business of KA Group overseas. Around the region, there is increasing emphasis on building safety and the expertise of KA Group in passive fire protection has become extremely relevant to property owners who are required to fulfil local regulations for infrastructure. We are currently exploring opportunities to export our products and services abroad with priorities in Malaysia in 2016.

IntraWave was recently awarded a 4G project for the Northeast Line. The project is expected to engage and build growth at IntraWave for the next two to three years.

With a new democratic government in place in Myanmar, the prospects for Tat Hong Intraco in the country's building and construction industry are positive. We will pursue every lead to establish our business more firmly in this market.

Although we expect margins for Intraco Trading to remain low, we will continue to intensify our sales efforts to improve on net income.

FUTURE – READY

We expect continued headwinds in 2016 as a result of the current economic climate. However, with INTRACO's expertise spread across a range of products we are cautiously optimistic that our strategy to transform the company into an investment management company is progressing according to plan.

We remain watchful in the current economic environment; yet, we are focused on seeking out suitable targets and seizing opportunities to acquire profitable companies in the current economic climate.

We will strive to build on the momentum generated in 2015. We are well-positioned to pursue opportunities that will put the company on new growth platforms, with earnings that are accretive to the bottomline.

On behalf of the Board, we would like to thank both Dr Tan and Mr Wong for their contributions to Intraco during their tenure. We would also like to place on record the hard work of our fellow board directors and the management team, and the unwavering support of our partners and stakeholders. We would also like to express our appreciation to our former CEO, Mr Foo, for his many years of contribution and to our COO, Mr Ronald Lim Kim Liang, who left INTRACO in February 2016.

We are excited about INTRACO's transformation moving forward, and we are confident that together with your support, the Group's efforts will realise results that benefit all shareholders.

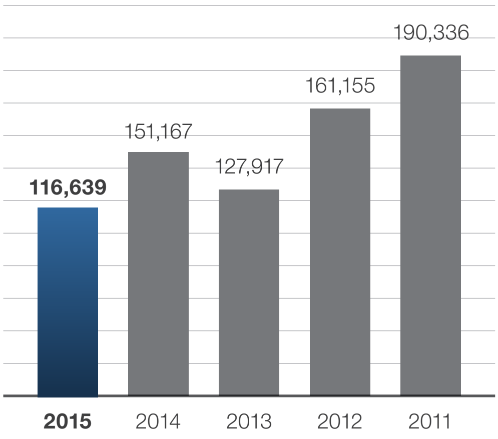
Colin Low
Chairman of the Board

Will Hoon
Chief Executive Officer

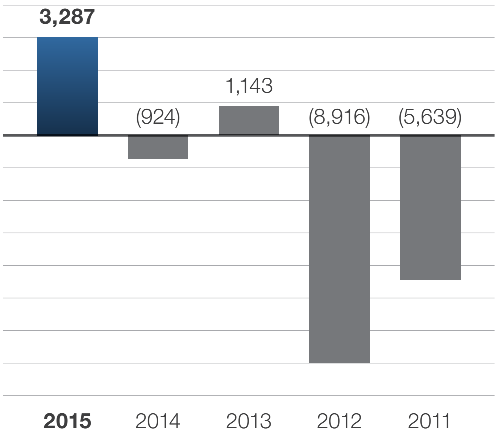
FINANCIAL HIGHLIGHTS

Year ended 31 December

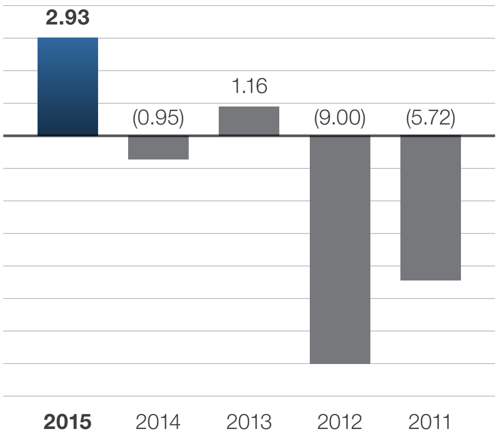
REVENUE (S$'000)



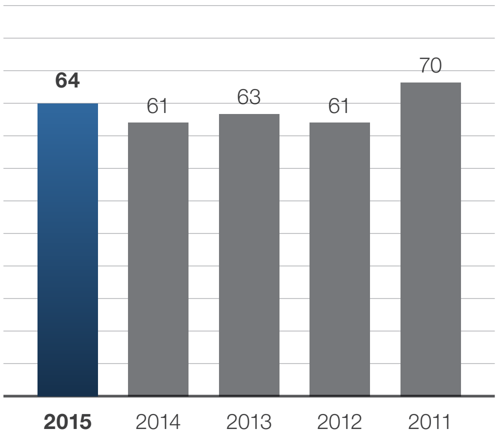
PROFIT/(LOSS) BEFORE TAX* (S$'000)



EARNINGS PER SHARE*
(SINGAPORE CENTS)

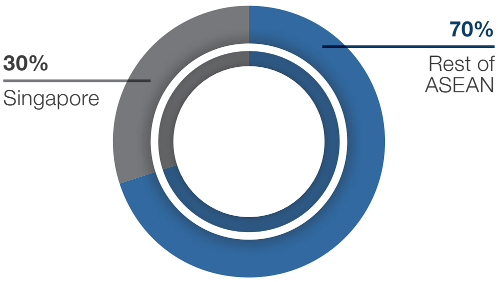


NET ASSET VALUE PER SHARE
(SINGAPORE CENTS)

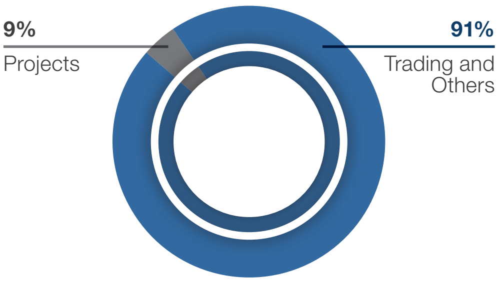


* Note: Excluding discontinued operations

FY2015 REVENUE BY GEOGRAPHICAL SEGMENTS



FY2015 REVENUE BY OPERATING SEGMENTS



Plastic resins used in the manufacture of consumer items such as plastic bottles and plastic bags.

Worker applying internal grade vermiculite fireproofing spray onto a steel structure. The spray can offer fire-rated protection for up to two hours.

FINANCIAL REVIEW

Income statement review

INTRACO recorded revenue of S$116.6 million for the 12 months ended 31 December 2015 ("**FY2015**"), a decrease of S$34.5 million, or 23%, from the previous corresponding 12 months ("**FY2014**"), largely due to lower revenue from the ***Trading & Others*** segment.

Revenue from the Trading & Others segment which was largely driven by the Plastics Division, contributed S$105.6 million, or approximately 91%, of the Group's revenue in FY2015. This represents a decrease of S$39.5 million, or 27%, from S$145.0 million in FY2014. The decrease was mainly because the shortage of resin supplies faced by the industry in FY2014 persisted through to FY2015.

On the other hand, revenue from the ***Projects*** segment which is largely driven by the newly acquired KA Group, contributed S$11.1 million or approximately 9% of the Group's revenue in FY2015, representing an increase of S$4.9 million, or 80%, from S$6.1 million in FY2014. The surge in revenue was mainly due to the inclusion of the full year revenue generated by KA Group.

With the inclusion of KA Group, gross profit for INTRACO was boosted by S$4.4 million to S$10.2 million in FY2015, a 77% increase from S$5.8 million in FY2014. Consequently, gross profit margin for INTRACO also expanded to 8.8% in FY2015 from 3.8% in the previous year.

Other income for the Group which mainly comprised write-back of unclaimed trade payables, government grants and refunds, distributions from non-core investments and gain on disposal of fixed assets decreased to S$0.5 million for FY2015, as compared to S$1.0 million in the previous year.

Administrative expenses increased by S$3.2 million, or 37.5%, to S$11.8 million in FY2015 because of the inclusion of administrative expenses incurred by KA Group. Finance income increased by S$0.5 million from S$0.2 million in FY2014 to S$0.7 million in FY2015, mainly due to interest income derived from available-for-sale debt securities.

The Group's share of results from associate and joint venture increased by $3.2 million to S$4.2 million in FY2015, mainly attributable to a S$3.1 million gain from disposal of property by an associate. Tax expense for the group increased to S$0.2 million due to the increase in profits in 2015.

INTRACO recorded a net profit after tax of S$3.0 million in FY2015, as compared to a net loss after tax of S$0.9 million in FY2014.

OPERATING AND FINANCIAL REVIEW

A 55-tonne crawler crane working on a bridge construction project in the Bago Division of Myanmar.

Balance sheet review

As at 31 December 2015, INTRACO's balance sheet remained healthy with S$48.5 million in cash, cash equivalents and debt securities.

With lower sales and purchases for plastic resin trading in FY2015, receivables and payables were consequentially lower as well. The increase in loans and borrowings was mainly due to higher usage of trade financing facilities at the end of FY2015.

Total equity for the Group was S$66.7 million and net asset value per ordinary share was S$0.64 as at 31 December 2015, an increase of 5% from the previous year.

Outlook

With a healthy cash and cash equivalents and debt securities of S$48.5 million, INTRACO has ample resources to continue its growth trajectory through strategic acquisition of businesses that will create long-term value for shareholders.

Key economies around the world are currently having a grim outlook which has been further dampened by the recent successive decline in crude oil prices. These have resulted in volatilities and uncertainties in most business environments.

Plastic resins being a derivative of oil has adversely affected the Group's plastic trading activities. The declining selling price of plastic resins, a shortage of tonnage allocation by suppliers and the market demand remaining weak have resulted in reduced revenue.

The Group expects its operating environment, particularly for the plastic resin trading business, to be challenging in the next 12 months.

The building and construction sector in Singapore and the region where KA operates remains challenging as it faces severe slowdown in new projects activity. However, KA has put in place a strategy both in marketing and business development that will explore new markets overseas and leverage on the growing demand for passive fire protection solutions.

Myanmar, which concluded its national elections in 2015 and elected a new government in 2016, continues to undergo both political and economic reforms. These have resulted in improving international relations, an increasing interest in foreign investments and growing demand for infrastructure and construction services. Therefore, Tat Hong Intraco Heavy Equipment Co. Ltd will continue to navigate the challenging but exciting landscape of Myanmar to establish its track record and build market share.

The Group continues to actively seek out opportunities to expand its portfolio through strategic investments in profitable, high growth businesses and to create value for all its shareholders and generate recurring net income.

From left to right:

Mr Colin Low
Chairman & Independent Director

Dr Tan Boon Wan
Independent Director

Mr Shabbir H Hassanbhai
Independent Director





From left to right:

Mr Ng How Kiat Charlie
Non-Executive Director

Mr Chew Leong Chee Tony
Alternate Director to
Mr Ng How Kiat Charlie

From left to right:

Dr Lai Mun Fook Steve
Non-Executive Director

Mr Ng San Tiong Roland
Alternate Director to
Dr Lai Mun Fook Steve


BOARD OF DIRECTORS

MR COLIN LOW
Chairman and Independent Director

Mr Low joined the Board of INTRACO on 1 March 2014 and was appointed as Chairman of the Board on 28 April 2015. He is also the Chairman of the Investment Committee and a member of the Remuneration and Audit Committees.

Mr Low is currently President and Chief Executive Officer of boutique private equity firm, Singapore Investment Development Corporation (SIDC), which is a Registered Fund Management Company of the Monetary Authority of Singapore, investing in high growth companies involved in technology, intellectual property and industrial solutions across the Asia Pacific region.

Prior to SIDC, Mr Low held several key positions at General Electric ("GE"), where he served as President & Regional Executive of GE Group in South East Asia including GE Capital, GE Technology Infrastructure, GE Energy Infrastructure, GE Home Solutions and NBC Universal. He was also a Board Director of GE International financial and investment holding group for the Asia Pacific region, GE Pacific Pte Ltd, from 2005 to 2010. He was also board director for GE Capital – Real Estate in Asia, and CNBC in China. In his early career at GE, he was the Managing Director & General Manager of GE Aviation – Aircraft Engines.

Mr Low holds several key board affiliations including the US National Board Member of the Cancer Treatment Centers of America, a rapidly growing network of regional hospitals (Atlanta, Chicago, Philadelphia, Phoenix, Tulsa) in the USA specialising in treating complex and advanced-stage cancer with an integrated and comprehensive "whole person" approach to medicalcare.

He is an Independent Board Director of OSIM International; Advisory Board member of Spencer Stuart International; Senior Advisor to Europe-based private wealth management group, Four Partners and Committee Member of the Yellow Ribbon Project, which helps ex-offenders reintegrate into society. He is an ASEAN Council Member of INSEAD University and has been conferred as a certified International Board Director of INSEAD University since 2013. He is also a Fellow of the Singapore Institute of Directors.

Mr Low holds a Bachelor of Science in Management (Honors), a Bachelor of Science in Marketing (Honors) and a Masters in Business Administration from Southern Illinois University Carbondale, USA.

DR TAN BOON WAN
Independent Director

Dr Tan has been an Independent Director of the Board since 5 October 2004. He serves as the Chairman of Audit Committee and a member of Nominating Committee. Dr Tan was last re-elected as a Director at the Annual General Meeting on 23 April 2014.

Dr Tan was formerly a Member of Parliament for the Ang Mo Kio GRC from 1997 to 2006, during which he served on the Government Parliamentary Committees for Education; Finance and Trade & Industry; and Information, Communication and the Arts. He was awarded the Public Service Medal (PBM) in 1993 for his contributions to the local community.

He also sits on the boards of Provenance Capital Pte Ltd, Concord Energy Pte Ltd and Hotung Investment Holdings Ltd.

Dr Tan holds a Doctorate in Physics and a Master's degree in Management from Imperial College at the University of London.

MR SHABBIR H HASSANBHAI
Independent Director

Mr Hassanbhai was appointed to the Board as an Independent Director on 16 August 2013. He was last re-elected as a Director at the Annual General Meeting on 23 April 2014. Mr Hassanbhai is Chairman of both the Remuneration and Nominating Committees and member of the Audit Committee.

Besides serving on the boards of his own companies in Singapore and the Middle East and as an Independent Director and on the audit, remuneration and nominating committees at listed India-based companies Gateway Distriparks Limited – a multi-modal container and rail company and Snowman Logistics Limited – temperature controlled logistics services provider, Mr Hassanbhai is also Singapore's Non-Resident High Commissioner to Nigeria since 2007.

He is also active in various business and social organisations in Singapore among which are Vice Chairman of the Singapore Business Federation, Chairman of Advisory Board NTU-SBF Centre for African Studies, Member of the Board of the Middle East Institute, NUS, Vice President Singapore Indian Development Association (SINDA), Chairman, School Advisory Board, Chong Boon Secondary School, Ministry of Education and Director, ITE Education Services Pte Ltd.

Mr Hassanbhai was conferred the Public Service Medal (PBM) in 2010 and awarded the distinguished Long Service Award by the Ministry of Community Development, Youth and Sports (MCYS) in 2011 for his invaluable volunteer service to the community and awarded a medal for service to education from the Ministry of Education in 2014.

Mr Hassanbhai is a Fellow of the Chartered Management Institute and a Member of the ACCA.

MR NG HOW KIAT CHARLIE
Non-Executive Director

Mr Ng was appointed to the Board as a Non-Executive Director on 22 November 2012. He was last re-elected as a Director at the Annual General Meeting on 27 April 2015. Mr Ng is a member of the Remuneration, Nominating and Investment Committees.

He is currently the President and Executive Director of Macondray Holdings Pte Ltd, a subsidiary of Asia Resource Corporation, with investments in Indo-China and China. He also serves on the boards of Asia Resource Corporation and several of its subsidiaries.

Previously, Mr Ng held senior appointments in SGX-listed Boustead Singapore Ltd and Easycall International Ltd, where he was responsible for investment and corporate development functions.

Mr Ng graduated from National University Singapore in 1994, with a Business Administration degree.

MR CHEW LEONG CHEE TONY
Alternate Director to Mr Ng How Kiat Charlie

Mr Chew was appointed to the Board as an Alternate Director to Mr Ng How Kiat Charlie on 7 December 2012.

Mr Chew is Executive Chairman of Asia Resource Corporation which has diversified business interests in the Asian region. He is also Chairman of Macondray Holdings Pte Ltd, Co-Chairman of Myanmar Distillery Company and Vice-Chairman of KFC Vietnam.

Companies he founded or led include Pepsi-Cola Vietnam, KFC Vietnam, Jetstar Asia, International Beverages Trading Company Myanmar, Del Monte Pacific, Sterling Tobacco Philippines and Hua Feng Paper Mill China.

In Singapore, he played an active role in promoting regional businesses, having served as Chairman of the Singapore Business Federation, Network Indonesia and the Vietnam Business Club. He also served as member of the Singapore Trade Development Board, Economic Strategies Committee, National Productivity and Continuing Education Council, and was founding Chairman of Duke-NUS Graduate Medical School.

He is presently Co-Chairman of ACCORD Employers and Business Council, Board Member of Singapore Health Services Pte Ltd and the Chinese Development Assistance Council, and Advisor to Singapore Institute of International Affairs.

Mr Chew was conferred the Meritorious Service Medal (2013), Public Service Star (2008), Public Service Medal (2001), NUS Outstanding Service Award (2011) and SCCCI SG50 Outstanding Chinese Business Pioneers Award (2015).

DR LAI MUN FOOK STEVE
Non-Executive Director

Dr Lai was appointed to the Board as Non-Executive Director on 28 April 2015. He is a member of the Investment Committee.

Dr Lai currently holds directorships on the Boards of SGX-listed Yongmao Holdings Limited, 3dsense Media School Pte Ltd and the Singapore Institute of Power & Gas Pte Ltd.

From November 2007 to August 2012, Dr Lai was the Chief Executive Officer of PSB Academy Pte Ltd. Dr Lai was previously the Deputy Chief Executive Officer of TUV SUD PSB Corporation and PSB Corporation Pte Ltd from April 2006 to March 2007 and from April 2001 to March 2006, respectively. From April 1996 to March 1998, Dr Lai was the General Manager (Standards & Technology) of Singapore Productivity & Standards Board.

Dr Lai holds a Bachelor of Science (Hons) in Industrial Chemistry and a PhD from the Loughborough University of Technology, United Kingdom. For his contributions to eco-labelling and the environmental movement, he was given the Singapore Ministry of the Environment's Green Lead Award (Individual). He also received the Silver Public Service Award in 1997.

MR NG SAN TIONG ROLAND
Alternate Director to Dr Lai Mun Fook Steve

Mr Ng was appointed to the Board as an Alternate Director to Dr Lai on 28 April 2015.

Mr Ng is the Managing Director of one of the world's largest crawler crane rental company Tat Hong Holdings Ltd and he is vastly experienced in the areas of corporate management, business development and business management. He sits on the board of Tat Hong Holdings Ltd as well as its regional subsidiaries and associates across Malaysia, Indonesia, Australia and China. He also holds directorships in several listed companies in Singapore including tower crane manufacturer, Yongmao Holdings Limited.

In addition, Mr Ng is the Vice-President of the Singapore Chinese Chamber of Commerce & Industry (SCCCI), a member on the Board of Directors of the Business China and a member on the Board of Trustees of the Chinese Development Assistance Council (CDAC).

Mr Ng graduated with a Bachelor of Science (Honours) Degree from Loughborough University, College of Technology, in the United Kingdom.

Mr Ng was awarded the Pingat Bakti Masyarakat (Public Service Medal) in 2002 and Bintang Bakti Masyarakat (Public Service Star) in 2010 by the President of Republic of Singapore. In September 2015, Mr Ng was appointed as the Justice of the Peace by the President of the Republic of Singapore.

EXECUTIVE TEAM

Our executive team is led by Chief Executive Officer, Mr Will Hoon.

MR WILL HOON
Chief Executive Officer

Mr Hoon is the Chief Executive Officer of INTRACO.

Prior to joining INTRACO, Mr Hoon served as a senior management officer of several companies. He had served as the Chief Executive Officer of Sateri. He served previously as the President of Eu Yan Sang. Mr Hoon was also the Executive Vice President of Transpac Capital. He was the Executive Chairman of Foodstar Holdings. He was the Executive Director of Hsu Fu Chi too. In addition, Mr Hoon was the Managing Director and Head of Private Equity at the Crosby Group. He had worked for Bain & Company, following his employment with the Boston Consulting Group. Mr Hoon has extensive experience in leading operating companies, management consulting practices, and private equity businesses. He has an excellent track record of creating significant value for shareholders and investors. He has outstanding success in managing substantial organisations and funds.

Mr Hoon received his Bachelor of Science in Mathematics with Computer Science from the School of Science at the Massachusetts Institute of Technology and completed his graduate research in Computer Science at the Computer Laboratory of the University of Cambridge (Trinity College). He was elected to Sigma Xi. In addition, he had received the George B. Morgan '20 Award and the Great Dome Award. Mr Hoon is a Fellow of the Chartered Institute of Marketing.

MR YEO CHOON TAT
Group Financial Controller

Mr Yeo is the Group Financial Controller of INTRACO.

Mr Yeo is a finance professional with more than 30 years of regional experience in senior management roles for multi-national corporations and local organisations across diverse industries, such as electronics manufacturing, venture capital investment and portfolio management and managing turnaround operations in Hong Kong, China and Singapore.

His past principal appointments includes, inter alia, Vice President (Finance and Asia-Pacific Operations), Creative Technology Ltd.; Senior Vice President (Head of Greater China Investment), Vertex Management Pte. Ltd.; Chief Operating Officer, Jolimark Holdings Ltd. Hong Kong; and, Executive Director of ASA Holdings Ltd. Singapore.

Mr Yeo is an Accountancy graduate of the University of Singapore. He is also a fellow member of the Institute of Singapore Chartered Accountants (FCA), CPA Australia (FCPA Australia) and ACCA U.K. (FCCA).

MR SOH YONG POON
Chief Executive Officer, KA Group

Mr Soh is the Chief Executive Officer of KA Group, a subsidiary of INTRACO.

Mr Soh is the founder of KA Group, a business he started in 1987 after identifying the huge potential for specialised fire proofing products and solutions in Singapore's burgeoning construction industry in the 1980s.

Under his stewardship, KA Group is today one of the market leaders in niche building materials in Singapore. In September 2014, KA Group became a subsidiary of INTRACO when the latter took a majority stake in the company.

Mr Soh is responsible for recommending its strategic direction as well as steering it towards achieving its corporate objectives and goals. He continues to be responsible for product development.

MS CAREN SOH
Chief Operating Officer, KA Group

Ms Soh is the Chief Operating Officer of KA Group, a subsidiary of INTRACO.

Ms Soh has been with KA Group since 2008. She is overall in charge of business development, including strategies to increase sales of the company's proprietary and agency fire-proofing products and solutions. She is also responsible for establishing a strong customer base and maintaining the company's market share in Singapore.

In addition, Ms Soh oversees the day-to-day operations of the company and works closely with various regulatory agencies as well as suppliers.

Ms Soh majored in management at the University of London, where she graduated with a Bachelor of Science Management in 2010.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Mr Colin Low*
Chairman and Independent Director
**Appointed as Chairman on 28 April 2015*

Dr Tan Boon Wan
Independent Director

Mr Shabbir H Hassanbhai
Independent Director

Mr Ng How Kiat Charlie
Non-Executive Director

Mr Chew Leong Chee Tony
Alternate Director to Mr Ng How Kiat Charlie

Dr Lai Mun Fook Steve*
Non-Executive Director
**Appointed on 28 April 2015*

Mr Ng San Tiong Roland*
Alternate Director to Dr Lai Mun Fook Steve
**Appointed on 28 April 2015*

AUDIT COMMITTEE

Dr Tan Boon Wan (Chairman)
Mr Colin Low*
Mr Shabbir H Hassanbhai*
**Appointed on 4 May 2015*

NOMINATING COMMITTEE

Mr Shabbir H Hassanbhai* (Chairman)
Dr Tan Boon Wan
Mr Ng How Kiat Charlie
**Appointed as Chairman and member on 4 May 2015*

REMUNERATION COMMITTEE

Mr Shabbir H Hassanbhai* (Chairman)
Mr Colin Low
Mr Ng How Kiat Charlie
**Appointed as Chairman on 4 May 2015*

INVESTMENT COMMITTEE

Mr Colin Low (Chairman)
Mr Ng How Kiat Charlie
Dr Lai Mun Fook Steve*
**Appointed on 4 May 2015*

COMPANY SECRETARY

Ms Busarahkam Kohsikaporn

AUDITORS

KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Audit Partner – Ms Tan Kar Yee, Linda
(Appointed in 2015)

SHARE REGISTRAR

KCK CorpServe Pte. Ltd.
333 North Bridge Road
#08-00 KH Kea Building
Singapore 188721

REGISTERED OFFICE

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8 Jurong Town Hall Road
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Singapore 609434
Tel: (65) 6586 6777
Fax: (65) 6316 3128
Email: admin@intraco.com
Website: www.intraco.com

PRINCIPAL BANKERS

Development Bank of Singapore Limited
United Overseas Bank Limited

INVESTOR RELATIONS

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INTRODUCTION

INTRACO Limited (the "**Company**" and together with its subsidiaries, the "**Group**") is committed to ensuring and maintaining a high standard of corporate governance as it understands that good corporate governance establishes and maintains an ethical environment, which strives to preserve and enhance the interests of all stakeholders.

In keeping with its commitment to a high standard of corporate governance, the Board of Directors of the Company (the "**Board**") and Management endeavor to align the Company's governance framework with the recommendations of the Code of Corporate Governance 2012 (the "**Code**").

This report describes the corporate governance framework and practices of the Company with specific reference made to each principle as set out in the Code.

The Code is divided into four main sections, namely:

A. BOARD MATTERS
B. REMUNERATION MATTERS
C. ACCOUNTABILITY AND AUDIT
D. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

A. BOARD MATTERS

The Board works closely with Management for the long-term success of the Company. The Board comprises the following members:

Mr Colin Low (Chairman)
Dr Tan Boon Wan
Mr Shabbir H Hassanbhai
Mr Ng How Kiat Charlie
Dr Lai Mun Fook Steve
Mr Chew Leong Chee Tony (Alternate Director to Mr Ng How Kiat Charlie)
Mr Ng San Tiong Roland (Alternate Director to Dr Lai Mun Fook Steve)

A description of the background of each Director is presented in the "**Board of Directors**" section of this annual report set out on pages 10, 11 and 12.

THE BOARD'S CONDUCT OF ITS AFFAIRS (PRINCIPLE 1)

The Role of the Board

The Board assumes responsibility for stewardship of the Company and the Group and is primarily responsible for the protection and enhancement of long-term value and returns for the shareholders. It has oversight responsibility over the management of the business and affairs of the Group.

Apart from its statutory responsibilities, the Board also:

1. provides entrepreneurial leadership, and guidance on the overall strategic direction, oversees the proper conduct of the business, performance and affairs of the Group and ensures that the necessary financial and human resources are in place for the Company to meet its objectives;

2. sets objective performance criterion to evaluate the Board's performance and succession planning process;

3. reviews the adequacy and effectiveness of the Group's risk management and internal controls framework including financial, operational, compliance and information technology controls and establishing risk appetite and parameters to safeguard shareholders' interests and the Company's assets;

4. reviews and approves key operational and business initiatives, major funding proposals and other corporate actions, significant investment and divestment proposals, including determining the Group's operating and financial performance, the Group's annual budgets and capital expenditure, release of the Group's half-year and full-year financial results and other strategic initiatives proposed by Management;

5. approves all Board appointments/re-appointments and appointment of Chief Executive Officer ("**CEO**") and other persons having authority and responsibility for planning, directing and controlling the activities of the Company ("**Key Management Personnel**"), evaluates their performance and reviewing their remuneration packages;

6. establishes goals and priority for Management and reviews Management's performance by monitoring the achievement of these goals;

7. identifies the key stakeholder groups and recognizes that their perceptions affect the Company's reputation;

8. sets the Company's values and standards (including ethical standards), and ensures that obligations to shareholders and other stakeholders are understood and met; and

9. considers sustainability issues (where applicable), e.g. environmental and social factors, as part of its strategic formulation.

Delegation by the Board

Management is responsible for the day-to-day operations and administration of the Group, and works within the guidelines, policies and framework approved by the Board.

THE BOARD COMMITTEES

To assist in the execution of its responsibilities, the Board had established 4 Board Committees and delegates specific areas of responsibilities to these Committees. The Committees are the Audit Committee ("**AC**"), Nominating Committee ("**NC**"), Remuneration Committee ("**RC**") and Investment Committee ("**IC**").

Each of these Board Committees functions within clearly defined terms of reference, which have been approved by the Board. The terms of reference of the AC, NC, RC and IC had been last reviewed and amended on 26 February 2016. These amendments are consistent with the needs and circumstances of the Group.

The Board recognizes that while these Board Committees have the delegated power to make decisions, execute actions or make recommendations in their specific areas respectively, and will report back to the Board with their decisions and/or recommendations, the ultimate responsibility for the decisions and actions rests with the Board. Minutes of all Board Committee meetings are circulated to the Board so that Directors are aware of and kept updated as to the proceedings and matters discussed during such meetings. In addition, the Company has an established internal policy on the types of transactions/activities and financial authorisation limits that require Board approval. These include approval of annual budgets financial plans, financial statements, business strategies and material transactions, such as major acquisitions, divestments, funding and investment proposals. Below the Board level, there is appropriate delegation of authority and approval sub-limits at management level, to facilitate operational efficiency.

On 4 May 2015, the Board Committees had been re-constituted based on the current Board's skills, experience and knowledge. This is to ensure that the current Board Committees remains suitable for the needs of the business. The details of the Board Committees are set out on page 24.

Audit Committee

Following the re-constitution of the Board Committees, the AC comprises three members, all of whom are Independent Directors:

Dr Tan Boon Wan (Chairman)
Mr Shabbir H Hassanbhai*
Mr Colin Low*

* *appointed on 4 May 2015*

The AC oversees the quality and integrity of the accounting, auditing, internal controls and financial practices of the Group. The Chairman of the AC reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. All members of the AC have many years of experience in senior management positions in both financial and industrial sectors. The Board is of the view that the AC members, having accounting and related financial management expertise and experience, are appropriately qualified to discharge their responsibilities.

The AC does not have any member who is a former partner or Director of the Company's existing audit firm.

The AC held four meetings in 2015 and addressed the following matters, which are part of its duties as stipulated in its terms of reference:

1. the audit plans of the internal and external auditors of the Company, and their reports arising from their audits including Management's response to their letter to Management;

2. the financial statements of the Company and the consolidated financial statements of the Group;

3. the interim and full year announcements of the results of the Group before submission to the Board for approval;

4. the adequacy and effectiveness of material internal controls, including financial, operational, compliance and information technology controls and risk management systems;

5. regulatory matters that may have a material impact on the financial statements, compliance policies and programmes and any reports received from regulators;

6. the cost-effectiveness, independence and objectivity of the external auditors, nature and extent of non-audit services provided and approval of audit fees payable to the external auditors.

   The AC undertook a review of all non-audit services provided by the external auditors and is of the opinion that the nature and provision of such services would not affect the independence and objectivity of the external auditors. The External auditors have confirmed their independence in this respect;

   The following fees amounting to S$264,187.00 were approved:

   - Audit fee S$230,387.00
   - Non-audit fee* S$33,800.00

   * *Non-audit fee comprised corporate tax compliance services.*

7. any suspected fraud or irregularity, or suspected infringement of any relevant laws, rules or regulations, which has or is likely to have a material impact to the Group's operating results or financial position and

8. the recommendation to the Board for the appointment or re-appointment of the external auditors of the Company. The AC, with the concurrence of the Board, recommended the re-appointment of Messrs KPMG LLP, Public Accountants and Chartered Accountants, as the Company's Auditors for the ensuing year based on their performance and quality of their audit; and

9. Interested Parties Transactions ("IPTs") to ensure that the current procedures for monitoring of IPTs have been complied with. For FY2015, the AC had reviewed the IPTs, which were below the threshold required for an announcement to be made or shareholders' approval to be sought.

In performing its functions, the AC:

1. meets the external auditors and IA (who have direct access to the AC) at least annually, without the presence of Management, and reviews the overall scope of the external audit and the assistance given by Management to the auditors. Both set of auditors had confirmed that they had access to and received full co-operation and assistance from Management and no restrictions were placed on the scope of their audit;

2. confirms that the Company has complied with Rule 712 of the SGX-ST in that KPMG LLP is registered with the Accounting and Corporate Regulatory Authority (ACRA). The AC is satisfied that the resources and experience of KPMG LLP, the audit engagement partner and her team assigned to the audit of the Group were adequate to meet their audit obligations, given the size, nature, operations and complexity of the Group;

3. confirms that the Company has complied with Rule 715 of the SGX-ST in relation to the appointment of the same auditing firm based in Singapore to audit the financial statements of the Company, all of its Singapore-incorporated subsidiaries and joint venture.

4. confirms that the Company has complied with Rule 716 of the SGX-ST in relation to the appointment of the different auditing firm based in Singapore to audit the financial statements of its associate, Dynamic Colours Limited. The AC, with the concurrence of the Board, is satisfied that such an appointment would not compromise the standard and effectiveness of the audit of the Company. The Group's subsidiaries, associate and joint venture are disclosed under Note 7 and 27 of the Notes to the Financial Statements on pages 73 to 76 and 106 to 107 of the Annual Report.

5. has explicit authority to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention with full access to records, resources, and personnel to enable it to discharge its functions properly; and

6. has full access to and cooperation of Management and the discretion to invite any Director or officer to attend its meetings.

The AC also reviews arrangements by which staff of the Company and external parties may, in confidence, raise concerns about possible improprieties in financial reporting or other matters. The Group has in place a whistle-blowing policy to ensure independent investigations of such matters and for appropriate follow up action. A summary of the policy can be found in the Company's website.

The external auditors provide regular updates and periodic briefings to the AC on changes or amendments to accounting standards from time to time to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any. The AC is entitled to seek clarification from Management, the external Auditors, independent professional advice to attend relevant seminars at the Company's expense from time to time to apprise themselves of accounting standards/financial updates.

Nominating Committee

Following the re-constitution of the Board Committees, the NC comprises the following Non-Executive Directors, 2 of whom (including the Chairman) are Independent Directors:

Mr Shabbir H Hassanbhai* (Chairman)
Dr Tan Boon Wan
Mr Ng How Kiat Charlie

* *appointed on 4 May 2015*

The Chairman of the NC reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. Members of the NC comprise persons of stature, integrity and accountability, who are able to exercise independent judgment in the performance of their duties.

The duties of NC include:

1. to identify candidates and review all nominations for the appointment or re-appointment of Directors (including Alternate Directors), the CEO of the Group, and to determine the selection criteria;

2. to ensure that all Board appointees undergo an appropriate induction programme;

3. to review training and professional development programmes for the Board;

4. to regularly review the Board structure, size and composition and make recommendations to the Board with regard to any adjustments that are deemed necessary;

5. to identify gaps in the mix of skills, experience and other qualities required in an effective Board and to nominate or recommend suitable candidates to fill these gaps;

6. to decide whether a Director is able to and has been adequately carrying out his duties as Director of the Company, particularly where the Director has multiple board representations;

7. to review the independence of each Independent Director annually;

8. to review Board succession plans;

9. to decide how the Board and Board Committees' performance may be evaluated and propose objective performance criteria for the Board's approval; and

10. to assess the effectiveness of the Board as a whole.

For the year under review, the NC held five meetings. The NC also met without the presence of Management at each NC meeting, where necessary, to discuss matters such as the succession planning as well as leadership development.

Remuneration Committee

Following the re-constitution of Board Committees, the RC comprises the following members, 2 of whom (including the Chairman) are Independent Directors:

Mr Shabbir H Hassanbhai (Chairman)*
Mr Colin Low*
Mr Ng How Kiat Charlie

* *appointed on 4 May 2015*

The Chairman of the RC reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The members of the RC have many years of corporate experience and are knowledgeable in the field of human resource knowledge. In addition, the RC has access to expert professional advice on remuneration matters as and when necessary.

No remuneration consultants were engaged in FY2015.

The duties of the RC, which are defined in its terms of reference, include:

1. recommending Non-Executive Directors' fees and Executive Directors' remuneration to the Board in accordance with the approved remuneration policies and processes of the Company;

2. reviewing service contracts for Executive Directors, CEO and Key Management Personnel to keep in line with the guidelines on contractual provisions set out in the Code;

3. looking into service contract provisions that allow the Group to reclaim incentive components of remuneration from Executive Directors and Key Management Personnel in exceptional circumstances of misstatement of financial results, or of misconduct resulting in financial loss to the Group;

4. reviewing and approving the remuneration of the CEO and the top 5 key executives (who are not Directors) in accordance with the approved remuneration policies and processes of the Company;

5. reviewing the eligibility of Executive Directors and Key Management Personnel for benefits under any long-term incentive schemes;

6. administering the INTRACO Employee Share Option Scheme (the "**2013 Scheme**") and any other share option scheme or share plan. More information on the 2013 Scheme is set out in the Directors' Report on pages 38 to 39;

7. reviewing the remuneration packages of employees who are related to any Director, substantial shareholder or the CEO (or executive of equivalent rank); and

8. ensuring that an appropriate proportion of the remuneration of Executive Directors and Key Management Personnel are structured so as to link rewards to corporate and individual performance.

For the year under review, the RC held three meetings. The RC also set aside time to meet without the presence of management at each RC meeting, where necessary, to discuss matters such as the remuneration of Key Management Personnel.

Investment Committee

During the FY2015, the IC comprises the following 4 Directors, of whom 1 (the Chairman) is an Independent Director and 2 are Non-Executive Directors:

Mr Colin Low (Chairman)
Mr Ng How Kiat Charlie
Dr Lai Mun Fook Steve*
Mr Foo Der Rong**

* *Dr Lai was appointed on 4 May 2015 in place of Mr Wong who retired as Director on 27 April 2015.*

** *Mr Foo ceased as Director of the Company and resigned as member of IC on 31 December 2015.*

The Chairman of the IC reports formally to the Board on its proceedings after each meeting on all matters within its duties and responsibilities. The members of the IC have broad business experience, financial and investment knowledge.

The IC's primary role, which is outlined in its terms of reference, is to provide advisory support to Management/the Company on the following:

1. investment, merger, acquisition and disposal transactions;

2. participation in joint venture or partnership (or such similar arrangement);

3. other capital investments and financial commitments (including treasury management); and

4. Group investment and treasury management policy guidelines and related procedures/processes.

The IC held four meetings during the FY2015 with Management of the Company.

These Board Committees have the authority to examine the specific issues outlined in their respective terms of reference and report back to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, rests with the entire Board.

Board and Board Committee Meetings

The Board and Board Committees meet regularly and whenever necessary to discharge their duties. An annual schedule of Board and Board Committee meeting dates are set by the Directors in advance. Ad-hoc meetings are convened when required to address any significant issues that may arise in-between the scheduled meetings. Where physical meetings are not possible, timely communication with members of the Board and Board Committees can be achieved through electronic means and circulation of written resolutions for approval by the Board or relevant Board Committees. The Company's Constitution ("**Constitution**") provide that the Directors may conduct meetings by means of telephone or video conference or other methods of simultaneous communication.

All draft agendas for meetings are reviewed by the Chairman of the Board and the Chairmen of the respective Board Committees. Papers and/or other information are forwarded to the Directors before each meeting with ample time for their review and perusal. Members of Management are invited to attend the meetings to present information and/or render clarification when required.

Directors are welcome to request for further explanation, briefings or discussions on any aspect of the Group's operations or business from Management. When required, Board members meet to exchange views outside the formal environment of Board meetings.

The Non-Executive Directors also set aside time to meet without the presence of Management at each Board meeting, where necessary, to discuss matters such as the Group's financial performance, succession planning as well as leadership development and remuneration of CEO. During the year, the Non-Executive Directors also held several sessions to discuss succession planning and leadership development of the Group without the presence of management.

The number of meetings held by the Board and Board Committees and attendance during FY2015 are as follows:

Board and Board Committee Meetings and Attendance in FY2015

Name	Board	Audit Committee	Nominating Committee	Remuneration Committee	Investment Committee
			Number of Meetings Held		
	7[(1)]	4	5	3	4
			Number of Meetings Attended		
Colin Low[(2)]	7/7	3/3	3/3	2/2	4/4
Tan Boon Wan	7/7	4/4	5/5	N/A	N/A
Shabbir H Hassanbhai[(3)]	7/7	3/3	2/2	3/3	N/A
Lai Mun Fook Steve[(4)]	6/6	N/A	N/A	N/A	3/3
Ng How Kiat Charlie	7/7	N/A	5/5	3/3	4/4
Tan Ng Chee[(5)]	0/1	1/1	N/A	1/1	N/A
Foo Der Rong[(6)]	5/5	N/A	N/A	N/A	4/4
Wong Meng Choong[(7)]	0/1	1/1	N/A	N/A	1/1

Notes:

1. Out of the 7 Board meetings, two were meetings of the Non-Executive Directors.
2. Mr Low was appointed as Chairman of the Board on 28 April 2015 in place of Dr Tan Ng Chee. He was also appointed as a member of the AC and RC on 4 May 2015. He had resigned as Chairman and a member of NC on 4 May 2015.
3. Mr Hassanbhai was appointed as Chairman of the NC and RC and a member of AC on 4 May 2015.
4. Dr Lai was appointed as Non-Executive Director on 28 April 2015 and a member of the IC on 4 May 2015.
5. Dr Tan Ng Chee retired as Director on 27 April 2015. He also relinquished his position as Chairman of the Board and RC and a member of AC with effect from 27 April 2015.
6. Mr Foo, being an Executive Director, did not attend 2 of the Board meetings during the year, as they were meetings of the Non-Executive Directors. He retired as Director and Chief Executive Officer of the Company with effect from 31 December 2015.
7. Mr Wong retired as Non-Executive Director on 27 April 2015. He also ceased to be a member of AC and IC with effect from 27 April 2015.

Induction, Information and Training of Director

All newly-appointed Directors attend an orientation programme which seeks to familiarize them with the Company's business, operations and governance practices and they are also given materials containing such information. The Group's policies and procedures are also extended to the Directors to enable them to gain a clear understanding on the levels of authority in relation to transactions. In addition, Directors are provided with the contact numbers and email addresses of key executives, the Company Secretary, Auditors and Investor Relations to facilitate efficient and direct access.

Formal letters are provided to each Director upon appointment, setting out duties and responsibilities as a Director under the Companies Act, Cap. 50 (the "**Act**") and the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**").

To keep pace with a fast-changing regulatory environment, the Board is kept informed of any relevant changes to legislation and regulatory requirements. Directors and Management are encouraged to attend courses to keep abreast of changes in the law and governance matters that may affect the Group. The Company has a budget for Directors to receive further relevant training of their choice in connection with their duties as Directors.

BOARD COMPOSITION AND GUIDANCE (PRINCIPLE 2)

Board Composition and Independent Directors

As at the date of this report, the Board comprises five Non-Executive Directors, three of whom (including the Chairman) are independent and two alternate directors. Details of the composition of the Company's Board and Board Committees in FY2015 are as follows:

Name of Director	Designation	AC	NC	RC	IC
Colin Low Tock Cheong[1] *(Chairman of the Board)*	Independent	Member	–	Member	Chairman
Tan Boon Wan	Independent	Chairman	Member	–	–
Shabbir H Hassanbhai[2]	Independent	Member	Chairman	Chairman	–
Ng How Kiat Charlie	Non-Executive	–	Member	Member	Member
Lai Mun Fook Steve[3]	Non-Executive	–	–	–	Member
Chew Leong Chee Tony	Alternate director to Ng How Kiat Charlie	–	–	–	–
Ng San Tiong Roland[4]	Alternate director to Lai Mun Fook Steve	–	–	–	–
Tan Ng Chee[5]	Independent	–	–	–	–
Foo Der Rong[6]	Executive	–	–	–	Member
Wong Meng Choong[7]	Non-Executive	–	–	–	–

Notes:

1. Mr Low was appointed as Chairman of the Board on 28 April 2015 in place of Dr Tan Ng Chee. He was also appointed as a member of the AC and RC on 4 May 2015. He had resigned as Chairman and a member of NC on 4 May 2015.
2. Mr Hassanbhai was appointed as Chairman of the NC and RC and a member of AC on 4 May 2015.
3. Dr Lai was appointed as a Non-Executive Director on 28 April 2015 and a member of the IC on 4 May 2015.
4. Mr Roland Ng was appointed as alternate director to Dr Lai on 28 April 2015.
5. Dr Tan Ng Chee retired as a Director on 27 April 2015 at the AGM of the Company. He had also relinquished his position as Chairman of the Board, and RC and a member of AC with effect from 27 April 2015.
6. Mr Foo resigned as a Director of the Company with effect from 31 December 2015.
7. Mr Wong retired as a Non-Executive Director at the AGM of the Company on 27 April 2015. He also ceased to be a member of AC and IC with effect from 27 April 2015.

The Board has a strong element of independence. In FY2015, five of the six Directors are Non-Executive Directors, a majority of whom are Independent Directors. Mr Foo was the only Executive Director appointed to the Board.

The Non-Executive Directors exercise objective judgment on the Group's affairs independently from Management. The Non-Executive Directors also contribute to the Board process by monitoring and reviewing Management's performance against goals and objectives. Their views and opinions provide alternate perspectives to the Group's business. When challenging Management's proposals or decisions constructively, they bring independent judgment to bear on business activities and transactions involving conflicts of interest and other complexities.

The Board comprises members with diverse expertise and experience in accounting, banking, law, marketing, fund management, business, management, finance, risk management, trading, logistics management and as a group provides core competencies necessary to lead and govern the Company effectively. The Directors' objective judgment, collective experience and knowledge are invaluable to the Group and allow for the useful exchange of ideas and views.

The size and composition of the Board are reviewed from time to time by the NC to ensure that the size of the Board is conducive for effective discussions and decision-making and that the Board has the appropriate mix of expertise and experience as well as an appropriate balance of Independent Directors. The Board considers its current board size appropriate for effective decision-making, taking into account the scope and nature of the Group's operations.

Independence of Directors

The NC reviews annually the independence of each Director based on the definition and criteria set out in the Code. Each Non-Executive Director is required to complete a Confirmation of Independence form drawn up based on the Principle 2 of the Code for the NC's review and recommendation to the Board.

The Code stipulates that the independence of any Director who has served on the Board beyond nine years from the date of his first appointment should be subject to particularly rigorous review. The NC noted that none of the Independent Directors, save for, Dr Tan Boon Wan, has served on the Board beyond nine years from the date of his first appointment.

Dr Tan Boon Wan has served on the Board since 5 October 2004. The NC is of the view that in assessing the independence of the independent Directors, one should consider the substance of their professionalism, integrity and objectivity and not merely based on the number of years which they have served on the Board. The rationale being that independent Directors may over time develop significant insights in the Group's business and operations and can continue to provide noteworthy and valuable contribution to the Board.

The NC noted that Dr Tan has demonstrated strong independence in character and judgement over the years in discharging his duties and responsibilities as an Independent Director. He continues to express his individual viewpoint, debate on issues, objectively scrutinizes and challenges Management's proposals as well as participates actively in discussions on business activities and transactions involving conflicts of interests and other complexities.

Having considered the above and weighing the need for progressive refreshing of the Board, the NC had determined that Dr Tan's tenure had not affected his independence or ability to bring about independent and considered judgement to bear in the discharge of his duties as a member of the Board. Accordingly, the NC had recommended to the Board that he continues to be considered independent, notwithstanding he has served on the Board for more than nine years from the date of his first appointment. Dr Tan, being a NC member, was abstained from any discussion and voting on the matter. The Board had concurred with the NC's assessment.

Taking into consideration the foregoing, the NC has determined Mr Colin Low, Dr Tan Boon Wan and Mr Shabbir H Hassanbhai (who represent the majority of the Board) to be independent. Each of these Directors have also confirmed their independence. Dr Lai and Mr Charlie Ng are not independent by virtue of them representing the interests of their 10% shareholders (as defined under the Code) of the Company.

None of the Directors, save for Mr Charlie Ng and Dr Lai, are related to, and have any relationship with, the Company or its related companies or its officers who could interfere or to be reasonably perceived to interfere with the exercise of their independent judgements.

CHAIRMAN AND CHIEF EXECUTIVE OFFICER (PRINCIPLE 3)

The positions of the Chairman and CEO are separate to ensure an appropriate balance of power, increased accountability and greater capacity of the Board for independent decision-making.

Mr Colin Low is the Chairman of the Board. He was appointed as the Independent Chairman on 28 April 2015, succeeding Dr Tan Ng Chee, who retired on 27 April 2015. Mr Foo Der Rong was the CEO and Managing Director of the Company until 31 December 2015 when he retired. Mr Will Hoon Wee Teng is the CEO of the Company and was appointed on 1 January 2016, succeeding Mr Foo. Accordingly, the Chairman and the CEO is not the same person and they are not related.

The Board had adopted a role statement for each of the Chairman and CEO for greater transparency.

The Chairman, Mr Colin Low, leads the Board and ensures the effectiveness on all aspects of its role.

His responsibilities include, *inter alia*:

1. constructively determining and approving, with the full Board, the Company's strategy;
2. ensuring that the Board is properly organized, functioning effectively and meeting its obligations and responsibilities;
3. setting the agenda and ensuring adequate time is available for discussion of all agenda items, in particular, strategic issues;
4. ensuring that Directors receive accurate, complete and timely information;
5. fostering effective communication and constructive relations amongst the Directors, within Board Committees, between shareholders, between the Directors and Management;
6. encouraging the constructive exchange of views within the Board and between Board members and Management;
7. facilitating the effective contribution of Non-Executive Directors and Independent Directors;
8. promoting a culture of openness and debate at the Board level and promote high standards of corporate governance; and
9. establishing a relationship of trust with the CEO.

The CEO is the highest-ranking executive officer of the Company and whose primary role is to effectively manage and supervise the day-to-day operations of the Group and plays a key role in running the Group's business and operations in accordance with the strategy, policies, budget and operational objectives approved by the Board.

His responsibilities include, *inter alia*:

1. running the Company's business and developing its vision, mission, core values, strategies and business objectives;
2. providing clear and decisive leadership and guidance to employees of the Group;

3. being accountable to the Board for all aspects of the Company's administration, operations and performance;

4. providing timely strategic and operational information to the Board, including performance reports and other matters that the Board may not otherwise be aware of;

5. managing and cultivating relationships with regulators, leading communication efforts with shareholders and the public and ensuring compliance with disclosure obligations; and

6. developing an organizational structure which ensure an effective and cohesive management team.

As the roles and responsibilities of the Chairman and the CEO are separate, given that the independence of the Chairman and the strong independence element on the Board to enable the exercise of independent and objective judgment on the corporate affairs of the Group, the Board is of the view that there are adequate safeguards and checks in place to ensure that the process of decision-making by the Board is based on collective decision of the Directors, without any concentration of power or influence residing in any individual. In view thereof, there is no need for the Company to have a lead independent director.

BOARD MEMBERSHIP (PRINCIPLE 4)

Succession Planning and Procedure for Selection and Appointment of New Directors

The NC recognizes succession planning as an important part of the governance process and reviews succession plans annually to ensure that Board membership is refreshed progressively and in an orderly manner.

The NC had put in place a formal process for short listing, evaluating and nominating candidates for appointment as new Directors.

The NC, in consultation with Management and the Board, determines the qualifications and expertise required or expected of a new Board member taking into account the current Board size, structure, composition and progressive renewal of the Board. Prospective candidates are sourced through recommendations from Board members, business associates, advisors, professional bodies and other industry players. These candidates are reviewed by the NC. The criteria for assessing the suitability of any nominee or candidate are determined by the NC.

The NC, in evaluating the suitability of the nominee or candidate, will take into account his qualifications, business and related experience and ability to contribute effectively to the Board. The NC will also determine if the nominee or candidate would be able to commit time to his appointment having regard to his other Board appointments and principal commitments, and if he is independent.

The evaluation process will also involve an interview or meeting with the nominee or candidate. Appropriate background and confidential searches will also be made. Recommendations of the NC are then put to the Board for consideration. Any appointments to Board Committees are reviewed and approved at the same time.

The Company may appoint professional search firms and recruitment consultants to assist in the selection and evaluation process if the appointment involves specific skill sets or industry specialization.

Key information on each Director, including current directorships and principal commitments, are set out on page 10 to 12 of this report.

Procedure for Re-appointment of Directors

The Company's Constitution provide for the retirement and re-election of Directors at every Annual General Meeting ("**AGM**").

The Company's Constitution require all Directors to submit themselves for re-nomination and re-election at least once every 3 years; and at least one-third of the Directors for the time being to retire from office by rotation. New Directors appointed during the year are subject to retirement and re-election at the following AGM of the Company. The NC is responsible for the nomination of retiring Directors for re-election.

In determining the nomination of a Director for re-election, the NC takes into account the composition and progressive renewal of the Board, and the competency, performance and contribution of the Director including his attendance, preparedness and participation at Board and Board Committee meetings. A Director's time and effort accorded to the Company's business and affairs will also be considered. Where appropriate, the NC will also consider the Director's independence.

Mr Colin Low and Mr Shabbir H Hassanbhai would be retiring pursuant to Regulation 115 of the Company's Constitution at the forthcoming AGM of the Company. The retiring Directors, being eligible, had consented to continue in office and would seek re-election at the forthcoming AGM. Each of these Directors, being interested in the matter, had abstained from all discussions and recommendations in respect of their own re-election. Both Mr Colin Low and Mr Shabbir H Hassanbhai are considered independent for the purposes of Rule 704(8) of the SGX-ST Listing Manual.

Having regard to the above and taking into consideration the retiring Directors' attendance, participation and contribution to the business and operations of the Company as well as Board processes, the NC had recommended their nomination for re-election at the forthcoming AGM of the Company. The Board concurred with the NC's recommendation.

Where a Director has multiple Board representations, the NC will determine if the Director has been able to devote sufficient time and attention to the Company's affairs and if he has been adequately carrying out his duties as a Director. The recommendation of the NC for the nomination of a Director for re-election is then made to the Board. The Board will review this recommendation. The NC is of the view that the number of directorships a Director can hold and his principal commitments should not be prescriptive as the time commitment for each board membership will vary. The NC will review the number of listed company board representations which each Director holds on an annual basis or from time to time when the need arises. In this respect, the NC believes that it would not be necessary to prescribe a maximum number of listed company board representations a Director may hold. The Board affirms and supports this view.

During the year, the NC had reviewed the directorships and principal commitments disclosed by each Director and was of the view that the existing directorships and principal commitments of the respective Directors have not impinged on their abilities to discharge their duties. The Board concurred with the NC.

BOARD PERFORMANCE (PRINCIPLE 5)

The Board has established a set of criteria for evaluating the effectiveness of the Board and Board Committees, as well as the contribution of each individual Director.

The NC has in place an annual Board Performance Evaluation exercise which is used to evaluate the effectiveness of the Board and facilitate discussion to enable Directors to discharge their duties more effectively. The evaluations are carried out by means of a questionnaire being completed by each Director. The results of the completed questionnaires are collated and the findings are analyzed and discussed by the NC, with comparatives from the previous year's results and reported to the Board.

The Board performance evaluation exercise provides an opportunity to obtain constructive feedback from each Director on whether the Board's procedures and processes had allowed him to discharge his duties effectively. Directors are encouraged to propose changes to enhance effectiveness as a whole.

The NC has also in place an annual performance evaluation exercise for each of the Board Committees. The performance evaluations of the AC, NC, RC and IC are similarly carried out by means of questionnaires. The results of the completed questionnaires are collated and the findings are analyzed and discussed by the NC, with comparatives from the previous year's results, save for the IC, which had its first year of evaluation, and reported to the Board.

In discussing the results of the Board and Board Committees' performance evaluation for FY2015, the Board and Board Committee members were able to identify areas for improving their effectiveness. The NC was generally satisfied with the FY2015 Board and Board Committees' performance evaluation results, which indicated areas of strengths and those that could be improved further. Overall ratings for FY2015, save for the IC, have improved compared to the previous year. No significant problems were identified. The NC had recommended that the respective Board Committee Chairmen work with Management on the findings where they relate to their areas of responsibility. The NC would continue to evaluate the process for such reviews from time to time. The Board concurred with the NC's recommendation.

The Non-Executive Directors ensure the performance of Management is objectively reviewed on a continual basis.

ACCESS TO INFORMATION (PRINCIPLE 6)

To assist the Board in fulfilling its responsibilities, Management provides the Board with reports containing complete, adequate and timely information prior to Board meetings, and on an on-going basis. The Board has separate and independent access to Management and the Company Secretary and where required, obtains additional information to facilitate informed decision-making.

Information provided includes background or explanatory materials related to matters to be reviewed and matters under review by the Board, copies of disclosure documents, budgets, forecasts and internal financial statements. Any material variance between the projections and actual results in respect of budgets, is also disclosed and explained.

The Company Secretary attends Board and Board Committees meetings and is responsible for ensuring that Board procedures are observed and that applicable rules and regulations are complied with. The Board is also periodically updated by the Company Secretary on relevant regulatory changes affecting the Company.

The appointment and removal of the Company Secretary is a matter for the Board as a whole.

The Company has in place the procedure to enable the Directors, whether as a group or individually, to obtain independent professional advice as and when necessary in furtherance of their duties at the Company's expense. The appointment of such professional advisor is subject to approval by the Board.

B. REMUNERATION MATTERS

PROCEDURES FOR DEVELOPING REMUNERATION POLICIES (PRINCIPLE 7)

There is a formal and transparent process for developing executive remuneration and for determining the remuneration packages of individual Directors. No Director is involved in determining his own remuneration.

In setting remuneration packages, the RC takes into consideration the prevailing market conditions, the pay and employment conditions within the industry and in comparable companies.

As part of its review, the RC ensures that the performance-related elements of remuneration form an appropriate part of the total remuneration package of the Key Management Personnel and that each package is designed to align their interests with those of shareholders and link rewards to corporate and individual performance.

The CEO, Mr Will Hoon is remunerated as part of the Management. He is under a service contract which is for a fixed term of 3 years. The renewal of the service contract is subject to the approval of the Board with the prior review and endorsement by the RC.

The RC also reviews all matters concerning the remuneration of the Non-Executive Directors to ensure that remuneration commensurate with their contribution and responsibilities.

None of the Non-Executive Directors has service contracts or consultancy arrangements with the Company. They are paid Directors' fees based on a structured fee framework reflecting the responsibilities and time commitment of each Director. The fee framework comprises a base fee, attendance fees and additional fees for holding appointment as Chairman/Deputy Chairman of the Board or Chairman/member of Board Committees. No Director is involved in the deliberation and decision in respect of his own individual fees.

The annual quantum of Directors' fees to be paid is reviewed by the RC and the Board before submission to shareholders for approval at the Company's AGM.

There was a shortfall of S$38,756.85 in the actual Directors' fees of S$438,756.85 incurred and the amount of Directors' fees of S$400,000 for FY2015 approved by shareholders at the last AGM on 27 April 2015. This was due to attendance fees payable for ad-hoc meetings of the Board, Board Committees and time spent by Non-Executive Directors for succession planning of the CEO in FY2015. Accordingly, shareholders' approval will be sought at the Company's forthcoming AGM for the payment of an additional S$38,756.85 in Directors' fees for FY2015.

The Directors' fee framework remains unchanged.

LEVEL AND MIX OF REMUNERATION (PRINCIPLE 8)
DISCLOSURE ON REMUNERATION (PRINCIPLE 9)

The RC has recommended to the Board a total amount of S$400,000 as Directors' fees for financial year ending 2016 ("FY2016"), to be paid quarterly in arrears. This would also be tabled at the forthcoming AGM for shareholders' approval.

A summary compensation table of the Directors receiving remuneration from the Company for FY2015 is appended below:

	Director's Fees(1)	Salary	Bonus	Other Benefits	Total (S$)
Remuneration Band & Name of Director					
S$750,000 to S$1,000,000					
Foo Der Rong	–	52.92%	16.47%	30.61%	814,000
Below S$250,000					
Colin Low Tock Cheong	100%	–	–	–	119,000
Tan Boon Wan	100%	–	–	–	82,000
Shabbir H Hassanbhai	100%	–	–	–	84,000
Ng How Kiat Charlie	100%	–	–	–	73,000
Lai Mun Fook Steve(2)	100%	–	–	–	33,000
Tan Ng Chee(3)	100%	–	–	–	30,000
Wong Meng Choong(4)	100%	–	–	–	19,000

Notes:

1. The Directors' fees in FY2015 amounted to S$438,756.85, of which S$400,000 had been approved at the last AGM on 27 April 2015. The additional Directors' fee of S$38,756.85 incurred in FY2015 is subject to the approval of shareholders at the forthcoming AGM.
2. Dr Lai was appointed on 28 April 2015. Fees are pro-rated.
3. Dr Tan Ng Chee retired as Director on 27 April 2015. Fees are pro-rated.
4. Mr Wong retired as Director on 27 April 2015. Fees are pro-rated.

Disclosure of Key Management Personnel remuneration (who are not Directors or the CEO) in bands of S$250,000 (based on gross remuneration received and inclusive of employer's contributions to the Central Provident Fund) is set out below. The Key Management Personnel include the Chief Operating Officer and Group Financial Controller ("**GFC**"). The remuneration of the business heads of the Company's business segments is also set out below. The aggregate remuneration paid to the said personnel in FY2015 amounted to S$1,492,147.

	Salary	Bonus	Other Benefits(1)	TOTAL
Remuneration Band & Name of Key Management Personnel				
S$250,000 to S$499,999				
Lim Kim Liang	77.06%	13.63%	9.31%	100.00%
Yeo Choon Tat	83.73%	15.09%	1.18%	100.00%
Soh Yong Poon	81.51%	6.49%	12.00%	100.00%
Soh Ying Sin	81.80%	6.45%	11.75%	100.00%
Below S$250,000				
Sheu Shyue Shyi	79.33%	15.11%	5.56%	100.00%

Note:

(1) Other benefits refers to allowance.

The Company is of the view that this disclosure provides sufficient overview of the remuneration of the Group while maintaining confidentiality of staff remuneration matters. For FY2016, the Company is in the course of reviewing and aligning performance-related elements to the total remuneration package of the Key Management Personnel. Annual variable bonuses would be linked to achievement of financial and non-financial key performance indicators such as core values, competencies, key result areas, performance rating, and potential of the employees (including key management) link remuneration to corporate and individual performance. Long-term incentive plans are conditional upon pre-determined performance targets being met and the long-term incentive plans serve to motivate and reward employees and align their interests to maximize long term Shareholder value.

The Company subscribes to linking executive remuneration to corporate and individual performance, based on an annual appraisal of employees and using indicators such as core values, competencies, key result areas, performance rating and potential of the employees. The Company has also put in place long-term share-based incentive schemes, which are based on the achievement of certain predetermined targets.

For FY2015, no termination, retirement and post-employment benefits were granted to the Directors and top five Key Management Personnel.

Remuneration of Employees who are Immediate Family Members of a Director or the CEO

No employee of the Group was an immediate family member of a Director or the CEO (i.e. Mr Foo Der Rong) in FY2015.

Long-term Incentive Scheme

The employees of the Group, including Executive Directors, are eligible to participate in the 2013 Scheme. The 2013 Scheme serves as a long-term incentive scheme to better align the interest of Key Management Personnel with the Company's shareholders.

No options were granted under the 2013 Scheme in FY2015. Details and important terms of the 2013 Scheme can be found in the Directors' Report on pages 38 to 39.

C. ACCOUNTABILITY AND AUDIT

ACCOUNTABILITY (PRINCIPLE 10)

The Board endeavors to ensure that the annual audited financial statements and half-yearly announcements of the Group's results present a balanced and understandable assessment of the Group's position and prospects. The Board embraces openness and transparency in the conduct of the Company's affairs, whilst preserving the commercial interests of the Company. Financial and other price sensitive information are disseminated to shareholders through timely announcements via SGXNET.

Management provides the Board with a continual flow of relevant information on the Group's operational, financial and compliance matters on a timely basis, including monthly management accounts in order that the Board may effectively discharge its duties.

In line with the requirements of the SGX-ST, negative assurance confirmation statements were issued by the Board to accompany the Group's interim financial results announcements, confirming to the best of the Board's knowledge that nothing had come to the Board's attention which could render the Company's results announcements to be false or misleading. The Company is not required to issue negative assurance confirmation statements for its full year results announcements.

RISK MANAGEMENT AND INTERNAL CONTROLS (PRINCIPLE 11)

The Board has overall responsibilities for the governance of risk and exercises oversight of the material risks in the Group's business. The Board ensures that Management maintains a sound system of internal controls and effective risk management policies to safeguard shareholders' interest and the Company's assets and in this regard, is assisted by the AC which conducts the reviews of the adequacy and effectiveness of the Company's internal controls and risk management systems at least annually.

The AC is responsible for determining the Company's levels of risk tolerance and risk policies and oversees Management's implementation and monitoring of risk management and internal control systems.

The Board formalized and approved an Enterprise Risk Management Framework. This risk framework has 4 principal risk categories, namely strategic, financial, operational and compliance risks.

The Group's risk management framework is aligned with the Committee of Sponsoring Organizations of the Treadway Commission (COSO) Internal Controls Integrated Framework.

The identification and management of risks are delegated to management, who assumes ownership and day-to-day management of these risks. Management is responsible for the effective implementation of risk management strategy, policies and processes to facilitate the achievement of business plans and goals within the risk tolerance established by the Board key business risks are proactively indentified, addressed and reviewed on an ongoing basis.

The Company's Internal Auditor ("**IA**") reviews material internal controls as part of the internal audit plan to provide independent assurance to the AC and the Board on the adequacy, effectiveness and integrity of the Group's internal controls and risk management systems.

The IA presents his findings to the AC on a quarterly basis. If any non-compliance or internal control weaknesses are noted during the audit, the corresponding recommendations and Management's responses are reported to the AC.

The AC also reviews IPTs on a quarterly basis.

On an annual basis, the CEO and GFC will provide a written confirmation ("**Management Assurance Letter**") to the Board confirming that:

1. the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances;

2. nothing had come to Management's attention which might render the financial results of the Group as at the end of the financial year to be false or misleading in any material aspect;

3. Management was aware of their responsibilities for establishing, maintaining and evaluating the effectiveness of the risk management and internal control systems of the Company; and

4. there are no known significant deficiencies or lapses in the risk management and internal controls systems relating to the Company's financial, operational, compliance and information technology controls which could adversely affect the Company's ability to record, process, summarize or report financial data, or of any fraud, whether material or not.

The Board, with the concurrence of the AC, has confirmed that it has received the Management Assurance Letter duly signed by the CEO and GFC.

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, reviews performed by Management and the various Board Committees and the Management Assurance Letter signed by the CEO and the GFC, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems were adequate and effective as at 31 December 2015 to address financial, operational and compliance risks, including information technology risks, which the Company considers relevant and material to its operations.

While the Board acknowledges that the system of internal control and risk management established by Management provides reasonable, but not absolute assurance that the Company will not be adversely affected by any event that can be reasonably foreseen as it endeavors to achieve its business objectives, it is also mindful that no system of internal controls and risk management can provide absolute assurance in this regard, or absolute assurance against poor judgment in decision making, human error, losses, fraud or other irregularities.

Accordingly, the Company has complied with Listing Rule 1207(10).

Risk Management Policies and Processes

The main risks arising from the Group's financial operations are liquidity risk, foreign currency risk, credit risk, equity price risk and interest rate risk. Details on the foregoing are more particularly set out in the Notes to the Financial Statements. These risks are monitored by the AC on a quarterly basis and the Board as a whole.

INTERNAL AUDIT (PRINCIPLE 13)

The IA of the Company reports functionally to the Chairman of the AC and administratively to the CEO. The IA adopts a risk-based approach in formulating the annual plan. The AC approves the IA Plan annually and reviews the adequacy and effectiveness of the internal audit function. Reports prepared by the IA are reviewed by the AC on a quarterly basis.

The AC is responsible for the appointment, termination and remuneration of the IA. The AC also ensures that the IA function is adequately resourced and has appropriate standing within the Group. The IA has unfettered access to all the Group's documents, records, properties and personnel and direct access to the AC.

The role of the IA is to support the AC in ensuring that the Group maintains a sound system of internal controls by highlighting any weaknesses in the current process, ascertaining that operations were conducted in accordance with established policies and procedures, and to identify areas for improvement where controls can be strengthened.

The IA has the relevant qualifications and experience to discharge his duties effectively. The International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors (the IIA Standards) laid down in the International Professional Practices Framework are used as a reference and guide by the Company's IA.

D. SHAREHOLDERS RIGHTS AND RESPONSIBILITIES

COMMUNICATION WITH SHAREHOLDERS (PRINCIPLES 14 AND 15)

The Company believes that a high standard of disclosure is key to raising the level of corporate governance. Accordingly, financial results and other material information on the Company are published through SGXNET and the corporate website of the Company in a timely manner.

The Company does not practice selective disclosure. Price-sensitive information is publicly released and results and annual reports are announced or issued within the mandatory period and are available on the Company's website. All shareholders of the Company receive the annual report and notice of AGM as well as any circular and notice of Extraordinary General Meeting. These notices are advertised in the newspaper and made available on the Group's website.

The Company welcomes the views of shareholders on matters concerning the Company and encourages shareholders' participation at shareholders' meetings. Shareholders are given ample opportunity and time to communicate their views on matters relating to the Group with the Board and the Chairman of the Board Committees and the external auditors of the Company in attendance.

If any shareholder is unable to attend a shareholders' meeting, he/she is allowed to appoint up to two proxies to vote on his/her behalf at the meeting through proxy forms which are sent together with the Annual Reports or Circulars (as the case may be). At shareholders' meetings, each distinct issue is proposed as a separate resolution and full information is provided for each item in the agenda for the meetings. Relevant intermediaries as defined in Section 181 of the Act may appoint more than two proxies to attend general meetings and vote.

The Board noted that the SGX-ST had introduced new listing rules to promote greater transparency in general meetings and support listed companies in enhancing their shareholders' engagement. The Company would be required to conduct its voting at general meetings by poll effect from 1 August 2015 where shareholders are accorded rights proportionate to the shareholding and all votes are counted. The Board believes that the new rule will enhance transparency of the voting process and encourage greater shareholder participation. Accordingly, the Company would be conducting its voting at the upcoming AGM by poll.

Investor Engagement

The Board recognizes the importance of engaging with shareholders, investors and analysts to obtain and understand their concerns and feedback. As a demonstration of the Company's commitment to transparency and fair disclosure, the Company had adopted an Investor Relations Policy to promote regular and effective communication with shareholders.

Dealings in Securities

The Group has in place internal guidelines in relation to dealing in the Company's securities. The Directors and all employees of the Group are prohibited from trading in the Company's securities during the relevant blackout period of 1 month prior to the release of the Group's half-year and full year results. They are also required at all times to observe the insider trading rules stipulated in the Securities and Futures Act, Cap. 289 and are discouraged against dealing in the Company's securities on short-term considerations.

The Company has complied with its best practices on dealings in securities in accordance with Listing Rule 1207(19).

Dividends

The Company does not have a policy on payment of dividends. The form, frequency and amount of dividends declared each year will take into consideration the Group's profit growth, cash position, positive cash generated from operations, projected capital requirements for business growth and other factors as the Board may deem appropriate. The Company endeavors to pay dividends and where dividends are not paid, the Company will disclose its reason(s) accordingly.

The Company did not declare any dividends for FY2015. The Company is preserving its cash reserves to pursue strategic business opportunities.

Interested Person Transactions

The Company has in place internal procedures to report all IPTs to the AC in a timely manner. An IPT register is maintained by the Company's IA. The Company currently does not have an IPT mandate in place. The AC had reviewed the IPTs in FY2015 set out below:

Name of Interested Person	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than S$100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920) S$'000	Aggregate value of all interested person transactions conducted during the financial year under review under shareholders' mandate pursuant to Rule 920 (excluding transactions less than S$100,000) S$'000
Tat Hong Heavyequipment (Pte) Ltd	1,249	–

MATERIAL CONTRACT

Except as disclosed in Note 26 to the Financial Statements and the Supplementary Information, there were no material contracts entered by the Company or its subsidiaries involving the interests of the CEO, each Director or controlling shareholders in FY2015.

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

In our opinion:

(a) the financial statements set out on pages 43 to 110 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2015 and the financial performance, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

DIRECTORS

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

Mr Colin Low	
Dr Tan Boon Wan	
Mr Shabbir H Hassanbhai	
Mr Ng How Kiat Charlie	
Dr Lai Mun Fook Steve	(Appointed on 28 April 2015)
Mr Chew Leong Chee Tony	(Alternate Director to Mr Ng How Kiat Charlie)
Mr Ng San Tiong Roland	(Appointed on 28 April 2015 and alternate Director to Dr Lai Mun Fook Steve)

DIRECTORS' INTERESTS

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

Name of director and corporation in which interests are held	**Holdings at beginning of the year/date of appointment**	**Holdings at end of the year**
Mr Chew Leong Chee Tony		
(Alternate Director to Mr Ng How Kiat Charlie)		
Intraco Limited		
— ordinary shares		
— deemed interests	28,856,000*	28,856,000*
Mr Ng San Tiong Roland		
(Alternate Director to Dr Lai Mun Fook Steve)		
Intraco Limited		
— ordinary shares		
— deemed interests	29,486,148*	29,486,148*

* Held by other persons or bodies corporate in which the director has interest by virtue of Section 4 of the Securities and Futures Act (Cap.289).

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

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

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

SHARE OPTIONS

The INTRACO Employee Share Option Scheme (the "2013 Scheme") of the Company was approved and adopted by its shareholders at an Extraordinary General Meeting held on 29 April 2013.

Information regarding the 2013 Scheme is set out below:

- Under the rules of the 2013 Scheme, Executive Directors, Non-Executive Directors and employees of the Company, its subsidiaries and its associated companies over which the Company has control ("Associated Companies"), who are not controlling shareholders or their associates, are eligible to participate in the 2013 Scheme.

- The 2013 Scheme is administered by the Company's Remuneration Committee (the "Committee"), comprising three directors, Mr Shabbir H Hassanbhai (Chairman), Mr Colin Low and Mr Ng How Kiat Charlie, with powers to determine, inter alia, the following:

  (i) persons to be granted options;
  (ii) number of options to be offered; and
  (iii) recommendations for modification to the 2013 Scheme.

  A member of the Committee who is also a participant of the 2013 Scheme must not be involved in its deliberation in respect of options granted or to be granted to him.

- The aggregate number of shares over which the Committee may grant options on any date, when added to the number of shares issued or issuable and/or transferred or transferable in respect of all options granted under the 2013 Scheme and any other share schemes of the Company for the time being in force, shall not exceed 15% of the issued shares (excluding treasury shares) of the Company on the date immediately preceding the grant of an option.

- The options that are granted under the 2013 Scheme may have exercise prices that are, at the Committee's discretion, set at a price equal to the average of the last dealt prices for the shares on the Singapore Exchange Securities Trading Limited ("SGX-ST") over the three (3) consecutive trading days immediately preceding the date of grant of that option (Market Price) or at a discount to the Market Price (subject to a maximum discount of 20%). Options which are fixed at the Market Price may be exercised after the first anniversary of the date of grant of that option while options exercisable at a discount to the Market Price may only be exercised after the second anniversary from the date of grant of the Options.

- Options granted to non-executive directors of the Group, and employees and directors of Associated Companies will have a life span of 5 years or such earlier date as may be determined by the Committee. Options granted to employees and executive directors of the Group will have a life span of 10 years or such earlier date as may be determined by the Committee.

- The 2013 Scheme shall continue in operation for a maximum duration of ten (10) years and may be continued for any further period thereafter with the approval of shareholders by ordinary resolution in general meeting and of any relevant authorities which may then be required.

There were no options granted since commencement of the 2013 Scheme till the end of the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiaries whether granted before or during the financial year.

There were no unissued shares of the Company or its subsidiaries under option at the end of the financial year.

AUDIT COMMITTEE

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

- Dr Tan Boon Wan (Chairman), Independent Director

- Mr Colin Low, Independent Director

- Mr Shabbir H Hassanbhai, Independent Director

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

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

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the internal and external auditors;

- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and

- interested person transactions (as defined in Chapter 9 of the Listing Manual of the SGX-ST).

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

DIRECTORS' STATEMENT

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

In appointing our auditors for the Company, subsidiaries and significant associated companies, we have complied with Rules 712, 715 and 716 of the Listing Manual of the SGX-ST.

AUDITORS

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

On behalf of the Board of Directors

Mr Colin Low
Chairman

Dr Tan Boon Wan
Director

Singapore
21 March 2016

REPORT ON THE FINANCIAL STATEMENTS

We have audited the accompanying financial statements of Intraco Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2015, the statement of profit or loss, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 43 to 110.

Management's responsibility for the financial statements

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

Auditors' responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 the financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

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

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
21 March 2016

STATEMENT OF FINANCIAL POSITION

As at 31 December 2015

	Note	Group		Company	
		2015	2014	2015	2014
		$'000	$'000	$'000	$'000
Assets					
Property, plant and equipment	4	8,281	9,091	524	631
Intangible assets and goodwill	5	7,429	7,728	–	–
Subsidiaries	6	–	–	14,657	14,762
Associate and joint venture	7	22,924	19,490	17,060	16,980
Other investments, including derivatives	8	9,785	9,234	9,785	9,234
Non-current assets		48,419	45,543	42,026	41,607
Other investments, including derivatives	8	–	–	2,309	62
Inventories	9	1,410	1,459	–	–
Trade and other receivables	10	16,353	21,608	20,180	19,120
Cash and cash equivalents	11	38,755	38,760	7,009	8,391
Current assets		56,518	61,827	29,498	27,573
Total assets		104,937	107,370	71,524	69,180
Equity					
Share capital		84,069	84,069	84,069	84,069
Reserves		310	(351)	716	1,078
Accumulated losses		(17,668)	(20,395)	(23,589)	(25,110)
Equity attributable to owners of the Company	12	66,711	63,323	61,196	60,037
Liabilities					
Loans and borrowings	14	2,015	2,093	–	–
Trade and other payables	15	6,229	5,938	–	–
Deferred tax liabilities	16	700	796	–	–
Non-current liabilities		8,944	8,827	–	–
Loans and borrowings	14	21,398	19,373	–	–
Provisions	17	255	164	255	164
Trade and other payables	15	7,157	15,303	10,073	8,979
Current tax liabilities		472	380	–	–
Current liabilities		29,282	35,220	10,328	9,143
Total liabilities		38,226	44,047	10,328	9,143
Total equity and liabilities		104,937	107,370	71,524	69,180

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

Year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Revenue	18	116,639	151,167
Cost of sales		(106,412)	(145,381)
Gross profit		10,227	5,786
Other income		545	1,006
Distribution expenses		(48)	(16)
Administrative expenses		(11,766)	(8,554)
Other expenses		(189)	(49)
Results from operating activities		(1,231)	(1,827)
Finance income		673	153
Finance costs		(352)	(205)
Net finance income/(costs)	19	321	(52)
Share of profit of equity-accounted investees (net of tax)		4,197	955
Profit/(Loss) before tax		3,287	(924)
Tax expense	20	(248)	(25)
Profit/(Loss) for the year	21	3,039	(949)
Earnings per share			
Basic and diluted earnings per share (cents)	22	2.93	(0.95)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015 $'000	2014 $'000
Profit/(Loss) for the year	3,039	(949)
Other comprehensive income		
Items that are or may be reclassified subsequently to profit or loss		
Net change in fair value of available-for-sale financial assets*	(258)	(582)
Foreign currency translation differences of foreign operations*	686	652
Share of other comprehensive income of associate	218	12
Share of associate's reserve arising from change in ownership interest*	3	7
Other comprehensive income for the year, net of tax	649	89
Total comprehensive income for the year	3,688	(860)

* *There are no income tax effects relating to these components of other comprehensive income.*

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

Group	Share capital $'000	Capital reserve $'000	Translation reserve $'000	Fair value reserve $'000	Accumulated losses $'000	Total equity $'000
As at 1 January 2014	81,919	986	(2,001)	531	(19,402)	62,033
Total comprehensive income for the year						
Loss for the year	–	–	–	–	(949)	(949)
Other comprehensive income						
Net change in fair value of available-for-sale financial assets	–	–	–	(582)	–	(582)
Foreign currency translation differences of foreign operations	–	–	652	–	–	652
Share of other comprehensive income of associate	–	–	12	–	–	12
Share of associate's reserve arising from change in ownership interest	–	51	–	–	(44)	7
Total other comprehensive income	–	51	664	(582)	(44)	89
Total comprehensive income for the year	–	51	664	(582)	(993)	(860)
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Issued of ordinary shares (note 12)	2,150	–	–	–	–	2,150
Total contributions by and distributions to owners	2,150	–	–	–	–	2,150
Total transactions with owners	2,150	–	–	–	–	2,150
As at 31 December 2014	84,069	1,037	(1,337)	(51)	(20,395)	63,323

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2015

Group	Share capital $'000	Capital reserve $'000	Translation reserve $'000	Fair value reserve $'000	Accumulated losses $'000	Total equity $'000
As at 1 January 2015	84,069	1,037	(1,337)	(51)	(20,395)	63,323
Total comprehensive income for the year						
Profit for the year	–	–	–	–	3,039	3,039
Other comprehensive income						
Net change in fair value of available-for-sale financial assets	–	–	–	(258)	–	(258)
Foreign currency translation differences of foreign operations	–	–	686	–	–	686
Share of other comprehensive income of associate	–	–	218	–	–	218
Share of associate's reserve arising from change in ownership interest	–	15	–	–	(12)	3
Total other comprehensive income	–	15	904	(258)	(12)	649
Total comprehensive income for the year	–	15	904	(258)	3,027	3,688
Transactions with owners, recognised directly in equity						
Contributions by and distributions to owners						
Dividends paid to selling shareholders of a subsidiary*	–	–	–	–	(300)	(300)
Total contributions by and distributions to owners	–	–	–	–	(300)	(300)
Total transactions with owners	–	–	–	–	(300)	(300)
As at 31 December 2015	84,069	1,052	(433)	(309)	(17,668)	66,711

* *Pursuant to call and put options entered into between the Group and the selling shareholders of KA Group on 5 September 2014 to acquire the remaining 30% in KA Group by 2020.*

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Cash flows from operating activities			
Profit/(Loss) for the year		3,039	(949)
Adjustments for:			
Depreciation		1,078	745
Amortisation of intangible assets		299	100
Gain on sale of property, plant and equipment		(11)	–
Property, plant and equipment written off		10	–
Write-back of trade payables		(232)	–
Allowance made for doubtful receivables		37	–
Write-off of trade receivables		45	–
Write-down/(reversal of write-down) of inventory to net realisable value		40	(38)
Provision for warranties		91	–
Distribution received from other investments		(127)	(156)
Gain on disposal of other investments		–	(492)
Share of profit of equity-accounted investees, net of tax		(4,197)	(955)
Change in fair value of the contingent consideration		291	77
Net finance (income)/costs		(321)	52
Tax expense		248	25
		290	(1,591)
Changes in:			
– inventories		10	39
– trade and other receivables		5,173	(7,097)
– trade and other payables		(7,914)	5,846
Cash used in operating activities		(2,441)	(2,803)
Taxes paid		(254)	(198)
Net cash used in operating activities		(2,695)	(3,001)
Cash flows from investing activities			
Interest received		673	153
Distribution received from other investments		127	156
Additional investment in associate and joint venture		(80)	(2,438)
Purchase of property, plant and equipment		(210)	(204)
Proceeds from sales of other investments		–	1,043
Dividends from an associate		1,950	1,707
Proceeds from sale of property, plant and equipment		11	–
Acquisition of subsidiaries, net of cash acquired	28	–	(7,829)
Acquisition of other investments		(809)	(9,249)
Net cash from/(used in) investing activities		1,662	(16,661)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended 31 December 2015

	Note	2015 $'000	2014 $'000
Cash flows from financing activities			
Interest paid		(352)	(205)
Proceeds from borrowings		21,254	19,168
Repayment of borrowings		(19,259)	(11,791)
Payment of finance lease liabilities		(115)	(35)
Dividends paid to selling shareholders of a subsidiary		(300)	–
Deposits pledged		(37)	(7)
Net cash from financing activities		1,191	7,130
Net increase/(decrease) in cash and cash equivalents		158	(12,532)
Cash and cash equivalents at 1 January		38,647	51,303
Effects of exchange rate fluctuations on cash held		(200)	(124)
Cash and cash equivalents at 31 December	11	38,605	38,647

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

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 21 March 2016.

1 DOMICILE AND ACTIVITIES

Intraco Limited (the 'Company') is incorporated in the Republic of Singapore. The address of the Company's registered office is 8 Jurong Town Hall Road, #12-01 The JTC Summit, Singapore 609434.

The financial statements of the Group as at and for the year ended 31 December 2015 comprise the Company and its subsidiaries (together referred to as the 'Group' and individually as 'Group entities') and the Group's interest in equity-accounted investees.

The Group is primarily involved in the trading of plastics and lighting products, providing fire protection solutions and services relating to wireless telecommunication related infrastructure.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except as otherwise described in the notes below.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. All financial information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

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

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

There are no information about critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements.

2 BASIS OF PREPARATION (CONTINUED)

2.4 Use of estimates and judgements (Continued)

Information about assumptions and estimation uncertainties that have a significant risk of resulting in a material adjustment within the next financial year are included in the following notes:

- note 5 – impairment test: key assumptions underlying recoverable amounts of intangible assets and goodwill
- note 10 – impairment assessment on trade and other receivables
- note 15 – measurement of contingent consideration

Measurement of fair values

The Group has an established control framework with respect to the measurement of fair values. The Group Financial Controller has overall responsibility for all significant fair value measurements, including Level 3 fair values, where applicable.

The Group Financial Controller regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy the resulting fair value estimate should be classified.

When measuring the fair value of an asset or a liability, the Group uses observable market data as far as possible. Fair values are categorised into different levels in a fair value hierarchy based on the inputs used in the valuation techniques as follows:

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

If the inputs used to measure the fair value of an asset or a liability fall into different levels of the fair value hierarchy, then the fair value measurement is categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement (with Level 3 being the lowest).

The Group recognises transfers between levels of the fair value hierarchy as of the end of the reporting period during which the change has occurred.

Further information about the assumptions made in measuring fair values is included in the following notes:

- Note 24 – financial instruments; and
- Note 28 – acquisition of subsidiaries

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these financial statements, and have been applied consistently by the Group entities.

3.1 Basis of consolidation

(i) Business combinations

Business combinations are accounted for using the anticipated acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group.

The Group measures goodwill at the acquisition date as:

- the fair value of the consideration transferred; plus
- the recognised amount of any non-controlling interest (NCI) in the acquiree; plus
- if the business combination is achieved in stages, the fair value of the pre-existing equity interest in the acquiree,

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed. Any goodwill that arises is tested annually for impairment.

When the excess is negative, a bargain purchase is recognised immediately in profit or loss.

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

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(ii) Written put option or forward with NCI

When the Group writes a put or enters into a forward purchase agreement with the NCI in an existing subsidiary or their equity interest in that subsidiary and provides for settlement in cash or in another financial asset by the Group, then the Group recognises a liability for the present value of the exercise price of the option or of the forward price. Subsequent to initial recognition of the financial liability, the changes in the carrying amount of the financial liability is recognised in profit or loss.

The Group applies the anticipated-acquisition method to account for the underlying NCI.

Under the anticipated-acquisition method, the interests of the non-controlling shareholders that hold the written put options or forwards are derecognised when the financial liability is recognised. The profits and losses attributable to the holder of NCI subject to the put options or forwards are presented as attributable to the Group in the statement of financial position and in the statement of profit or loss and other comprehensive income (OCI).

If the put option expires unexercised, then the financial liability is derecognised and NCI are recognised and treated consistently with a decrease in ownership interests in a subsidiary while retaining control.

(iii) Subsidiaries

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

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

(iv) Loss of control

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (Continued)

(v) Investments in associates and joint ventures (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control or joint control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity. A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

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

When the Group's share of losses exceeds its interest in an equity-accounted investee, the carrying amount of the investment, together with any long-term interests that form part thereof, is reduced to zero, and the recognition of further losses is discontinued except to the extent that the Group has an obligation to fund the investee's operations or has made payments on behalf of the investee.

(vi) Transactions eliminated on consolidation

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

(vii) Subsidiaries, associates and joint ventures in the separate financial statements

The subsidiaries held by the Company are classified as available-for-sale and are stated in the Company's statement of financial position at fair value with any resultant gain or loss recognised in OCI and presented in the fair value reserve in equity. Impairment losses on its subsidiaries are recognised by reclassifying the losses accumulated in the fair value reserve in equity to profit or loss. When the subsidiaries are disposed, the gain or loss accumulated in equity is reclassified to profit or loss.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.2 Foreign currency

(i) Foreign currency transactions

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

Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items in a foreign currency that are measured in terms of historical cost are translated using the exchange rate at the date of the transaction. Foreign currency differences arising on retranslation are recognised in profit or loss, except for differences arising on the retranslation of available-for-sale equity instruments (except on impairment in which case foreign currency differences that have been recognised in OCI are reclassified to profit or loss), which are recognised in OCI.

(ii) Foreign operations

The assets and liabilities of foreign operations, excluding goodwill and fair value adjustments arising on acquisition, are translated to Singapore dollars at exchange rates at the end of the reporting period. The income and expenses of foreign operations are translated to Singapore dollars at exchange rates at the dates of the transactions. Goodwill and fair value adjustments arising on the acquisition of a foreign operation on or after 1 January 2005 are treated as assets and liabilities of the foreign operation and translated at the exchange rates at the end of the reporting period. For acquisitions prior to 1 January 2005, the exchange rates at the date of acquisition were used.

Foreign currency differences are recognised in OCI, and presented in the foreign currency translation reserve (translation reserve) in equity. However, if the operation is a non-wholly-owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the NCI. When a foreign operation is disposed of such that control or significant influence is lost, the cumulative amount in the translation reserve related to that foreign operation is reclassified to profit or loss as part of the gain or loss on disposal. When the Group disposes of only part of its interest in a subsidiary that includes a foreign operation while retaining control, the relevant proportion of the cumulative amount is reattributed to NCI. When the Group disposes of only part of its investment in an associate that includes a foreign operation while retaining significant influence, the relevant proportion of the cumulative amount is reclassified to profit or loss.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment

(i) Recognition and measurement

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

Cost includes expenditure that is directly attributable to the acquisition of the asset. The cost of self-constructed assets includes:

- the cost of materials and direct labour;
- any other costs directly attributable to bringing the asset to a working condition for their intended use;
- when the Group has an obligation to remove the asset or restore the site, an estimate of the costs of dismantling and removing the items and restoring the site on which they are located; and
- capitalised borrowing costs.

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

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

The gain or loss on disposal of an item of property, plant and equipment (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss.

(ii) Subsequent costs

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

(iii) Depreciation

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

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

Depreciation is recognised from the date that the property, plant and equipment are installed and are ready for use, or in respect of internally constructed assets, from the date that the asset is completed and ready for use.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 Property, plant and equipment (Continued)

(iii) ***Depreciation*** (Continued)

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

Leasehold properties	50 years
Leasehold improvements	3 to 50 years
Plant, machinery, tools and equipment	2 to 10 years
Furniture, fittings and equipment	3 to 10 years
Motor vehicles	3 to 6 years

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

3.4 Financial instruments

(i) ***Non-derivative financial assets***

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

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or it neither transfers nor retains substantially all of the risks and rewards of ownership and does not retain control over the transferred asset. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

Loans and receivables

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

Loans and receivables comprise trade and other receivables and cash and cash equivalents.

Cash and cash equivalents comprise cash balances and fixed deposits with original maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in their fair value, and are used by the Group in the management of its short-term commitments. For the purpose of the statement of cash flows, pledged deposits are excluded from cash and cash equivalents.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Financial instruments (Continued)

(i) ***Non-derivative financial assets*** (Continued)

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses and foreign currency differences on available-for-sale debt instruments (see note 3.2(i)), are recognised in OCI and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

Available-for-sale financial assets comprise equity securities and debt securities.

(ii) ***Non-derivative financial liabilities***

Financial liabilities for contingent consideration payable in a business combination are initially measured at fair value. Subsequent changes in the fair value of the contingent consideration are recognised in profit or loss.

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

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

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

Other financial liabilities comprise loans and borrowings and trade and other payables.

(iii) ***Derivative financial instruments***

Derivatives are recognised initially at fair value, any attributable transaction costs are recognised in profit or loss as incurred. Subsequently to initial recognition, derivatives are measured at fair value, and all changes in its fair value are recognised immediately in profit or loss.

(iv) ***Share capital***

Ordinary shares

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Intangible assets and goodwill

(i) Goodwill

Goodwill that arises upon the acquisition of subsidiaries is included in intangible assets. For the measurement of goodwill at initial recognition, see note 3.1(i).

Subsequent measurement

Goodwill is measured at cost less accumulated impairment losses. In respect of associates and joint ventures, the carrying amount of goodwill is included in the carrying amount of the investment, and an impairment loss on such an investment is not allocated to any asset, including goodwill, that forms part of the carrying amount of the associates and joint ventures.

(ii) Other intangible assets

Other intangible assets that are acquired by the Group and have finite useful lives are measured at cost less accumulated amortisation and accumulated impairment losses.

(iii) Amortisation

Amortisation is calculated based on the cost of the asset, less its residual value.

Amortisation is recognised in profit or loss on a straight-line basis over the estimated useful lives of intangible assets, other than goodwill, from the date that they are available for use. The estimated useful lives for the current year and comparative year are as follows:

Order backlogs	28 months
Customer relationships	64 months

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

3.6 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average cost principle and includes expenditure incurred in acquiring the inventories, conversion costs and other costs incurred in bringing them to their existing location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and selling expenses.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.7 Construction contracts in progress

Construction contracts in progress represent the gross unbilled amount expected to be collected from customers for contract work performed to date. It is measured at cost plus profit recognised to date (see note 3.12(ii)) less progress billings and recognised losses. Cost includes all expenditure related directly to specific projects and an allocation of fixed and variable overheads incurred in the Group's contract activities based on normal operating capacity.

Construction contracts in progress is presented as part of trade and other receivables in the statement of financial position for all contracts in which costs incurred plus recognised profits exceed progress billings and recognised losses. If progress billings and recognised losses exceed costs incurred plus recognised profits, then the difference is presented as deferred income in the statement of financial position. Customer advances are presented as deferred income in the statement of financial position.

3.8 Leases

(i) Leased assets

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition, the leased asset is measured at an amount equal to the lower of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Other leases are operating leases and are not recognised in the Group's statement of financial position.

(ii) Lease payments

Payments made under operating leases are recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability.

3.9 Impairment

(i) Non-derivative financial assets

A financial asset not carried at fair value through profit or loss, including an interest in an associate and joint venture, is assessed at the end of each reporting period to determine whether there is objective evidence that it is impaired. A financial asset is impaired if objective evidence indicates that a loss event(s) has occurred after the initial recognition of the asset, and that the loss event(s) has an impact on the estimated future cash flows of that asset that can be estimated reliably.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

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

Loans and receivables

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

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

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

Available-for-sale financial assets

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(i) Non-derivative financial assets (Continued)

Associate and joint venture

An impairment loss in respect of an associate or joint venture is measured by comparing the recoverable amount of the investment with its carrying amount in accordance with note 3.9(ii). An impairment loss is recognised in profit or loss. An impairment loss is reversed if there has been a favourable change in the estimates used to determine the recoverable amount.

(ii) Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, and intangible assets that have indefinite useful lives or that are not yet available for use, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

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

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

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

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.9 Impairment (Continued)

(ii) Non-financial assets (Continued)

Goodwill that forms part of the carrying amount of an investment in an associate is not recognised separately, and therefore is not tested for impairment separately. Instead, the entire amount of the investment in an associate is tested for impairment as a single asset when there is objective evidence that the investment in an associate may be impaired.

3.10 Employee benefits

(i) Defined contribution plans

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

(ii) Short-term employee benefits

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

(iii) Share-based payment transactions

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

3.11 Provisions

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.11 Provisions (Continued)

(i) Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract.

(ii) Warranties

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities.

3.12 Revenue

(i) Sale of goods

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

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. For sales of trading products, transfer usually occurs when the product is received at the customer's warehouse; however, for some international shipments, transfer occurs upon loading of the goods onto the relevant carrier at the port. Generally for such products, the customer has no right of return.

(ii) Construction contracts

Contract revenue includes the initial amount agreed in the contract plus any variations in contract work, claims and incentive payments to the extent that it is probable that they will result in revenue and can be measured reliably. When the outcome of a construction contract can be estimated reliably, contract revenue is recognised in profit or loss in proportion to the stage of completion of the contract. Contract expenses are recognised as incurred unless they create an asset related to future contract activity (see note 3.7).

The stage of completion is assessed by reference to surveys of work performed. When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that are likely to be recoverable. An expected loss on a contract is recognised immediately in profit or loss.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Revenue (Continued)

(ii) Construction contracts (Continued)

When contract costs incurred to date plus recognised profits less recognised losses exceed progress billings, the surplus representing amounts due from customers is shown as ‘construction contracts in progress’ and included under ‘trade and other receivables’. For contracts where progress billings exceed contract costs incurred to date plus recognised profits less recognised losses, the surplus representing amounts due to customers is shown as ‘billings in advance of work completed’ and included under ‘deferred income’. Amounts received before the related work is performed are shown as ‘customer advances’ and included under ‘deferred income’.

(iii) Rental income

Rental income receivable under operating leases is recognised in profit or loss on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

(iv) Rendering of services

Revenue from rendering of services is recognised when the relevant services are rendered.

3.13 Finance income and finance costs

Finance income comprises interest income on funds invested (including available-for-sale financial assets). Interest income is recognised as it accrues in profit or loss, using the effective interest method. Dividend income is recognised in profit or loss on the date that the Group’s right to receive payment is established, which in the case of quoted securities is normally the ex-dividend date.

Finance costs comprise interest expense on loans and borrowings. Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

3.14 Tax

Tax expense comprises current and deferred tax. Current tax and deferred tax is recognised in profit or loss except to the extent that it relates to a business combination, or items recognised directly in equity or in OCI.

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

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Tax (Continued)

Deferred tax is recognised in respect of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for:

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;

- temporary differences related to investments in subsidiaries, associates and joint arrangements to the extent that the Group is able to control the timing of the reversal of the temporary difference and it is probable that they will not reverse in the foreseeable future; and

- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow 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 is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

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

3.15 Key management personnel

Key management personnel of the Group are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity. The directors of the Company are considered as key management personnel of the Group.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.16 Segment reporting

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

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

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment, and intangible assets other than goodwill.

3.17 Earnings per share

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

3.18 New standards and interpretations not yet adopted

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

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

- FRS 115 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. It also introduces new cost guidance which requires certain costs of obtaining and fulfilling contracts to be recognised as separate assets when specified criteria are met. When effective, FRS 115 replaces existing revenue recognition guidance, including FRS 18 *Revenue*, FRS 11 *Construction Contracts*, INT FRS 113 *Customer Loyalty Programmes*, INT FRS 115 *Agreements for the Construction of Real Estate*, INT FRS 118 *Transfers of Assets from Customers* and INT FRS 31 *Revenue – Barter Transactions Involving Advertising Services*.

- FRS 109 replaces most of the existing guidance in FRS 39 *Financial Instruments: Recognition and Measurement*. It includes revised guidance on classification and measurement of financial instruments, a new expected credit loss model for calculating impairment on financial assets, and new general hedge accounting requirements.

3 SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.18 New standards and interpretations not yet adopted (Continued)

As FRS 115 and FRS 109, when effective, will change the existing accounting standards and guidance applied by the Group and the Company in accounting for revenue and financial instruments, these standards are expected to be relevant to the Group and the Company. The Group does not plan to adopt these standards early.

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

4 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Leasehold properties $'000	Leasehold improvements $'000	Plant, machinery, tools and equipment $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Total $'000
Cost							
At 1 January 2014		320	467	40,681	1,101	50	42,619
Acquisitions through business combination	28	6,800	–	203	196	104	7,303
Additions		–	–	105	76	188	369
Disposals/write-offs		–	–	–	(33)	–	(33)
At 31 December 2014		7,120	467	40,989	1,340	342	50,258
Additions		–	–	75	114	89	278
Disposals/write-offs		–	–	(38)	(16)	(42)	(96)
Effects of movements in exchange rates		–	–	–	1	–	1
At 31 December 2015		7,120	467	41,026	1,439	389	50,441

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Leasehold properties $'000	Leasehold improvements $'000	Plant, machinery, tools and equipment $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Total $'000
Accumulated depreciation						
At 1 January 2014	108	128	39,335	828	46	40,445
Depreciation charge for the year	61	99	428	120	37	745
Disposals/write-offs	–	–	–	(33)	–	(33)
Effects of movements in exchange rates	–	–	–	10	–	10
At 31 December 2014	169	227	39,763	925	83	41,167
Depreciation charge for the year	169	99	476	241	93	1,078
Disposals/write-offs	–	–	(28)	(16)	(42)	(86)
Effects of movements in exchange rates	–	–	–	1	–	1
At 31 December 2015	338	326	40,211	1,151	134	42,160
Carrying amounts						
At 1 January 2014	212	339	1,346	273	4	2,174
At 31 December 2014	6,951	240	1,226	415	259	9,091
At 31 December 2015	6,782	141	815	288	255	8,281

Plant and equipment under finance lease

The carrying amount of plant and equipment under finance lease amounted to $282,000 (2014: $294,000). During the year, the Group acquired plant and equipment of $68,000 (2014: $155,000) under finance leases.

Security

At 31 December 2015, leasehold properties and plant and equipment of the Group with carrying amounts of $6,583,000 (2014: $6,746,000) are pledged as security to secure bank loans and finance lease liabilities (see note 14).

4 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Leasehold properties $'000	Leasehold improvements $'000	Furniture, fittings and equipment $'000	Motor vehicles $'000	Total $'000
Cost					
At 1 January 2014	320	467	965	50	1,802
Additions	–	–	2	–	2
Disposals/write-offs	–	–	(33)	–	(33)
At 31 December 2014	320	467	934	50	1,771
Additions	–	–	88	–	88
Disposals/write-offs	–	–	(13)	–	(13)
At 31 December 2015	320	467	1,009	50	1,846
Accumulated depreciation					
At 1 January 2014	108	128	704	46	986
Depreciation charge for the year	6	99	78	4	187
Disposals/write-offs	–	–	(33)	–	(33)
At 31 December 2014	114	227	749	50	1,140
Depreciation charge for the year	7	99	89	–	195
Disposals/write-offs	–	–	(13)	–	(13)
At 31 December 2015	121	326	825	50	1,322
Carrying amounts					
At 1 January 2014	212	339	261	4	816
At 31 December 2014	206	240	185	–	631
At 31 December 2015	199	141	184	–	524

5 INTANGIBLE ASSETS AND GOODWILL

Group	Goodwill $'000	Order backlogs $'000	Customer relationships $'000	Total $'000
Cost				
At 1 January 2014	–	–	–	–
Acquisition through business combination (note 28)	6,899	518	411	7,828
At 31 December 2014 and 31 December 2015	6,899	518	411	7,828
Accumulated amortisation				
At 1 January 2014	–	–	–	–
Amortisation for the year	–	74	26	100
At 31 December 2014	–	74	26	100
Amortisation for the year	–	222	77	299
At 31 December 2015	–	296	103	399
Carrying amounts				
At 1 January 2014	–	–	–	–
At 31 December 2014	6,899	444	385	7,728
At 31 December 2015	6,899	222	308	7,429

The amortisation of order backlogs and customer relationships is included in administrative expenses. No impairment loss was recognised in 2015 and 2014.

Impairment testing for goodwill

For the purpose of impairment testing, goodwill has been allocated to the Group's CGU (operating division) as follows:

Group	2015 $'000	2014 $'000
KA Group	6,899	6,899

KA Group

As at 31 December 2014, management estimated the recoverable amounts of the CGU to approximate the carrying amounts of intangible assets and goodwill as the purchase price allocation for the acquisition of subsidiaries was based on the fair value of identifiable net assets as at 5 September 2014. Accordingly, management considered that there are no indicators of impairment loss on the intangible assets and goodwill as at 31 December 2014.

As at 31 December 2015, the recoverable amount of the CGU was based on its value in use, determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU. The carrying amount of the CGU was determined to be lower than its recoverable amount of $23,858,000 and no impairment was recognised.

5 INTANGIBLE ASSETS AND GOODWILL (CONTINUED)

KA Group (Continued)

Key assumptions used in the estimation of recoverable amount of the CGU as at 31 December were as follows:

Group	2015 %
Discount rate	10.7
Terminal value growth rate	Nil
EBIT margin (average of next five years)	26.4

The discount rate was a post-tax measure estimated based on the historical industry average weighted-average cost of capital.

The cash flow projections included specific estimates for 5 years and a terminal growth rate thereafter. The terminal growth rate was determined based on management's estimates of the long term annual EBIT margin, consistent with the assumptions that a market participant would make.

The EBIT margin was estimated taking into account past experience, adjusted for expectations of future outcomes and anticipated revenue growth. Revenue growth was projected taking into account the average growth levels experienced over the past five years and the estimated sales volume and price growth for the next five years. It was assumed that sales price would be flat over the next five years.

The estimated recoverable amount of the CGU exceeded its carrying amount by approximately $4,563,000. Management has identified that a reasonably possible change in two key assumptions could cause the carrying amount to exceed the recoverable amount. The following table shows the amount by which these two assumptions would need to change individually for the estimated recoverable amount to be equal to the carrying amount.

Group	Change required for carrying amount to equal the recoverable amount 2015 %
Discount rate	13.9
EBIT margin (average of next five years)	22.1

6 SUBSIDIARIES

	Company	
	2015	2014
	$'000	$'000
Equity investments at fair value	14,657	14,762

Details of subsidiaries are set out in note 27.

The carrying amounts of the equity investments were determined based on the fair value of the net assets of the subsidiaries as at the reporting date. The Company reviews its investments in subsidiaries for impairment whenever events or changes in circumstances indicate that a significant or prolonged decline in its fair value below its cost in accordance with note 3.9(i) has occurred. No impairment loss was recognised in 2015 and 2014.

7 ASSOCIATE AND JOINT VENTURE

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Interest in associate	20,512	17,114	14,543	14,463
Interest in joint venture	2,412	2,376	2,517	2,517
	22,924	19,490	17,060	16,980

KPMG LLP Singapore is the auditor of the Singapore-incorporated joint venture. The Singapore-incorporated associate is audited by another accounting firm, BDO LLP Singapore. For this purpose, an associated company is considered significant as defined under the Listing Manual of the SGX-ST if the Group's share of its net tangible assets represents 20% or more of the Group's consolidated net tangible assets, or if the Group's share of its pre-tax profits accounts for 20% or more of the Group's consolidated pre-tax profits.

The associate is considered significant and the Group is in compliance with Rules 712 and 715 of the Listing Manual of the SGX-ST as suitable auditing firms have been appointed to meet the Group's audit obligations. In accordance with Rule 716, the Audit Committee and Board of Directors of the Company confirm that they are satisfied that the appointment of a different auditor for its significant associate would not compromise the standard and effectiveness of the audit of the Group.

7 ASSOCIATE AND JOINT VENTURE (CONTINUED)

Associate

The Group has an associate that is material to the Group in 2015 and 2014 and is equity accounted. Details of the associate is as follows:

	Dynamic Colours Limited[1]
Nature of relationship with the Group	Trading in colour pigments manufacture and sale of compounded resins and polyethylene packaging materials and provisions of compounding services
Principal place of business/country of incorporation	Singapore
Ownership interest/Voting rights held	41.27% (2014: 41.07%)
Fair value of ownership interest	$19,928,000 (2014: $17,249,000)[2]

1 Listed on the Singapore Exchange Securities Trading Limited ("SGX-ST")
2 Based on the quoted market price at 31 December (Level 1 in the fair value hierarchy)

The following table summarises the financial information of the associate based on its consolidated financial statements prepared in accordance with FRS.

	2015 **$'000**	**2014** **$'000**
Results		
Revenue	65,654	84,298
Profit from continuing operations	10,956	2,881
Post-tax loss from discontinued operations	(624)	–
OCI	(529)	(29)
Total comprehensive income	9,803	2,852
Attributable to non-controlling interests	(121)	10
Attributable to investee's shareholders	9,924	2,842
Assets and liabilities		
Non-current assets	24,973	23,943
Current assets	33,930	39,235
Non-current liabilities	(1,452)	(796)
Current liabilities	(8,069)	(20,873)
Net assets	49,382	41,509
Attributable to NCI	–	171
Attributable to investee's shareholders	49,382	41,338

7 ASSOCIATE AND JOINT VENTURE (CONTINUED)

Associate (Continued)

	2015 $'000	2014 $'000
Group's interest in net assets of investee at beginning of the year	17,114	16,803
Group's share of:		
– profit from continuing and discontinued operations (net)	4,314	1,169
– OCI	(218)	(12)
– Group's share of associate's reserve arising from change in ownership interest	3	7
– total comprehensive income	4,099	1,164
Group's contribution during the year	80	175
Translation difference	1,169	679
Dividends received during the year	(1,950)	(1,707)
Carrying amount of interest in investee at end of the year	20,512	17,114

Joint venture

Tat Hong Intraco Pte Ltd is an unlisted joint arrangement in which the Group has joint control via investors' agreement and 40% (2014: 40%) ownership interest. It was incorporated in Singapore by the Group, Tat Hong Holdings Ltd and Aung Moe Kyaw, and principally engaged in the leasing and sales of cranes and other heavy equipments.

Tat Hong Intraco Pte Ltd is structured as a separate vehicle and the Group has a residual interest in its net assets. Accordingly, the Group has classified its interest in Tat Hong Intraco Pte Ltd as a joint venture, which is equity-accounted.

The following table summarises the financial information of the joint venture, based on its financial statements prepared in accordance with FRS.

	2015 $'000	2014 $'000
Revenue	2,282	207
Loss from continuing operations[1]	(290)	(536)
OCI	–	–
Total comprehensive income	(290)	(536)
Non-current assets	5,639	5,376
Current assets[2]	5,179	5,964
Non-current liabilities	–	–
Current liabilities[3]	(4,788)	(5,401)
Net assets	6,030	5,939

1 Includes interest expense of $115,000 (2014: $14,000)

2 Includes cash and cash equivalents of $5,100,000 (2014: $5,171,000)

3 Includes current financial liabilities (excluding trade and other payables and provisions) of $4,655,000 (2014: $4,670,000)

7 ASSOCIATE AND JOINT VENTURE (CONTINUED)

Joint venture (Continued)

	2015 $'000	2014 $'000
Group's interest in net assets of investee at beginning of the year	2,376	207
Group's share of profit from continuing operations	(117)	(214)
	2,259	(7)
Group's contribution during the year	–	2,263
Translation difference	153	120
Carrying amount of interest in investee at end of the year	2,412	2,376

In accordance with agreement under which Tat Hong Intraco Pte Ltd was established, the Company and Tat Hong Holdings Ltd have agreed to issue proportionate corporate guarantee of USD6,500,000 (equivalent to approximately SGD9,164,000) (2014: USD6,500,000 (equivalent to approximately SGD8,607,000)) comprising USD3,250,000 (equivalent to approximately SGD4,582,000) (2014: USD3,250,000 (equivalent to approximately SGD4,304,000)) each to be equally guaranteed by the Company and Tat Hong Holding Ltd. This commitment has not been recognised in the Group's consolidated financial statements.

8 OTHER INVESTMENTS, INCLUDING DERIVATIVES

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Non-current investments				
Available-for-sale quoted debt securities	9,785	9,234	9,785	9,234
Current investments				
Financial derivative assets	–	–	2,309	62
	9,785	9,234	12,094	9,296

The financial derivative assets relate to the written call and put options in connection with the Company's acquisition of the remaining 30% of the shares of KA Group from the NCI (note 28). The Company received the right to acquire the remaining 30% of the shares of KA Group in 3 tranches of 10% each, while the Company also gave the NCI the right to sell the remaining 30% interest it owns in KA Group in 3 tranches of 10% each. The options on the first 10% are exercisable, by the Company and/or the NCI on and from the date falling immediately after the expiry of 4 years from date of acquisition. The options on the second 10% are exercisable, by the Company and/or the NCI on and from the date falling immediately after the expiry of 5 years from date of acquisition. The options on the last 10% are exercisable by the Company and/or the NCI on and from the date falling immediately after the expiry of 6 years from date of acquisition. The exercise price of the written put and call options in respect of each option shall be the amount determined based on the consideration paid by the Company to acquire the initial 70% of the shares of KA Group and adjusted by revised net tangible asset value of KA Group.

As at 31 December 2015, the fair value of the written call and put options recognised as financial derivative assets of the Company is $2,309,000 (2014: $62,000).

8 OTHER INVESTMENTS, INCLUDING DERIVATIVES (CONTINUED)

The Group's exposure to market risks and fair value information related to other investments, including derivatives, are disclosed in note 24.

9 INVENTORIES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trading goods	147	195	–	–
Raw materials	1,253	1,219	–	–
Goods-in-transit	10	45	–	–
	1,410	1,459	–	–

In 2015, inventories of $102,675,000 (2014: $142,345,000) were recognised as an expense during the period and included in cost of sales.

In 2014, the write-back of allowance made for slow moving stocks of $38,000 was recognised in other expenses.

In 2015, inventories of $40,000 were written down to net realisable value. The write-down was recognised in cost of sales.

10 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Trade receivables	19,450	32,236	190	1,371
Impairment losses	(7,034)	(14,805)	–	(1,125)
Net trade receivables	12,416	17,431	190	246
Deposits	365	143	61	61
Amounts due from subsidiaries (non-trade)	–	–	23,652	22,548
Impairment losses	–	–	(3,954)	(3,954)
Net amounts due from subsidiaries	–	–	19,698	18,594
Other receivables	323	578	220	19
Interest receivables	30	6	–	–
Advances to suppliers	205	48	–	–
Trade and other receivables	13,339	18,206	20,169	18,920
Prepayments	175	372	11	200
Construction contracts in progress	2,839	3,030	–	–
	16,353	21,608	20,180	19,120

10 TRADE AND OTHER RECEIVABLES (CONTINUED)

Construction contracts in progress

At 31 December 2015, the aggregated amount of costs incurred and recognised profits (less recognised losses) to date under open construction contracts amounted to $25,298,000 (2014: $22,140,000) for the Group. Progress billings and advances received from customers under open construction contracts amounted to $22,459,000 (2014: $19,110,000) for the Group.

At 31 December 2015, trade and other receivables for the Group include retentions of $1,130,000 (2014: $951,000) relating to construction contracts in progress.

Amounts due from subsidiaries

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

Credit and market risk, and impairment losses

The Group and the Company's exposure to credit and currency risks, and impairment losses for trade and other receivables, excluding prepayments and construction contract in progress, are disclosed in note 24.

11 CASH AND CASH EQUIVALENTS

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Cash at bank and in hand	27,368	24,934	1,509	2,891
Fixed deposits with banks	11,387	13,826	5,500	5,500
Cash and cash equivalents in the statements of financial position	38,755	38,760	7,009	8,391
Deposits pledged	(150)	(113)	–	–
Cash and cash equivalents in the statement of cash flows	38,605	38,647	7,009	8,391

Deposits pledged represent bank balances of certain subsidiaries pledged as security for issuance of letters of credit.

The weighted average effective interest rates per annum relating to cash and cash equivalents at the reporting date for the Group and Company are 0.81% (2014: 0.89%) and 0.30% (2014: 0.30%) respectively. Interest rates reprice at intervals of one to three months.

12 CAPITAL AND RESERVES

	Company	
	2015	**2014**
Share capital	**Number of shares**	**Number of shares**
Fully paid ordinary shares, with no par value:		
In issue on 1 January	103,725,879	98,725,879
Issued for business combination	–	5,000,000
In issue on 31 December	103,725,879	103,725,879

No share options had been granted under the INTRACO Employee Share Option Scheme which was approved at an Extraordinary General Meeting held on 29 April 2013. In this respect, the Company does not have outstanding convertibles as at 31 December 2015 (see note 13).

Ordinary shares

All shares rank equally with regard to the Company's residual assets. The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. All shares rank equally with regard to the Company's residual assets.

On 5 September 2014, 5,000,000 ordinary shares were issued in connection with the acquisition of subsidiaries (see note 28).

Reserves

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

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Capital reserve	1,052	1,037	–	–
Translation reserve	(433)	(1,337)	–	–
Fair value reserve	(309)	(51)	716	1,078
	310	(351)	716	1,078

Capital reserve

Capital reserve comprises negative goodwill that has previously been taken to reserve and share of associate's statutory and share-based payment reserve.

Translation reserve

The translation reserve comprises foreign exchange differences arising from the translation of the financial statements of foreign operations.

12 CAPITAL AND RESERVES (CONTINUED)

Fair value reserve

The fair value reserve includes the cumulative net change in the fair value of available-for-sale investments until the investment is derecognised or impaired.

13 EMPLOYEE SHARE OPTIONS

INTRACO Employee Share Option Scheme (the 2013 Scheme)

The 2013 Scheme of the Company was approved and adopted by its shareholders at an Extraordinary General Meeting held on 29 April 2013.

Information regarding the 2013 Scheme is set out below:

- The maximum number of shares issued or to be issued for options under the 2013 Scheme is 15% of the issued share capital of the Company.
- Options may be granted at the average of the closing price of the Company's shares on the SGX-ST for the 3 consecutive trading days immediately preceding the date of grant (Market Price) or at a price of up to 20% discount of the Market Price.
- Under the 2013 Scheme, a non-discounted option vests 1 year after the date of the grant and a discounted option vests 2 years after the date of grant.
- Options granted to non-executive directors of the Group, and employees and directors of Associated Companies as defined under the 2013 Scheme, will have a life span of 5 years or such earlier date as may be determined by the Remuneration Committee. Options granted to employees and executive directors of the Group will have a life span of 10 years or such earlier date as may be determined by the Remuneration Committee.

There were no options granted since commencement of the 2013 Scheme till the end of the financial year.

14 LOANS AND BORROWINGS

	Group	
	2015	**2014**
	$'000	**$'000**
Non-current liabilities		
Secured bank loans	1,873	1,959
Finance lease liabilities	142	134
	2,015	2,093
Current liabilities		
Current portion of secured bank loans	91	97
Current portion of finance lease liabilities	53	108
Trust receipts	21,254	19,168
	21,398	19,373

14 LOANS AND BORROWINGS (CONTINUED)

Market and liquidity risks

Information about the Group's and the Company's exposure to interest rate, foreign currency and liquidity risk is included in note 24.

Terms and debt repayment schedule

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

			Group	
	Nominal interest rate	Year of maturity	Face value $'000	Carrying amount $'000
2015				
SGD secured bank loans	1.18% – 3.41%	2016 – 2033	1,964	1,964
SGD finance lease liabilities	1.58% – 4.00%	2016 – 2019	195	195
USD trust receipts	1.01% – 2.14%	2016	21,254	21,254
			23,413	23,413
2014				
SGD secured bank loans	1.18% – 3.41%	2015 – 2033	2,056	2,056
SGD finance lease liabilities	1.58% – 4.00%	2015 – 2019	242	242
USD trust receipts	0.95% – 2.15%	2015	19,168	19,168
			21,466	21,466

The secured bank loans and finance lease liabilities of the Group are secured over the leasehold properties and plant and equipment of the Group with carrying amounts of $6,583,000 (2014:$6,746,000) (see note 4).

Breach of loan covenant

In 2015, a subsidiary breached two of the financial covenants stipulated in the loan agreement. The subsidiary's total liabilities (including contingent liabilities) shall not exceed 200% of its tangible net worth at all times. As at 31 December 2015, the subsidiary's total liabilities is 234% of its tangible net worth. Besides, the subsidiary also failed to maintain a minimum tangible net worth of $12.2 million as at year end. As such, the bank could potentially call for immediate repayment of the outstanding trust receipts of USD3,315,021 (SGD4,673,848) as a result of the breach in financial covenants. The trust receipts were fully settled by 16 February 2016.

14 LOANS AND BORROWINGS (CONTINUED)

Breach of loan covenant (Continued)

In 2014, the Company breached one of the financial covenants stipulated in the loan agreement. The Company's total liabilities (including contingent liabilities) shall not exceed 200% of its tangible net worth at all times. As at 31 December 2014, the Company's total liabilities is 237% of its tangible net worth. The bank could potentially call for immediate repayment of the outstanding trust receipts USD3,889,046 (SGD5,149,875) as a result of the breach in financial covenants. The trust receipts were fully settled by 18 February 2015.

Finance lease liabilities

Finance lease liabilities are payable as follows:

	Group		
	Future minimum lease payments $'000	Interest $'000	Present value of minimum lease payments $'000
2015			
Within one year	58	5	53
Between one and five years	156	14	142
	214	19	195
2014			
Within one year	120	12	108
Between one and five years	149	15	134
	269	27	242

15 TRADE AND OTHER PAYABLES

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Current				
Trade payables	4,740	12,253	34	399
Advances from customers	639	957	–	–
Accrued expenses	1,452	1,709	795	767
Amounts due to subsidiaries (non-trade)	–	–	9,000	7,500
Interest payable	35	19	–	–
Other payables	291	365	244	313
	7,157	15,303	10,073	8,979
Non-current				
Contingent consideration	6,229	5,938	–	–
	13,386	21,241	10,073	8,979

15 TRADE AND OTHER PAYABLES (CONTINUED)

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

Contingent consideration pertains to the put option granted by the Group to the selling shareholders of KA Group in connection with the Company's acquisition of the remaining 30% of the total issued share capital of KA Group. At the reporting date, the contingent consideration is measured at the present value of the aggregate exercise price for the three tranches of 10% each (see note 28).

Key assumptions used in the estimation of the present value of the contingent consideration as at the reporting date are as follows:

Group	2015	2014
Discount rate	5.0%	4.0%
Exercise price for each 10% tranche	$2,482,847	$2,376,000

The discount rate is estimated based on the Group's borrowing rate.

The exercise price for each tranche is estimated based on 10% of the revalued net tangible assets as at the reporting date and adjusting for projected profit or loss of the KA Group over the next 2.67 years, 3.67 years and 4.67 years (2014: 3.67 years, 4.67 years and 5.67 years) respectively.

The Group's exposure to market risk and fair value information related to contingent consideration is disclosed in note 24.

Market and liquidity risks

The Group and the Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 24.

16 DEFERRED TAX LIABILITIES

Movement in deferred tax liabilities during the year are as follows:

Group

	Balance as at 1 Jan 2014 $'000	Acquired in business combination (note 28) $'000	Balance as at 31 Dec 2014 $'000	Recognised in profit or loss $'000	Balance as at 31 Dec 2015 $'000
Deferred tax liabilities					
Property, plant and equipment	–	628	628	(18)	610
Intangible assets	–	158	158	(68)	90
Inventories	–	10	10	(10)	–
	–	796	796	(96)	700

16 DEFERRED TAX LIABILITIES (CONTINUED)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items:

	Group		Company	
	2015	2014	2015	2014
	$'000	$'000	$'000	$'000
Deductible temporary differences	11,176	11,032	(170)	47
Tax losses	25,923	21,876	7,655	5,006
	37,099	32,908	7,485	5,053

The tax losses are subject to agreement by the tax authorities. Tax losses and deductible temporary differences do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available against which the Group can utilise the benefits therefrom.

17 PROVISIONS

	Group and Company	
	2015	2014
	$'000	$'000
Warranties		
At 1 January	164	164
Provision made during the year	91	–
At 31 December 2015	255	164

Warranties

The provision for warranties relates to lighting products sold previously and estimated based on the projected replacement costs of the lighting products.

18 REVENUE

	Group	
	2015	2014
	$'000	$'000
Trading sales	104,322	143,415
Revenue from construction contracts	10,787	6,137
Rental income	389	389
Service income	1,141	1,226
	116,639	151,167

19 NET FINANCE INCOME/(COSTS)

	Group	
	2015	2014
	$'000	$'000
Interest income		
– bank deposits	158	136
– other investments	515	17
Finance income	673	153
Interest expense on secured bank loans	(61)	(18)
Interest expense on unsecured bank loans	(278)	(183)
Interest expense on finance lease liabilities	(13)	(4)
Finance costs	(352)	(205)
Net finance income/(costs) recognised in profit or loss	321	(52)

The above finance income and finance costs represents interest income and interest expense in respect of assets/(liabilities) not at fair through profit or loss.

20 TAX EXPENSE

	Group	
	2015	2014
	$'000	$'000
Tax recognised in profit or loss		
Current tax expense		
Current year	382	25
Adjustment for prior years	(38)	–
	344	25
Deferred tax expense		
Origination and reversal of temporary differences	(74)	–
Adjustment for prior year	(22)	–
	(96)	–
Tax expense	248	25

	Group	
	2015	2014
	$'000	$'000
Reconciliation of effective tax rate		
Profit/(Loss) before tax	3,287	(924)
Tax using the Singapore tax rate of 17%	559	(157)
Effect of tax rates in foreign jurisdictions	–	(9)
Tax-exempt income	(372)	(197)
Non-deductible expenses	122	155
Tax effect on share of profit of associates	(713)	(162)
Change in unrecognised temporary differences	712	395
Over provided in prior years	(60)	–
	248	25

21 PROFIT/(LOSS) FOR THE YEAR

The following items have been included in arriving at profit/(loss) for the year:

	Group	
	2015	2014
	$'000	$'000
Distribution received from other investments	(127)	(156)
Allowance made for doubtful receivables	37	–
Write-off of trade receivables	45	–
Write-off/(Write-back) of inventory to net realisable value	40	(38)
Amortisation of intangible assets	299	100
Audit fees paid to:		
– auditors of the Company	230	230
– other auditors	2	2
Non-audit fees paid to:		
– auditors of the Company	34	115
– other auditors	–	–
Cost of inventories recognised in cost of sales	102,675	142,345
Depreciation of property, plant and equipment	1,078	745
Foreign exchange loss	23	49
Provision for warranties	91	–
Write-back of trade payables	(232)	–
Change in fair value of contingent consideration	(290)	(77)
Gain on sale of property, plant and equipment	(11)	–
Property, plant and equipment written off	10	–
Operating lease expenses	730	675
Employee benefits expense		
Salaries, bonuses and other costs	6,700	4,912
Contributions to defined contribution plans	393	313
	7,093	5,225

22 EARNINGS PER SHARE

The calculation of basic earnings per share at 31 December 2015 was based on the profit attributable to ordinary shareholders of $3,039,000 (2014: loss of $949,000) and a weighted average number of ordinary shares outstanding of 103,725,879 (2014: 100,342,317), calculated as follows:

Weighted average number of ordinary shares

	2015 Number of shares	2014 Number of shares
Issued ordinary shares at 1 January	103,725,879	98,725,879
Effect of shares issued related to a business combination	–	1,616,438
Weighted average number of ordinary shares during the year	103,725,879	100,342,317

23 OPERATING SEGMENTS

The Group has the following two strategic business units which are its reportable segments, as described below. The strategic business units offer different products and services, and are managed separately because they require different technology and marketing strategies. For each of the strategic business units, the Group's CEO (the chief operating decision maker) reviews internal management reports on a monthly basis. The following summary describes the operations in each of the Group's reportable segments:

- *Projects* — Sale of conventional lighting products and provision of energy-savings and fire-protection solutions.
- *Trading and others* — Trading in industrial materials which include plastics and petrochemicals and processing of food products and investment holding.

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

Geographical information

The Group's business is managed in three principal geographical areas, namely, Singapore, rest of ASEAN and Greater China (Hong Kong, Taiwan and China).

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers and segment assets are based on the geographical location of the assets.

Operating segments ($'000)

	Projects $'000	Trading and others $'000	Consolidated $'000
2015			
External revenue	11,072	105,567	116,639
Interest income	20	107	127
Interest expense	(74)	(278)	(352)
Depreciation and amortisation	(789)	(395)	(1,184)
Reportable segment profit/(loss) before tax	2,512	(275)	2,237
Reportable segment assets	20,866	36,059	56,925
Other material non-cash items:			
Allowance made for doubtful receivables	(37)	–	(37)
Provision made for warranty	(91)	–	(91)
Write-down of inventory to net realisable value	(40)	–	(40)
Write-back of trade payables	231	1	232
Change in fair value of contingent consideration	(291)	–	(291)
Capital expenditure	(191)	–	(191)
Reportable segment liabilities	1,917	26,239	28,156

23 OPERATING SEGMENTS (CONTINUED)

Geographical information (Continued)

Operating segments ($'000)

	Projects $'000	Trading and others $'000	Consolidated $'000
2014			
External revenue	6,137	145,030	151,167
Interest income	15	70	85
Interest expense	(22)	(183)	(205)
Depreciation and amortisation	(248)	(411)	(659)
Reportable segment profit/(loss) before tax	975	(91)	884
Reportable segment assets	20,724	40,884	61,608
Other material non-cash items:			
Reversal of write-down of inventory to net realisable value	(38)	–	(38)
Change in fair value of contingent consideration	(77)	–	(77)
Capital expenditure	(367)	–	(367)
Reportable segment liabilities	3,186	30,901	34,087

Reconciliations of reportable segment revenues, profit or loss, assets and liabilities and other material items

	2015 $'000	2014 $'000
Revenue		
Total revenue for reporting segments and consolidated revenue	116,639	151,167
Profit or loss		
Total profit for reportable segments	2,237	884
Unallocated amounts:		
– Other corporate expenses, net of income	(3,147)	(2,763)
Share of profit of equity-accounted investees, net of tax	4,197	955
Consolidated profit/(loss) before tax	3,287	(924)
Assets		
Total assets for reportable segments	56,925	61,608
Other unallocated amounts	25,088	26,272
	82,013	87,880
Investments in equity-accounted investees	22,924	19,490
Consolidated total assets	104,937	107,370
Liabilities		
Total liabilities for reportable segments	28,156	34,087
Other unallocated amounts	10,070	9,960
Consolidated total liabilities	38,226	44,047

23 OPERATING SEGMENTS (CONTINUED)

Geographical information (Continued)

Other material items

	Reportable segment totals $'000	Adjustments $'000	Consolidated totals $'000
2015			
Interest income	127	546	673
Interest expense	(74)	(278)	(352)
Capital expenditure	(191)	(88)	(279)
Depreciation and amortisation	(1,184)	(193)	(1,377)
Allowance made for doubtful debts	(37)	–	(37)
Provision for warranty	(91)	–	(91)
Write-down of inventory to its net realisable value	(40)	–	(40)
Write-back of trade payables	232	–	232
Change in fair value of contingent consideration	(291)	–	(291)

	Reportable segment totals $'000	Adjustments $'000	Consolidated totals $'000
2014			
Interest income	85	68	153
Interest expense	(22)	(183)	(205)
Capital expenditure	367	2	369
Depreciation and amortisation	(659)	(186)	(845)
Reversal of write-down of inventory to net realisable value	38	–	38
Change in fair value of contingent consideration	(77)	–	(77)

Geographical information

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are based on the geographical location of the assets.

	2015 $'000	2014 $'000
Revenue		
Singapore	34,986	34,136
Rest of ASEAN	81,653	116,739
Greater China	–	292
Consolidated revenue	116,639	151,167
Non-current assets*		
Singapore	8,082	8,884
Greater China	199	207
	8,281	9,091

* Non-current assets presented consist of property, plant and equipment.

23 OPERATING SEGMENTS (CONTINUED)

Major customer

Revenues from one customer of the Group's Trading and others segment represents approximately $14,865,000 (2014: $43,264,000) of the Group's total revenues.

24 FINANCIAL INSTRUMENTS

Financial risk management

Overview

The Group has exposure to the following risks from its use of financial instruments:

- credit risk
- liquidity risk
- market risk

This note presents information about the Group's exposure to each of the above risks, the Group's objectives, and policies and processes for measuring and managing risk, and the Group's management of capital.

Risk management framework

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

The Audit Committee oversees how management monitors compliance with the Group's risk management policies and procedures and reviews the adequacy of the risk management framework in relation to the risks faced by the Group. The Audit Committee is assisted in its oversight role by the Internal Auditor. The Internal Auditor undertakes both regular and ad hoc reviews of risk management controls and procedures, the results of which are reported to the Audit Committee.

Credit risk

Credit risk is the risk of financial loss to the Group if a customer or counterparty to a financial instrument fails to meet its contractual obligations, and arises principally from the Group's receivables from customers and investment securities.

The carrying amounts of financial assets in the statements of financial position represent the Group and the Company's maximum exposure to credit risk, before taking into account any collateral. The Group and the Company do not hold any collateral in respect of their financial assets.

24 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

Risk management policy

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

The allowance account in respect of loan and receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point, the amounts are considered irrecoverable and are written off against the financial asset directly. At 31 December 2015, the Group and the Company does not have any collective impairment on its loans and receivables.

Financial transactions are restricted to counterparties that meet appropriate credit criteria that are approved by the Group and are being reviewed on a regular basis. In respect of trade receivables, the Group has guidelines governing the process of granting credit and outstanding balances are monitored on an ongoing basis. Cash and fixed deposits are placed with banks and financial institutions which are regulated. Investments and transactions involving financial instruments are allowed only with counterparties who have sound credit ratings.

Exposure to credit risk

The Group's primary exposure to credit risk arises through its trade receivables. Concentration of credit risk relating to trade receivables is limited due to the Group's many varied customers. These customers are regionally dispersed. The Group's historical experience in the collections of trade receivables falls within the recorded allowances. Due to these factors, management believes that no additional credit risk beyond the amounts provided for collection losses is inherent in the Group and the Company's trade receivables.

The maximum exposure to credit risk for trade and other receivables* at the reporting date (by operating segments) was:

	Group		Company	
	2015	**2014**	**2015**	**2014**
	$'000	**$'000**	**$'000**	**$'000**
Projects	2,625	1,885	190	246
Trading and others	10,714	16,321	19,979	18,674
	13,339	18,206	20,169	18,920

The Group's most significant customer, a trading customer, accounts for $1,168,000 (2014: $3,144,000) of the trade receivables carrying amount at 31 December 2015. There is no concentration of customer risk at the Company level.

24 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

Impairment losses

The ageing of trade and other receivables* at the reporting date was:

	Gross 2015 $'000	Impairment 2015 $'000	Gross 2014 $'000	Impairment 2014 $'000
Group				
Not past due	5,644	–	5,813	–
Past due 0 – 30 days	6,930	–	11,161	–
Past due 31 – 120 days	558	–	954	–
More than 120 days	7,241	(7,034)	15,083	(14,805)
	20,373	(7,034)	33,011	(14,805)
Company				
Not past due	772	–	331	–
Past due 0 – 30 days	–	–	32	–
Past due 31 – 120 days	534	–	16,056	–
More than 120 days	22,817	(3,954)	7,580	(5,079)
	24,123	(3,954)	23,999	(5,079)

The movement in impairment loss in respect of trade and other receivables* during the year is as follows:

	Group		Company	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
At 1 January	14,805	16,243	5,079	6,739
Impairment loss recognised	37	–	–	–
Amounts written-off	(8,240)	(1,721)	(1,125)	(1,660)
Effects of movements in exchange rates	432	283	–	–
At 31 December	7,034	14,805	3,954	5,079

* Exclude prepayments and construction contracts in progress.

The Group assessed the collectability of its trade receivables and wrote-off an allowance for doubtful receivables of $8,240,000 (2014: $1,721,000) after considering its financial condition and the uncertainty in the recoverability of the outstanding amounts.

Based on the Group's monitoring of credit risk, the Group believes that apart from the above, no additional allowance is necessary.

24 FINANCIAL INSTRUMENTS (CONTINUED)

Credit risk (Continued)

Debt securities

The Group limits its exposure to credit risk on investments held by investing only in liquid debt securities and only with counterparties that have high credit ratings. Management actively monitors credit ratings and given that the Group only has invested in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations.

Cash and cash equivalents

The Group and the Company held cash and cash equivalents of $38,755,000 and $7,009,000 respectively at 31 December 2015 (2014: $38,760,000 and $8,391,000 respectively) – these figures represent their maximum credit exposures on these assets.

Liquidity risk

Risk management policy

Liquidity risk is the risk that the Group will encounter difficulty in meeting the obligations associated with its financial liabilities that are settled by delivering cash or another financial asset. The Group's approach to managing liquidity is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Group's reputation.

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

The following are the contractual maturities of financial liabilities, including estimated interest payments and excluding the impact of netting agreements:

Group	Carrying amounts $'000	Contractual cash flows $'000	Within 1 year $'000	Within 2-5 years $'000	More than 5 years $'000
2015					
Non-derivative financial liabilities					
Secured bank loans	1,964	(2,599)	(161)	(807)	(1,631)
Trust receipts	21,254	(21,506)	(21,506)	–	–
Finance lease liabilities	195	(213)	(58)	(155)	–
Trade and other payables*	12,747	(12,747)	(6,518)	(6,229)	–
	36,160	(37,065)	(28,243)	(7,191)	(1,631)

24 FINANCIAL INSTRUMENTS (CONTINUED)

Liquidity risk (Continued)

Risk management policy (Continued)

Group	Carrying amounts $'000	Contractual cash flows $'000	Within 1 year $'000	Within 2-5 years $'000	More than 5 years $'000
2014					
Non-derivative financial liabilities					
Secured bank loans	2,056	(2,548)	(149)	(596)	(1,803)
Trust receipts	19,168	(19,188)	(19,188)	–	–
Finance lease liabilities	242	(269)	(120)	(149)	–
Trade and other payables*	20,284	(20,284)	(14,346)	(4,036)	(1,902)
	41,750	(42,289)	(33,803)	(4,781)	(3,705)

Company	Carrying amounts $'000	Contractual cash flows $'000	Within 1 year $'000	Within 2-5 years $'000	More than 5 years $'000
2015					
Non-derivative financial liabilities					
Trade and other payables*	10,073	(10,073)	(10,073)	–	–
2014					
Non-derivative financial liabilities					
Trade and other payables*	8,979	(8,979)	(8,979)	–	–

* Exclude advance from customers.

The maturity analyses show the undiscounted cash flows of the Group and the Company's financial liabilities on the basis of their earliest possible contractual maturity.

Market risk

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

24 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Interest rate risk

The Group's exposure to changes in interest relates primarily to the Group's interest-earning financial assets and interest-bearing financial liabilities. Interest rate is managed by the Group on an ongoing basis with the primary objective of limiting the extent to which net interest expense could be affected by an adverse movement in interest rates.

The Group adopts a policy of constantly monitoring movements in interest rates. Presently the Group does not use derivative financial instruments to hedge its interest rate risk.

At the reporting date, the interest rate profile of the interest-bearing financial instruments was as follows:

	Group Nominal amount		Company Nominal amount	
	2015 $'000	2014 $'000	2015 $'000	2014 $'000
Fixed rate instruments				
Financial assets	21,172	23,060	15,285	14,734
Financial liabilities	(21,254)	(19,168)	–	–
	(82)	3,892	15,285	14,734
Variable rate instrument				
Financial liabilities	(1,964)	(2,056)	–	–

<u>Fair value sensitivity analysis for fixed rate instruments</u>

The Group does not account for any fixed rate financial assets and liabilities at fair value through profit or loss. Therefore a change in interest rates at the reporting date would not affect profit or loss.

A change of 100 basis points in interest rates would have increased or decreased equity by approximately $98,000 (2014: $92,000) for the Group and the Company respectively.

<u>Cash flow sensitivity analysis for variable rate instruments</u>

A change of 100 basis points (bp) in interest rates at the reporting date would have increased (decreased) loss before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2014.

24 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Interest rate risk (Continued)

Cash flow sensitivity analysis for variable rate instruments (Continued)

	Group		Company	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
2015				
Variable rate instruments	(20)	20	–	–
2014				
Variable rate instruments	(21)	21	–	–

Currency risk

Risk management policy

The Group is exposed to foreign currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies giving rise to this risk are primarily the US dollar, Euro, British pound and Malaysian ringgit.

There is no formal hedging policy with respect to foreign exchange exposure. Exposure to currency risk is monitored on an ongoing basis and the Group endeavours to keep the net exposure at an acceptable level.

Exposure to currency risk

The Group and Company's exposures to foreign currency risk were as follows based on notional amounts:

Group	Singapore dollar $'000	US dollar $'000	Euro $'000	British pound $'000	Malaysian ringgit $'000
2015					
Trade receivables	–	9,216	–	–	–
Cash and cash equivalents	32	13,102	2	62	–
Amount due from related corporation	–	61	–	–	–
Loans and borrowings	–	(21,254)	–	–	–
Trade payables	–	(1,806)	–	–	(16)
Amount due to related corporation	(344)	(35)	–	–	–
Net statement of financial position exposure	(312)	(716)	2	62	(16)

24 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Currency risk (Continued)

Exposure to currency risk (Continued)

Group	Singapore dollar $'000	US dollar $'000	Euro $'000	British pound $'000	Malaysian ringgit $'000
2014					
Trade receivables	–	13,772	–	–	–
Cash and cash equivalents	53	10,525	12	60	–
Amount due from related corporation	1	57	–	–	–
Loans and borrowings	–	(19,168)	–	–	–
Trade payables	–	(6,068)	–	–	(19)
Amount due to related corporation	(817)	(70)	–	–	–
Net statement of financial position exposure	(763)	(952)	12	60	(19)

Company	US dollar $'000	Euro $'000	British pound $'000	Malaysian ringgit $'000
2015				
Trade receivables	18	–	–	–
Cash and cash equivalents	535	2	62	–
Trade payables	–	–	–	(16)
Net statement of financial position exposure	553	2	62	(16)
2014				
Trade receivables	25	–	–	–
Cash and cash equivalents	479	12	60	–
Trade payables	(87)	–	–	(19)
Net statement of financial position exposure	417	12	60	(19)

Sensitivity analysis

A weakening of 10% (2014: 10%) in the following major currencies against the functional currency of each of the Group entities at 31 December would have increased/(decreased) profit or loss by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2014.

24 FINANCIAL INSTRUMENTS (CONTINUED)

Market risk (Continued)

Currency risk (Continued)

Exposure to currency risk (Continued)

Sensitivity analysis (Continued)

	Group		Company	
	2015 Profit or loss $'000	2014 Profit or loss $'000	2015 Profit or loss $'000	2014 Profit or loss $'000
Singapore dollar[1]	31	76	–	–
US dollar	72	95	(55)	(42)
Euro	–[2]	(1)	–[2]	(1)
British pound	(6)	(6)	(6)	(6)
Malaysian ringgit	2	2	2	2

(1) As compared to functional currency of US dollar
(2) Less than $1,000

A 10% (2014: 10%) strengthening of the above currencies against the functional currency of each of the Group entities at 31 December would have had the equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Other market price risk

Risk management policy

Equity price risk arises from available-for-sale equity securities. Material investments within the Group's investment portfolio are managed on an individual basis and all buy and sell decisions are approved by the Board of Directors.

Capital management

The Board's policy is to maintain a strong capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital. The Board of Directors monitors the return on capital, which the Group defines as net operating income divided by total shareholders' equity.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position.

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

Neither the Company nor any of its subsidiaries are subject to externally imposed capital requirements.

24 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values

Fair values versus carrying amounts

The carrying amounts and fair values of financial assets and financial liabilities, including the levels in the fair value hierarchy are as follows. It does not include fair value information for financial assets and financial liabilities not measured at fair value and is a reasonable approximation of fair value.

Group	Note	Carrying amount Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Total $'000	Fair value Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2015									
Financial asset measured at fair value									
Other investments	8	–	9,785	–	9,785	9,785	–	–	9,785
Financial assets not measured at fair value									
Trade and other receivables*	10	13,339	–	–	13,339				
Cash and cash equivalents	11	38,755	–	–	38,755				
		52,094	–	–	52,094				
Financial liability measured at fair value									
Contingent consideration	15	–	–	(6,229)	(6,229)	–	–	(6,229)	(6,229)
Financial liabilities not measured at fair value									
Secured bank loans	14	–	–	(1,964)	(1,964)	–	(1,964)	–	(1,964)
Trust receipts	14	–	–	(21,254)	(21,254)	–	(21,254)	–	(21,254)
Finance lease liabilities	14	–	–	(195)	(195)	–	(195)	–	(195)
Trade and other payables**	15	–	–	(6,518)	(6,518)				
		–	–	(29,931)	(29,931)				

24 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

Group	Note	Carrying amount Loans and receivables $'000	Available-for-sale $'000	Other financial liabilities $'000	Total $'000	Fair value Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2014									
Financial asset measured at fair value									
Other investments	8	–	9,234	–	9,234	9,234	–	–	9,234
Financial assets not measured at fair value									
Trade and other receivables*	10	18,206	–	–	18,206				
Cash and cash equivalents	11	38,760	–	–	38,760				
		56,966	–	–	56,966				
Financial liability measured at fair value									
Contingent consideration	15	–	–	(5,938)	(5,938)	–	–	(5,938)	(5,938)
Financial liabilities not measured at fair value									
Secured bank loans	14	–	–	(2,056)	(2,056)	–	(1,997)	–	(1,997)
Trust receipts	14	–	–	(19,168)	(19,168)	–	(19,168)	–	(19,168)
Finance lease liabilities	14	–	–	(242)	(242)	–	(242)	–	(242)
Trade and other payables**	15	–	–	(14,346)	(14,346)				
		–	–	(35,812)	(35,812)				

* Exclude prepayments and construction contracts in progress.
** Exclude advances from customers.

24 FINANCIAL INSTRUMENTS (CONTINUED)

Accounting classifications and fair values (Continued)

Fair values versus carrying amounts (Continued)

		Carrying amount					Fair value			
Company	**Note**	**Loans and receivables $'000**	**Held-for-trading $'000**	**Available-for-sale $'000**	**Other financial liabilities $'000**	**Total $'000**	**Level 1 $'000**	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
2015										
Financial assets measured at fair value										
Subsidiaries	6	–	–	14,657	–	14,657	–	–	14,657	14,657
Other investments, including derivatives	8	–	2,309	9,785	–	12,094	9,785	–	2,309	12,094
		–	2,309	24,442	–	26,751				
Financial assets not measured at fair value										
Trade and other receivables*	10	20,169	–	–	–	20,169				
Cash and cash equivalents	11	7,009	–	–	–	7,009				
		27,178	–	–	–	27,178				
Financial liability not measured at fair value										
Trade and other payables	15	–	–	–	(10,073)	(10,073)				
2014										
Financial assets measured at fair value										
Subsidiaries	6	–	–	14,762	–	14,762	–	–	14,762	14,762
Other investments, including derivatives	8	–	62	9,234	–	9,296	9,234	–	62	9,296
		–	62	23,996	–	24,058				
Financial assets not measured at fair value										
Trade and other receivables*	10	18,920	–	–	–	18,920				
Cash and cash equivalents	11	8,391	–	–	–	8,391				
		27,311	–	–	–	27,311				
Financial liabilities not measured at fair value										
Trade and other payables	15	–	–	–	(8,979)	(8,979)				

* Exclude prepayments.

24 FINANCIAL INSTRUMENTS (CONTINUED)

Measurement of fair values

(i) Valuation techniques and significant unobservable inputs

The following tables show the valuation techniques used in measuring level 1, level 2 and level 3 fair values, as well as the significant unobservable inputs used.

Financial instruments measured at fair value

Type	Valuation technique	Significant unobservable inputs	Inter-relationship between key unobservable inputs and fair value measurement
Group			
Contingent consideration	*Discounted cash flows:* The valuation model considers the present value of the expected payment, discounted using a risk-adjusted discount rate. The expected payment is determined by considering the exercise price for each tranche of the options on the consideration to be paid.	• Risk-adjusted discount rate at 5% (2014: 4%)	The estimated fair value would increase (decrease) if: • The net tangible asset was higher (lower); and • The risk-adjusted discount rate was lower (higher).
Group and Company			
Debt securities	*Market comparison technique:* The fair values are based on quoted bid prices at the reporting date	N/A	N/A
Company			
Equity securities	– Net asset value	N/A	The estimated fair value would increase (decrease) if the net asset value was higher (lower).

24 FINANCIAL INSTRUMENTS (CONTINUED)

Measurement of fair values (Continued)

(i) Valuation techniques and significant unobservable inputs (Continued)

Financial instruments not measured at fair value

Type	**Valuation technique**	**Significant unobservable inputs**
Group		
Other financial liabilities*	Discounted cash flows**	Not applicable

* Other financial liabilities include unsecured bank loans, trust receipts and finance lease liabilities.
** It is assumed that inputs considered observable used in the valuation techniques are significant to the fair value measurement.

(ii) Transfers between levels 1, 2 and 3

During the financial years ended 31 December 2015 and 31 December 2014, there have been no transfers between Level 1, Level 2 and Level 3.

The valuation techniques and the inputs used in the fair value measurements of the financial assets and financial liabilities for measurement and/or disclosure purposes are set out in note 2.4.

(iii) Level 3 fair values

The following table shows a reconciliation from the beginning balances to the ending balances for fair value measurements in Level 3 of the fair value hierarchy.

	Contingent consideration	
Group	**2015 $'000**	**2014 $'000**
At 1 January	5,938	–
Arising from business combination	–	5,862
Total unrealised gains and losses recognised in profit or loss:		
– administrative expenses	291	76
At 31 December	6,229	5,938

24 FINANCIAL INSTRUMENTS (CONTINUED)

Measurement of fair values (Continued)

(iii) Level 3 fair values (Continued)

Company	2015 Equity investments at fair value $'000	2015 Financial derivatives $'000	2014 Equity investments at fair value $'000	2014 Financial derivatives $'000
At 1 January	14,762	62	14,870	–
Purchase	–	–	–	35
Total unrealised gains and losses recognised in profit or loss:				
– other income	–	2,247	–	27
Total gains and losses for the period included in OCI:				
– net change in fair value	(105)	–	(108)	–
At 31 December	14,657	2,309	14,762	62

Sensitivity analysis

For the fair values of contingent consideration and equity securities, reasonably possible changes at the reporting date to one of the significant unobservable inputs, holding other inputs constant, would have the following impacts.

Contingent consideration

	Group Profit or loss Decrease $'000	Group Profit or loss Increase $'000
31 December 2015		
Risk-adjusted discount rate (1% movement)	(221)	212

Equity securities

	Company OCI, net of tax Increase $'000	Company OCI, net of tax Decrease $'000
31 December 2015		
Net tangible assets (1% movement)	147	(147)

25 OPERATING LEASES

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Payable:				
Within 1 year	634	690	542	542
After 1 year but within 5 years	244	834	226	768
	878	1,524	768	1,310

The Group leases a number of warehouse and office facilities under operating leases. The leases typically run for initial period of three to five years, with an option to renew the lease after that date. Lease payments are usually increased annually to reflect market rentals.

During the year, an amount of $730,000 (2014: $675,000) was recognised as an expense in profit or loss in respect of operating leases.

26 RELATED PARTIES

Transactions with key management personnel

Key management personnel compensation

Compensation payable to key management personnel comprises:

	Group	
	2015 $'000	**2014 $'000**
Short-term employee benefits		
Directors' fees	439	400
Director's remuneration	814	587
Key management staff	1,594	1,047
	2,847	2,034

Other related party transactions

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

In addition to the related party information disclosed elsewhere in the financial statements, these were the following significant related party transactions which were carried out in the normal course of business on terms agreed between the parties during the year:

	Group			
	Transaction value for the year ended 31 December		**Balance outstanding as at 31 December**	
	2015 $'000	**2014 $'000**	**2015 $'000**	**2014 $'000**
Joint venture – Tat Hong Intraco Pte Ltd				
Purchase of cranes from a subsidiary of a joint venture shareholder	1,249	10,929	–	380

All outstanding balances with this related party are priced on an arm's length basis and are to be settled in cash within one year of the reporting date.

27 SUBSIDIARIES

Name of company	Principal activities	Country of incorporation	Ownership interest 2015 %	Ownership interest 2014 %	Cost of investment 2015 $'000	Cost of investment 2014 $'000	Note
Held by Intraco Limited:							
IntraWave Pte Ltd	Provision of radio coverage system management, operation and mobile service and supply of communications equipment to other service providers.	Singapore	100	100	15,801	15,801	i
Intraco Trading Pte Ltd	Trading, marketing and distribution and acting as commission agents for industrial materials, energy commodities and agricultural products.	Singapore	100	100	12,000	12,000	i
Intraco Foods Pte Ltd	Trading and processing of agricultural and food products which include frozen seafood and fertilisers.	Singapore	100	100	10,000	10,000	i
Intraco International Pte Ltd	Investment holding company.	Singapore	100	100	1	1	i
Held by Intraco International Pte Ltd:							
Intraco International (Shanghai) Co., Ltd	Import, export and wholesale of industrial materials which include metals, plastics, petrochemicals and rubbers and commission agency business.	China	100	100	2,127	2,127	ii
K.A. Group Holdings Pte. Ltd.	Investment holding company.	Singapore	70	–	15,597	–	i ***
K.A. Building Construction Pte Ltd	Manufacturing and installation of passive fire protection products.	Singapore	–	70	–	3,810	i **
K.A. Fireproofing Pte Ltd	Manufacturing and installation of passive fire protection products.	Singapore	–	70	–	5,428	i **
K.A. Fabric Shutters Pte Ltd	Manufacturing and installation of passive fire protection products.	Singapore	–	70	–	4,814	i **
K.A. FireLite Pte. Ltd.	Manufacturing and installation of passive fire protection products.	Singapore	–	70	–	1,530	i **
K.A. Firespray Sdn Bhd	Manufacturing and installation of passive fire protection products.	Malaysia	–	70	–	15	iii **

27 SUBSIDIARIES (CONTINUED)

Name of company	Principal activities	Country of incorporation	Ownership interest 2015 %	2014 %	Cost of investment 2015 $'000	2014 $'000	Note
Held by K.A. Group Holdings Pte. Ltd.:							
K.A. Building Construction Pte Ltd	Manufacturing and installation of passive fire protection products.	Singapore	70	–	3,810	–	i **
K.A. Fireproofing Pte Ltd	Manufacturing and installation of passive fire protection products.	Singapore	70	–	5,428	–	i **
K.A. Fabric Shutters Pte Ltd	Manufacturing and installation of passive fire protection products.	Singapore	70	–	4,814	–	i **
K.A. FireLite Pte. Ltd.	Manufacturing and installation of passive fire protection products.	Singapore	70	–	1,530	–	i **
K.A. Firespray Sdn Bhd	Manufacturing and installation of passive fire protection products.	Malaysia	70	–	15	–	iii **
Dormant							
Held by Intraco Limited:							
Sintraco Sdn. Bhd.		Malaysia	100	100	1,110	1,110	iv
Held by Intraco Trading Pte Ltd:							
Orion Construction (Pte) Ltd		Singapore	–	100	–	50	v
Under liquidation							
Held by Intraco Limited:							
IntraPage Pte Ltd		Singapore	–	–	–	–	vi

Notes

i Audited by KPMG LLP, Singapore.

ii Audited by Zhong Hui CPA Ltd, People's Republic of China.

iii Audited by P.S. Yap, Isma & Associates, Chartered Accountants, Malaysia.

iv No audit was performed for 2012 – 2015 as company is in the process of striking off.

v No audit was performed for 2015 as the company was struck off on 5 June 2015.

vi No audit was performed for 2011 – 2015 as company is under liquidation.

** On 5 September 2014, the Group acquired 70% equity interest in these companies collectively known as "KA Group of Companies". It is a manufacturer cum applicator of fire protection materials serving the building industry in Singapore.

*** On 9 February 2015, the Group incorporated a subsidiary, K.A. Group Holdings Pte. Ltd., domiciled in Singapore, and transferred its entire interest in the KA Group of Companies to K.A. Group Holdings Pte. Ltd. pursuant to a share swap agreement. The Group continues to hold 70% equity interest in KA Group of Companies (held through K.A. Group Holdings Pte. Ltd.) as at 31 December 2015.

KPMG LLP Singapore is the auditor of all significant Singapore-incorporated subsidiaries. For this purpose, a subsidiary is considered significant as defined under the Singapore Exchange Limited Listing Manual if its net tangible assets represent 20% or more of the Group's consolidated net tangible assets, or if its pre-tax profits account for 20% or more of the Group's consolidated pre-tax profits.

28 ACQUISITION OF SUBSIDIARIES

On 5 September 2014, the Group acquired 70% of the shares and voting interests in (i) K.A. Building Construction Pte Ltd; (ii) K.A. Fireproofing Pte Ltd; (iii) K.A. Fabric Shutters Pte Ltd; (iv) K.A. FireLite Pte. Ltd. (previously known as Firespray International (S) Pte Ltd); and (v) K.A. Firespray Sdn Bhd (collectively known as KA Group). KA Group is a manufacturer and applicator of fire protection materials serving the building industry in Singapore.

The steady growth of Singapore and regional economies have resulted in sustained activities in urbanisation and infrastructure development projects, particularly in building/construction activities in the region. The Group's embarkation into niche specialised building-related products through the acquisition of KA Group will help to expand its revenue base and improve its profitability.

In the four months to 31 December 2014, KA Group contributed revenue of $4,253,000 and profit of $1,218,000 to the Group's results. If the acquisition had occurred on 1 January 2014, management estimates that consolidated revenue would have been $159,645,000, and consolidated profit for the year would have been $1,062,000. In determining these amounts, management has assumed that the fair value adjustments, determined provisionally, that arose on the date of acquisition would have been the same if the acquisition had occurred on 1 January 2014.

Consideration transferred

The following table summarises the acquisition-date fair value of each major class of consideration transferred:

	Note	$'000
Cash		13,482
Equity instruments issued (5,000,000 ordinary shares)	12	2,150
Contingent consideration		5,862
Total consideration transferred		21,494

Equity instruments issued

The fair value of the ordinary shares issued was based on the listed share price of the Company at 5 September 2014 of $0.43 per share.

Contingent consideration

The Group has granted the selling shareholders of KA Group a Put Option over all of the shares constituting the remaining 30% of the total issued share capital of KA Group. The Group has included $5,862,000 as contingent consideration which represents its fair value as at acquisition date. As at 31 December 2014, the contingent consideration had increased to $5,938,000 (see note 15).

Acquisition-related costs

The Group incurred acquisition-related costs of $474,000 on legal fees, due diligence and other related costs. These costs have been included in "administrative expenses".

28 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Identifiable assets acquired and liabilities assumed

The following table summarises the recognised amounts of assets acquired and liabilities assumed at the acquisition date.

	$'000
Property, plant and equipment	7,303
Intangible assets	929
Financial derivatives	35
Inventories	1,003
Trade and other receivables	5,013
Deposits pledged	106
Cash and cash equivalents	5,653
Loans and borrowings	(2,210)
Trade and other payables	(1,887)
Deferred tax liabilities	(796)
Provision for tax	(554)
Total identifiable net assets	14,595

Measurement of fair values

The valuation techniques used for measuring the fair value of material assets acquired were as follows:

Assets acquired	**Valuation technique**
Property, plant and equipment	*Market comparison technique and cost technique:* The valuation model considers recent sales of similar properties in the vicinity or in similar standard localities. Necessary adjustments are made for differences in location, age, tenure, land/floor area, condition, date of sale, amongst other factors, before arriving at the market value of the property.
Intangible assets	*Multi-period excess earnings method:* The multi-period excess earnings method considers the present value of net cash flows related to contributory assets.
Inventories	*Market comparison technique:* The fair value is determined based on the estimated selling price in the ordinary course of business less the estimated costs of completion and sale, and a reasonable profit margin based on the effort required to complete and sell the inventories.

28 ACQUISITION OF SUBSIDIARIES (CONTINUED)

Goodwill

Goodwill arising from the acquisition has been recognised as follows:

	$'000
Total consideration transferred	21,494
Fair value of identifiable net assets	(14,595)
Goodwill	6,899

The goodwill is attributable mainly to the skills and technical talent of KA Group's work force, and the synergies expected to be achieved from integrating the company into the Group's existing business. None of the goodwill recognised is expected to be deductible for tax purposes.

Cash outflow on acquisition of subsidiaries

	$'000
Cash transferred	(13,482)
Net cash acquired with subsidiaries	5,653
Net cash outflows on acquisition	(7,829)

1 PROPERTIES HELD BY THE GROUP

Description of properties held by the Group is as follows:

Location	Description	Tenure
22B3, No. 19 Duli Street Yuanda Mansion Dalian 116001	Office space	50-year lease from 30 Mar 1997 to 29 Mar 2047
17A2, No. 19 Duli Street Yuanda Mansion Dalian 116001	Residential apartment	50-year lease from 30 Mar 1997 to 29 Mar 2047
43 Tuas View Close Singapore 637477	Factory	60-year lease from 09 Jul 1996 to 08 Jul 2056
71 Tuas View Place #05-01 Westlink Two Singapore 637434	Factory	60-year lease from 20 Nov 1995 to 19 Nov 2055
71 Tuas View Place #05-20 Westlink Two Singapore 637434	Factory	60-year lease from 20 Nov 1995 to 19 Nov 2055

SHAREHOLDERS' INFORMATION

AS AT 10 MARCH 2016

Class of shares	:	Ordinary shares
Number of issued and fully paid shares	:	103,725,879
Voting rights	:	One vote per share

TREASURY SHARES

The Company does not hold any Treasury Shares.

STATISTICS OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 99	49	1.42	1,534	0.00
100 – 1,000	759	22.02	544,923	0.53
1,001 – 10,000	2,104	61.02	8,275,810	7.98
10,001 – 1,000,000	529	15.34	24,795,810	23.90
1,000,001 AND ABOVE	7	0.20	70,107,802	67.59
	3,448	100.00	103,725,879	100.00

SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders)

	Direct Interest	%	Deemed Interest	%
TH Investments Pte Ltd	–	–	29,486,148(1)	28.43
Tat Hong Investments Pte Ltd	–	–	29,486,148(1)	28.43
Chwee Cheng & Sons Pte Ltd	–	–	29,486,148(1)	28.43
Ng San Tiong	–	–	29,486,148(1)	28.43
Ng Sun Ho	–	–	29,486,148(1)	28.43
Ng San Wee	–	–	29,486,148(1)	28.43
Ng Sun Giam	–	–	29,486,148(1)	28.43
Amtrek Investment Pte. Ltd.	28,856,000	27.82	–	–
Chew Leong Chee Tony	–	–	28,856,000(2)	27.82
Melanie Chew Ng Fung Ning	–	–	28,856,000(3)	27.82
Resource Pacific Holdings Pte. Ltd.	–	–	28,856,000(4)	27.82
Asia Resource Corporation Pte. Ltd.	–	–	28,856,000(5)	27.82
Macondray Holdings Pte. Ltd.	–	–	28,856,000(6)	27.82
Representations International (H.K.) Limited	–	–	28,856,000(7)	27.82

Notes:

(1) Shares owned by TH Investments Pte Ltd are held under a nominee account. TH Investments Pte Ltd is wholly owned by Tat Hong Investments Pte Ltd, which in turn is wholly owned by Chwee Cheng & Sons Pte Ltd. 42.03% of the issued share capital of Chwee Cheng & Sons Pte Ltd is owned by The Chwee Cheng Trust constituted under a trust deed. Mr Ng San Tiong, Mr Ng Sun Ho, Mr Ng San Wee and Mr Ng Sun Giam are the joint trustees of The Chwee Cheng Trust.

Pursuant to Section 7 of the Companies Act, Cap. 50 ("**Act**"), each of Mr Ng San Tiong, Mr Ng Sun Ho, Mr Ng San Wee and Mr Ng Sun Giam have a deemed interest in The Chwee Cheng Trust's 42.03% shareholding interest in Chwee Cheng & Sons Pte Ltd and a direct interest in Chwee Cheng & Sons Pte Ltd. Accordingly, each of Mr Ng San Tiong, Mr Ng Sun Ho, Mr Ng San Wee and Mr Ng Sun Giam has a deemed interest in 28.43% of the issued share capital of the Company.

(2) Mr Chew Leong Chee Tony ("**Mr Chew**") owns 60% direct interest and 40% indirect interest through his spouse, Dr Melanie Chew Ng Fung Ning ("**Dr Melanie Chew**"), in Resource Pacific Holdings Pte. Ltd. ("**RPHPL**"). Mr Chew also owns 40.01% and 99.99% interest in Asia Resource Corporation Pte. Ltd. ("**ARCPL**") and Pontirep Investments Limited ("**PIL**") respectively.

RPHPL and PIL own 32.47% and 12.51% interest respectively in ARCPL. ARCPL owns 80.07% and 100% interest in Macondray Holdings Pte. Ltd. ("**MHPL**") and Representations International (H.K.) Limited ("**RIHKL**") respectively. MHPL owns 60% interest in Amtrek Investment Pte. Ltd. ("**AIPL**"). RIHKL owns 40% interest in AIPL.

Pursuant to Section 7 of the Act, Mr Chew is deemed to be interested in the shares held by AIPL in the Company.

(3) Dr Melanie Chew owns 40% direct interest in RPHPL. Dr Melanie Chew is also deemed to be interested in 60%, 40.01% and 99.99% interest in RPHPL, ARCPL and PIL respectively held by her spouse, Mr Chew.

RPHPL and PIL own 32.47% and 12.51% interest respectively in ARCPL. ARCPL owns 80.07% and 100% interest in MHPL and RIHKL respectively. MHPL owns 60% interest in AIPL. RIHKL owns 40% interest in AIPL.

Pursuant to Section 7 of the Act, Dr Melanie Chew is deemed to be interested in the shares held by AIPL in the Company.

(4) RPHPL owns 32.47% interest in ARCPL. ARCPL owns 80.07% and 100% interest in MHPL and RIHKL respectively. MHPL owns 60% interest in AIPL. RIHKL owns 40% interest in AIPL.

Pursuant to Section 7 of the Act, RPHPL is deemed to be interested in the shares held by AIPL in the Company.

(5) ARCPL owns 80.07% and 100% interest in MHPL and RIHKL respectively. MHPL owns 60% interest in AIPL. RIHKL owns 40% interest in AIPL.

Pursuant to Section 7 of the Act, ARCPL is deemed to be interested in the shares held by AIPL in the Company.

(6) MHPL owns 60% interest in AIPL.

Pursuant to Section 7 of the Act, MHPL is deemed to be interested in the shares held by AIPL in the Company.

(7) RIHKL owns 40% interest in AIPL.

Pursuant to Section 7 of the Act, RIHKL is deemed to be interested in the shares held by AIPL in the Company.

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	RAFFLES NOMINEES (PTE) LTD	29,668,798	28.60
2.	UOB KAY HIAN PTE LTD	28,868,500	27.83
3.	SOH YING SIN	4,500,000	4.34
4.	OEI HONG LEONG	3,007,000	2.90
5.	DBS NOMINEES PTE LTD	1,708,401	1.65
6	UNITED OVERSEAS BANK NOMINEES	1,277,103	1.23
7.	MORPH INVESTMENTS LTD	1,078,000	1.04
8.	CIMB SEC (S'PORE) PTE LTD	825,485	0.80
9.	HL BANK NOMINEES (S) PTE LTD	781,500	0.75
10.	KHONG KIN PANG	745,000	0.72
11.	OCBC NOMINEES SINGAPORE	738,000	0.71
12.	GOH CHOON WEI OR GOH SOON POH	717,000	0.69
13.	LEE MEI FONG	516,000	0.50
14.	NG HWEE KOON	433,000	0.42
15.	PHILLIP SECURITIES PTE LTD	328,906	0.32
16.	OCBC SECURITIES PRIVATE LTD	328,509	0.32
17.	BOON SUAN AIK	314,000	0.30
18.	SIM WEE LIM	283,000	0.27
19.	PE KIM BENG @PEK KIM BING	254,000	0.24
20.	DBSN SERVICES PTE LTD	250,000	0.24
	TOTAL	76,622,202	73.87

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

39.41% of the Company's shares are held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the SGX-ST.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Forty-Seventh Annual General Meeting (the "**AGM**") of **INTRACO Limited** (the "**Company**") will be held at Loyalty Room, Level 1, Singapore Discovery Centre Ltd, 510 Upper Jurong Road, Singapore 638365 on Friday, 22 April 2016 at 10:00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Financial Statements of the Company for the financial year ended 31 December 2015 together with the Auditors' Report thereon.

   (Resolution 1)

2. To re-elect the the following Directors of the Company retiring pursuant to Regulation 115 of the Company's Constitution:

   (i) Mr Colin Low Tock Cheong; and **(Resolution 2)**
   (ii) Mr Shabbir H Hassanbhai. **(Resolution 3)**

   *Mr Colin Low Tock Cheong will, upon re-election as a Director of the Company, remains Chairman of the Board and Investment Committee and a member of the Audit and Remuneration Committees. He will be considered independent for the purposes of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST Listing Manual**").*

   Mr Shabbir H Hassanbhai will, upon re-election as a Director of the Company, remains Chairman of the Remuneration and Nominating Committees and a member of the Audit Committee. He will be considered independent for the purposes of Rule 704(8) of the SGX-ST Listing Manual.

3. To approve the payment of additional Directors' fees of S$38,756.85 for the financial year ended 31 December 2015.

   [See Explanatory Note (i)] **(Resolution 4)**

4. To approve the payment of Directors' fees of up to S$400,000 for the financial year ending 31 December 2016, to be paid quarterly in arrears (FY2015: S$438,756.85).

   [See Explanatory Note (ii)] **(Resolution 5)**

5. To re-appoint Messrs KPMG LLP, Public Accountants and Chartered Accountants, as the Company's Auditors and to authorise the Directors of the Company to fix their remuneration.

   (Resolution 6)

6. To transact any other ordinary business which may be transacted at an AGM.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

7. **SHARE ISSUE MANDATE**

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

(a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

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

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

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this resolution) to be issued pursuant to this resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company ("**Shareholders**") shall not exceed 20% of the total number of issued shares (excluding treasury shares) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under sub-paragraph (1) above, the total number of the issued shares (excluding treasury shares) shall be based on the total number of issued shares (excluding treasury shares) in the capital of the Company at the time of the passing of this resolution, after adjusting for:

(a) new shares arising from the exercise of share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this resolution;

(b) new shares arising from the conversion or exercise of any convertible securities; and

(c) any subsequent bonus issue, consolidation or subdivision of shares;

(3) in exercising the authority conferred by this resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution for the time being of the Company; and

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

[See Explanatory Note (iii)] **(Resolution 7)**

8. **AUTHORITY TO ALLOT AND ISSUE SHARES UNDER THE INTRACO EMPLOYEE SHARE OPTION SCHEME**

That pursuant to Section 161 of the Companies Act, Chapter 50, the Directors of the Company be authorised and empowered to grant options in accordance with the provisions of the INTRACO Employee Share Option Scheme ("**Scheme**") and to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of the options granted by the Company under the Scheme, whether granted during the subsistence of this authority or otherwise, provided always that the aggregate number of additional ordinary shares to be issued pursuant to the Scheme and any other share schemes which the Company may have in place shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)] **(Resolution 8)**

By Order of the Board

Busarakham Kohsikaporn
Company Secretary
Singapore, 7 April 2016

Explanatory Notes on Resolutions to be passed:

(i) There was a shortfall of S$38,756.85 in the actual Directors' fees of S$438,756.85 incurred and the amount of Directors' fees of S$400,000 for FY2015 approved by shareholders at the last AGM on 27 April 2015. This was due to the attendance fees payable for ad-hoc meetings of the Board and Board Committees in FY2015 and time spent on the succession planning of CEO.

The Directors' fee framework remains unchanged.

(ii) The Ordinary Resolution 5 proposed in item 4 above is to approve non-executive Directors' fees for the financial year ending 2016. The amount is computed based on the Company's fee framework comprising a base fee, additional fees for holding appointment as Chairman of the Board or Chairman/member of Board Committees; and attendance fees based on the anticipated number of Board and Board Committee meetings to be held in 2016.

(iii) The Ordinary Resolution 7 proposed in item 7 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant Instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding, in total, 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which up to 20% may be issued other than on a pro rata basis to shareholders.

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

(iv) The Ordinary Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is revoked or varied by the Company in a general meeting, whichever is the earlier, to issue from time to time such number of shares in the capital of the Company as may be required to be issued pursuant to the exercise of options granted or to be granted under the Scheme. The aggregate number of shares which may be issued pursuant to the Scheme and any other share schemes which the Company may have in place shall not exceed 15% of the total number of issued shares (excluding treasury shares) in the capital of the Company from time to time.

Notes –

1. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

2. A Member entitled to attend and vote at the AGM (the "**Meeting**") is entitled to appoint a proxy to attend and vote in his/her stead. A proxy need not be a Member of the Company.

3. 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.

4. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 8 Jurong Town Hall Road #12-01, The JTC Summit, Singapore 609434 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

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

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INTRACO LIMITED
(Incorporated in Singapore)
(Co. Reg. No: 196800526Z)

IMPORTANT:

1. Relevant intermediaries as defined in Section 181 of the Companies Act, Chapter 50 may appoint more than two proxies to attend, speak and vote at the Meeting.
2. For CPF/SRS investors who have used their CPF monies to buy INTRACO Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees
3. This Proxy Form is not valid for use by CPF/SRS investors and shall be ineffective for all intents and purposes if used or purported to be used by them. CPF/SRS investors should contact their respective Agent Banks if they have any queries regarding their appointment as proxies
4. By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Company's Notice of Annual General Meeting dated 7 April 2016.

PROXY FORM
ANNUAL GENERAL MEETING

(Please see notes overleaf before completing this Form)

*I/We, ____

Of ____

being a member/members of **INTRACO 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 Loyalty Room, Level 1, Singapore Discovery Centre Ltd, 510 Upper Jurong Road, Singapore 638365 on Friday, 22 April 2016 at 10:00 a.m. and at any adjournment thereof.

*I/We direct *my/our*proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

Voting will be conducted by poll. Please indicate your vote "For" or "Against" with a tick [✓] within the relevant boxes provided. Alternatively, if you may wish to exercise your votes both "For" and "Against" the relevant resolution, please indicate the number of shares in the boxes provided.

No.	**Resolutions relating to:**	**For**	**Against**
	As Ordinary Business		
1	Directors' Report and Audited Financial Statements for the financial year ended 31 December 2015		
2	Re-election of Mr Colin Low Tock Cheong as a Director		
3	Re-election of Mr Shabbir H Hassanbhai as a Director		
4	Approval of additional Directors' fees amounting to S$38,756.85 for the financial year ended 31 December 2015		
5	Approval of Directors' fees amounting of up to S$400,000 for the financial year ending 31 December 2016		
6	Re-appointment of KPMG LLP as Auditors		
	As Special Business		
7	Share Issue Mandate		
8	Authority to issue shares under the INTRACO Employee Share Option Scheme		

* *Delete where inapplicable*

Dated this ____________ day of ____________________ 2016

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

____

Signature of Shareholder(s)/
and, Common Seal of Corporate Shareholder

Fold this flap for sealing

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. If any proxy other than the Chairman of the Meeting is to be appointed, please delete the words "the Chairman of the Meeting", and insert the name and address of the proxy desired in the box provided. If the box is left blank or incomplete, the Chairman of the Meeting shall be deemed to be appointed as your proxy.

3. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend, speak and vote at the Meeting. Where such member's form of proxy appoints more than one proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the form of proxy.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend, speak and vote at the Meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's form of proxy appoints more than two proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the form of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act., Cap. 50.

4. A proxy need not be a member of the Company.

5. 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.

6. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 8 Jurong Town Hall Road, #12-01 The JTC Summit, Singapore 609434 not less than forty-eight (48) hours before the time appointed for the Meeting.

7. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

8. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

General:

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

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Stamp
Here

Company Secretary
INTRACO Limited
8 Jurong Town Hall Road
#12-01 The JTC Summit
Singapore 609434

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INTRACO Limited

(RN: 196800526Z)

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