Company Registration No. 200303284M

Koon Holdings Limited and its subsidiaries

Annual Financial Statements
31 December 2014

Building a better
working world

General information

Directors

Ang Sin Liu
Ang Ah Nui
Yuen Kai Wing
Oh Koon Sun
Oh Keng Lim
Christopher Chong Meng Tak
Glenda Mary Sorrell-Saunders
Ko Chuan Aun

Company Secretaries

Ong Beng Hong
Tan Swee Gek

Registered Office

11 Sixth Lok Yang Road
Singapore 628109
Tel: (65) 62615788
Fax: (65) 62660117
Website: www.koon.com.sg

Auditor

Ernst & Young LLP
Partner-in-charge: Terry Wee Hiang Bing
(Date of appointment: with effect from financial year ended 31 December 2014)

Principal Bankers

United Overseas Bank Limited
DBS Bank Limited
RHB Bank Berhad
Standard Chartered Bank

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The directors are pleased to present their report to the members together with the audited consolidated financial statements of Koon Holdings Limited (the "Company") and its subsidiaries (collectively the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2014.

Directors

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

Ang Sin Liu
Ang Ah Nui
Yuen Kai Wing
Oh Koon Sun
Oh Keng Lim
Christopher Chong Meng Tak
Glenda Mary Sorrell-Saunders
Ko Chuan Aun

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

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

	Shareholdings registered in the name of director		
Name of directors and companies in which interests are held	**At the beginning of year**	**At the end of year**	**At 21 January 2015**
Ordinary shares of the Company			
Ang Sin Liu	12,860,800	12,860,800	12,860,800
Ang Ah Nui	122,571,819	122,571,819	122,571,819
Oh Keng Lim	10,159,996	10,159,996	10,159,996
Oh Koon Sun	7,205,378	7,205,378	7,205,378
Christopher Chong Meng Tak	160,000	160,000	160,000

By virtue of section 7 of the Singapore Companies Act, Ang Ah Nui is deemed to have an interest in all the related corporations of the Company.

Directors' receipt and entitlement to contractual benefits

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

Employee performance share plan

(a) Terms and conditions of the Koon Holdings Employee Performance Share Plan ("Koon EPSP")

The Koon EPSP was approved by the Shareholders of the Company at an Extraordinary General Meeting held on 12 October 2009.

The terms of the Koon EPSP include the following:

(1) *Eligibility*

(i) Employees who are eligible to participate in the Koon EPSP must:

- be confirmed in his employment with the Group;
- have attained the age of 21 years on or before the date of award; and
- not be an un-discharged bankrupt.

(ii) An executive director who meets the eligibility criteria above is eligible to participate in the Koon EPSP. However, controlling shareholders (including controlling shareholders who are executive directors) and their associates are not eligible to participate in the Koon EPSP.

(iii) Non-executive directors are not eligible to participate in the Koon EPSP.

(2) *Awards*

(i) Awards represent the right of a participant to receive fully paid-up shares free of charge, provided certain prescribed performance target(s) are met and upon the expiry of the prescribed vesting periods (if any).

(ii) The Remuneration Committee shall decide, in relation to each award to be granted to a Participant:

- the date on which the award will be granted;
- the number of shares which are the subject of the award;
- the prescribed performance targets;
- the performance period during which the prescribed performance targets are to be satisfied;
- the imposition of a vesting period and the duration of this vesting period, if any;
- the extent to which the shares under that award shall be released on the or prescribed performance target(s) being satisfied (whether fully or partially) exceeded, as the case may be, at the end of the prescribed performance period and upon the expiry of the prescribed vesting period; and
- such other conditions as the Remuneration Committee may deem appropriate, in its absolute discretion.

Employee performance share plan (cont'd)

(3) *Selection of Participants*

The Koon EPSP is administrated by the Remuneration Committee whose members are:

Christopher Chong Meng Tak - Chairman
Glenda Mary Sorrell-Saunders
Ang Ah Nui

A participant of the Koon EPSP who is a member of the Remuneration Committee shall not be involved in the deliberation of the Award to be granted to that member of the Remuneration Committee.

The selection of a participant and the number of shares which are the subject of each award to be granted to a participant in accordance with the Koon EPSP shall be determined at the absolute discretion of the Remuneration Committee, which shall take into account criteria such as his rank, job performance, years of service and potential for future development, his contribution to the success and development of the Group and the extent of effort required to achieve the performance target within the performance period.

(4) *Timing*

Awards may be granted at any time in the course of a financial year. Any Award made but prior to the vesting shall lapse, inter alia, if any of the following events occur:

(i) the misconduct of a participant;
(ii) the termination of the employment of a participant;
(iii) the bankruptcy of a participant;
(iv) the retirement, ill health, injury, disability or death of a participant;
(v) the participant, being an executive director, ceasing to be a director of the Company for any reason whatsoever;
(vi) a winding-up of the Company; and
(vii) any other event approved by the Remuneration Committee.

(5) *Size and Duration of the Koon EPSP*

The total number of shares which may be granted under the Koon EPSP shall not exceed 5% of the issued ordinary shares of the Company on the day preceding the relevant date of award. In line with the SGX-ST Listing Manual requirements, in the event the Company establishes any other share plan(s) or any other option scheme(s), the aggregate of shares under all such share plan(s) and options granted under all such option scheme(s) will not exceed 15%.

The Company may also deliver shares pursuant to awards granted under the Koon EPSP in the form of existing shares purchased from the market or from shares held in treasury. Such methods will not be subject to any limit as they do not involve the issuance of any new shares. The Company shall obtain shareholders' approval through a Share Buyback Mandate prior to purchasing its shares from the market.

Employee performance share plan (cont'd)

(5) *Size and Duration of the Koon EPSP (cont'd)*

The Koon EPSP will continue in force at the discretion of the Remuneration Committee up to a maximum of 10 years commencing from the date of its adoption by the Company provided that the Koon EPSP may continue beyond this stipulated period with the approval of its shareholders in a general meeting and the required approval by relevant authorities.

Notwithstanding the expiry or termination of the Koon EPSP, any award made prior to expiry or termination will remain valid.

(6) *Operation of the Koon EPSP*

Awards granted under the Koon EPSP to whom they are given shall not be transferred, charged, assigned, pledged or otherwise disposed of, in whole or in part, unless with the approval of the Remuneration Committee. However the Shares granted to a Participant pursuant to a grant of the Award may be transferred, charged, assigned, pledged otherwise disposed of, in whole or in part.

The terms of employment or appointment of a Participant in the Koon EPSP shall not be affected by any Award to be made therein.

(b) In 2010, the Remuneration Committee approved the grant of awards comprising 330,000 shares to selected employees of the Company and its subsidiaries which will vest equally over a period of three years starting 2011.

In 2011, the Remuneration Committee approved the grant of awards comprising 360,000 shares to selected employees of the Company and its subsidiaries which will vest equally over a period of two years starting 2013. As at 31 December 2014, 105,000 shares (31 December 2013: 105,000 shares) were forfeited due to the resignation of employees.

During the year, 90,000 (2013: 275,000) ordinary shares have been issued pursuant to the Koon EPSP.

Accumulated shares awarded were as follows:

	Number of shares			
	Not issued		Issued	
	2014	2013	2014	2013
Directors				
Tan Thiam Hee (resigned on 31 July 2013)	–	–	140,000	140,000
Oh Koon Sun	–	–	104,000	104,000
Oh Keng Lim	–	–	100,000	100,000
	–	–	344,000	344,000
Other members of key management	–	15,000	380,000	365,000
Other employees	–	75,000	855,000	780,000
Total number of shares granted under the Koon EPSP	–	90,000	1,579,000	1,489,000

Employee performance share plan (cont'd)

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

Audit committee

The Audit Committee of the Company is chaired by Christopher Chong Meng Tak and includes Glenda Mary Sorrell-Saunders and Ang Ah Nui. Christopher Chong Meng Tak and Glenda Mary Sorrell-Saunders are independent directors. The Audit Committee has met four times in 2014 and had reviewed the following, where relevant, with the executive directors and external auditors of the Company:

(a) the audit plans of the internal and external auditors;

(b) the reports of the internal auditors' examination and evaluation of the Group's systems of internal accounting controls;

(c) the Group's financial and operating results and accounting policies;

(d) the balance sheet and statement of changes in equity of the Company and the consolidated financial statements of the Group before their submission to the directors of the Company and the external auditors' report on those financial statements;

(e) the half-yearly and annual announcements as well as the related press release on the results and financial position of the Company and the Group;

(f) the co-operation and assistance given by the management to the Group's external auditors; and

(g) the re-appointment of the external auditors of the Group.

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

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

Auditor

Ernst & Young LLP have expressed their willingness to accept re-appointment as auditor.

On behalf of the board of directors,

Yuen Kai Wing
Director

Oh Koon Sun
Director

Singapore
20 March 2015

Statement by directors

We, Yuen Kai Wing and Oh Koon Sun, being two of the directors of Koon Holdings Limited, do hereby state that, in the opinion of the directors,

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

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

On behalf of the board of directors,

Yuen Kai Wing
Director

Oh Koon Sun
Director

Singapore
20 March 2015

Independent auditor's report to the members of Koon Holdings Limited

Report on the financial statements

We have audited the accompanying financial statements of Koon Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group"), set out on pages 10 to 93, which comprise the balance sheets of the Group and the Company as at 31 December 2014, the consolidated statement of comprehensive income and consolidated cash flow statement of the Group and the statements of changes in equity of the Group and the Company for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's responsibility for the consolidated financial statements

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

Auditor's responsibility

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

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

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

Independent auditor's report to the members of Koon Holdings Limited

Opinion

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

Other matters

The financial statements of the Group for the year ended 31 December 2013 were audited by another auditor who expressed an unmodified opinion on those statements on 21 March 2014.

Report on other legal and regulatory requirements

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

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

20 March 2015

Koon Holdings Limited and its Subsidiaries

Consolidated statement of comprehensive income
For the financial year ended 31 December 2014

	Note	2014	2013
		$'000	$'000
Continuing operations:			
Revenue	5	163,917	219,961
Cost of sales		(137,271)	(207,385)
Gross profit		26,646	12,576
Other income	6	3,796	1,944
Distribution costs		(5,308)	(3,633)
Administrative and other operating expenses		(17,472)	(18,590)
Finance costs	7	(1,888)	(2,530)
Share of (loss)/profit of associates	19	(81)	483
Share of profit/(loss) of joint ventures	20	963	(253)
Profit/(Loss) before income tax	8	6,656	(10,003)
Income tax	9	(348)	(2,266)
Profit/(Loss) for the year from continuing operations		6,308	(12,269)
Discontinued operation:			
Net profit for the year from discontinued operation	32	–	1,062
Profit/(Loss) for the year		6,308	(11,207)
Other comprehensive income/(loss):			
Items that may be reclassified subsequently to profit or loss			
Gain/(Loss) on fair value changes of available-for-sale investments		193	(405)
Exchange loss on translation of foreign operations		(1,541)	(1,949)
Other comprehensive loss, net of tax		(1,348)	(2,354)
Total comprehensive income/(loss) for the year		4,960	(13,561)
Profit/(Loss) for the year attributable to:			
Owners of the Company		5,824	(10,209)
Non-controlling interests		484	(998)
		6,308	(11,207)
Total comprehensive income/(loss) attributable to:			
Owners of the Company		4,683	(12,041)
Non-controlling interests		277	(1,520)
		4,960	(13,561)
Earnings/(Loss) per share (cents per share):			
- Basic	10	2.21	(3.88)
- Diluted	10	2.21	(3.88)
Earnings/(Loss) per share from continuing operations attributable to owners of the Company (cents per share)			
- Basic	10	2.21	(4.69)
- Diluted	10	2.21	(4.69)

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

Balance sheets
As at 31 December 2014

	Note	Group 2014	Group 2013	Company 2014	Company 2013
		$'000	$'000	$'000	$'000
ASSETS					
Current assets					
Cash and cash equivalents	11	17,094	21,788	449	355
Pledged fixed deposits	11	800	2,560	–	–
Trade receivables	12	44,117	43,105	–	–
Other receivables	13	9,226	4,637	9,494	8,790
Inventories	14	6,873	10,881	–	–
Contract work-in-progress	15	10,334	10,870	–	–
Held for trading investments	16	36	33	–	–
Total current assets		88,480	93,874	9,943	9,145
Non-current assets					
Other receivables	13	239	351	–	–
Properties held for development	17	16,388	17,183	–	–
Subsidiaries	18	–	–	59,302	59,302
Associates	19	*	*	–	–
Joint ventures	20	1,332	–	–	–
Property, plant and equipment	21	61,152	65,128	254	388
Available-for-sale investments	22	731	538	731	538
Goodwill on consolidation	23	3,536	3,536	–	–
Deferred tax assets	29	–	225	–	–
Total non-current assets		83,378	86,961	60,287	60,228
Total assets		171,858	180,835	70,230	69,373

Balance sheets
As at 31 December 2014

		Group		Company	
	Note	2014	2013	2014	2013
		$'000	$'000	$'000	$'000
LIABILITIES AND EQUITY					
Current liabilities					
Trade payables	25	44,409	51,786	–	–
Provision	26	–	600	–	–
Other payables	27	12,631	11,935	16,699	13,146
Contract work-in-progress	15	1,910	765	–	–
Bank loans and bills payable	24	21,660	20,575	–	–
Finance leases	28	15,016	7,841	54	51
Income tax payable		528	245	4	–
Total current liabilities		96,154	93,747	16,757	13,197
Non-current liabilities					
Bank loans	24	8,920	10,810	–	–
Finance leases	28	8,681	20,467	101	156
Other payables	27	89	2,500	–	2,500
Deferred tax liabilities	29	1,261	1,531	–	–
Total non-current liabilities		18,951	35,308	101	2,656
Capital and reserves					
Share capital	30	25,446	25,433	25,446	25,433
Capital reserve	31	8,663	8,663	13,006	13,006
Fair value reserve		(212)	(405)	(212)	(405)
Accumulated profits		21,470	15,646	15,132	15,486
Translation reserve		(3,284)	(1,950)	–	–
Equity attributable to owners of the Company		52,083	47,387	53,372	53,520
Non-controlling interests		4,670	4,393	–	–
Total equity		56,753	51,780	53,372	53,520
Total liabilities and equity		171,858	180,835	70,230	69,373

* Less than $1,000.

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

Statements of changes in equity
For the financial year ended 31 December 2014

	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Accumulated profits $'000	Translation reserve $'000	Attributable to owners of the Company $'000	Non-controlling interests $'000	Total $'000
Group								
Opening balance at 1 January 2013	25,373	13,305	–	31,230	(523)	69,385	6,644	76,029
Loss for the year	–	–	–	(10,209)	–	(10,209)	(998)	(11,207)
Other comprehensive loss for the year, net of tax	–	–	(405)	–	(1,427)	(1,832)	(522)	(2,354)
Total comprehensive loss for the year	–	–	(405)	(10,209)	(1,427)	(12,041)	(1,520)	(13,561)
Contributions by and distributions to owners								
Issue of share capital (Note 30)	60	–	–	–	–	60	–	60
Dividends (Note 40)	–	–	–	(5,375)	–	(5,375)	–	(5,375)
Total contributions by and distributions to owners	60	–	–	(5,375)	–	(5,315)	–	(5,315)
Changes in ownership interests in subsidiaries								
Acquisition of non-controlling interest	–	(4,626)	–	–	–	(4,626)	(874)	(5,500)
Disposal of subsidiaries(Note 32)	–	(16)	–	–	–	(16)	143	127
Total changes in ownership interests in subsidiaries	–	(4,642)	–	–	–	(4,642)	(731)	(5,373)
Total transactions with owners in their capacity as owners	60	(4,642)	–	(5,375)	–	(9,957)	(731)	(10,688)
Closing balance at 31 December 2013	25,433	8,663	(405)	15,646	(1,950)	47,387	4,393	51,780

Statements of changes in equity
For the financial year ended 31 December 2014

	Share capital	Capital reserve	Fair value reserve	Accumulated profits	Translation reserve	Attributable to owners of the Company	Non-controlling interests	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group								
Opening balance at 1 January 2014	25,433	8,663	(405)	15,646	(1,950)	47,387	4,393	51,780
Profit for the year	–	–	–	5,824	–	5,824	484	6,308
Other comprehensive income/(loss) for the year, net of tax	–	–	193	–	(1,334)	(1,141)	(207)	(1,348)
Total comprehensive income/(loss) for the year	–	–	193	5,824	(1,334)	4,683	277	4,960
Contributions by and distributions to owners								
Issue of share capital (Note 30)	13	–	–	–	–	13	–	13
Total transactions with owners in their capacity as owners	13	–	–	–	–	13	–	13
Closing balance at 31 December 2014	25,446	8,663	(212)	21,470	(3,284)	52,083	4,670	56,753

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

Statements of changes in equity
For the financial year ended 31 December 2014

	Share capital $'000	Capital reserve $'000	Fair value reserve $'000	Accumulated profits $'000	Total $'000
Company					
Opening balance at 1 January 2013	25,373	13,006	–	18,736	57,115
Profit for the year	–	–	–	2,125	2,125
Other comprehensive loss for the year, net of tax	–	–	(405)	–	(405)
Total comprehensive income/(loss) for the year	–	–	(405)	2,125	1,720
Contributions by and distributions to owners					
Issue of share capital (Note 30)	60	–	–	–	60
Dividends (Note 40)	–	–	–	(5,375)	(5,375)
Total transactions with owners in their capacity as owners	60	–	–	(5,375)	(5,315)
Balance at 31 December 2013 and 1 January 2014	25,433	13,006	(405)	15,486	53,520
Loss for the year	–	–	–	(354)	(354)
Other comprehensive income for the year, net of tax	–	–	193	–	193
Total comprehensive income/(loss) for the year	–	–	193	(354)	(161)
Contributions by and distributions to owners					
Issue of share capital (Note 30)	13	–	–	–	13
Total transactions with owners in their capacity as owners	13	–	–	–	13
Closing balance at 31 December 2014	25,446	13,006	(212)	15,132	53,372

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

Koon Holdings Limited and its Subsidiaries

Consolidated statement of cash flows
For the financial year ended 31 December 2014

	2014 $'000	2013 $'000
Operating activities		
Profit/(Loss) before income tax from continuing operations	6,656	(10,003)
Profit before income tax from discontinued operations	–	1,062
	6,656	(8,941)
Adjustments for:		
Reversal of allowance for doubtful debts (net)	(113)	(425)
Depreciation of property, plant and equipment	9,541	12,050
Dividend income	(1,500)	–
Fair value gain on held-for-trading investment	(3)	(10)
Gain on disposal of subsidiaries	–	(3,159)
Interest expense	1,888	2,534
Interest income	(118)	(653)
Inventories written-down	1,078	195
Net (gain)/loss on disposal of property, plant and equipment	(327)	778
(Reversal of)/provision for foreseeable loss on work-in-progress	(111)	4,202
Reversal of provision	(600)	–
Share-based payment expenses	–	1,903
Share of profit of joint ventures/associates (net)	(882)	(230)
Unrealised exchange gain	(389)	–
Operating cash flows before changes in working capital	15,120	8,244
Changes in working capital:		
Contract work-in-progress (net)	1,792	5,399
Trade receivables	(899)	5,005
Other receivables	(3,347)	8,614
Inventories	2,930	3,025
Trade payables	(7,377)	(11,639)
Other payables	(1,650)	(1,893)
Cash flows from operations	6,569	16,755
Income tax paid	(443)	(97)
Net cash flows from operating activities	6,126	16,658

Consolidated statement of cash flows
For the financial year ended 31 December 2014

	2014	2013
	$'000	$'000
Investing activities		
Acquisition of interest in a joint venture	–	(108)
Acquisition of non-controlling interest in subsidiaries (Note A)	–	(1,500)
Capital contribution to a joint venture	(800)	–
Dividend received from investee company	1,500	–
Net cash outflow from disposal of subsidiaries	–	(410)
Proceeds from disposal of property, plant and equipment	662	2,845
Purchase of properties held for development	–	(239)
Purchase of property, plant and equipment (Note B)	(3,487)	(1,815)
Interest received	118	653
Net cash used in investing activities	(2,007)	(574)
Financing activities		
Repayment of obligations under finance leases	(7,916)	(7,351)
Proceeds from bank loans	2,400	9,800
Repayment of bank loans	(3,419)	(2,669)
Proceeds from bills payable	32,583	49,354
Repayment of bills payable	(32,369)	(58,831)
Interest paid	(1,849)	(2,534)
Decrease in pledged fixed deposits	1,760	1,325
Dividend paid	–	(1,315)
Net cash used in financing activities	(8,810)	(12,221)
Net (decrease)/increase in cash and cash equivalents	(4,691)	3,863
Effects of exchange rate changes on cash and cash equivalents	(3)	(618)
Cash and cash equivalents at 1 January	21,788	18,543
Cash and cash equivalents at 31 December	17,094	21,788

Note A

In 2013, the Group acquired non-controlling interest in subsidiaries for a consideration of $5,500,000 of which $1,500,000 was paid as deposit in 2012, $1,500,000 was paid in 2013 and $2,500,000 remains unpaid as at 31 December 2014.

Note B

During the year, the Group acquired property, plant and equipment with an aggregate cost of $7,431,000 (2013: $9,136,000) of which $3,944,000 (2013: $7,321,000) was acquired under finance lease arrangement. Cash payment of $3,487,000 (2013: $1,815,000) was made for the purchase of property, plant and equipment.

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

1. Corporate information

The Company (Registration No. 200303284M) is incorporated in Singapore with its registered office and principal place of business at 11 Sixth Lok Yang Road, Singapore 628109. The Company is listed on the Australian Stock Exchange and on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 18 to the financial statements.

2. Summary of significant accounting policies

2.1 *Basis of preparation*

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

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

The financial statements are presented in Singapore Dollars ("SGD" or "$"), which is the functional currency of the Company, and the presentation currency for the consolidated financial statements. All values are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 *Changes in accounting policy*

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

2. Summary of significant accounting policies (cont'd)

2.3 *Standards issued but not yet effective*

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

Description	**Effective for annual periods beginning on or after**
Amendments to FRS 19 *Defined Benefit Plans: Employee Contributions*	1 July 2014
Improvements to FRSs (January 2014)	
(a) Amendments to FRS 102 *Share Based Payment*	1 July 2014
(b) Amendments to FRS 103 *Business Combinations*	1 July 2014
(c) Amendments to FRS 108 *Operating Segments*	1 July 2014
(d) Amendments to FRS 16 *Property, Plant and Equipment* and FRS 38 *Intangible Assets*	1 July 2014
(e) Amendments to FRS 24 *Related Party Disclosures*	1 July 2014
Improvements to FRSs (February 2014)	
(a) Amendments to FRS 103 *Business Combinations*	1 July 2014
(b) Amendments to FRS 113 *Fair Value Measurement*	1 July 2014
(c) Amendments to FRS 40 *Investment Property*	1 July 2014
Amendments to FRS 27 *Equity Method in Separate Financial Statements*	1 January 2016
Amendments to FRS 16 and FRS 38 *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
Improvements to FRSs (November 2014)	
(a) Amendments to FRS 105 *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
(b) Amendments to FRS 107 *Financial Instruments: Disclosures*	1 January 2016
(c) Amendments to FRS 19 *Employee Benefits*	1 January 2016
Amendments to FRS 110 and FRS 28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	1 January 2016
Amendments to FRS *1 Disclosure Initiative*	1 January 2016
Amendments to FRS 110, FRS 112 and FRS 28 *Investment Entities: Applying the Consolidation Exception*	1 January 2016
FRS 115 *Revenue from Contracts with Customers*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018

2. Summary of significant accounting policies (cont'd)

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

Except for FRS 115 *Revenue from Contracts with Customers* and FRS 109 *Financial Instruments*, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting period on adoption of FRS 115 and FRS 109 are described below:

<u>FRS 115 *Revenue from Contracts with Customers*</u>

FRS 115 was issued in November 2014 and establishes a new five-step model that will apply to revenue arising from contracts with customers.

Under FRS 115 revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue. The new revenue standard is applicable to all entities and will supersede all current revenue recognition requirements under FRS. Either a full or modified retrospective application is required for annual periods beginning on or after 1 January 2017 with early adoption permitted.

The Group is currently assessing the impact of FRS 115 and plans to adopt the new standard on the required effective date.

<u>FRS 109 *Financial Instruments*</u>

In December 2014, the ASC issued the final version of FRS 109 Financial Instruments which reflects all phases of the financial instruments project and replaces FRS 39 Financial Instruments: Recognition and Measurement. The standard introduces new requirements for classification and measurement, impairment, and hedge accounting. FRS 109 is effective for annual periods beginning on or after 1 January 2018, with early application permitted. Retrospective application is required, but comparative information is not compulsory in the year of adoption.

The adoption of FRS 109 will have an effect on the classification and measurement of the Group's financial assets, but no impact on the classification and measurement of the Group's financial liabilities.

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation and business combinations*

(a) *Basis of consolidation*

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

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:
- de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- de-recognises the carrying amount of any non-controlling interest;
- de-recognises the cumulative translation differences recorded in equity;
- recognises the fair value of the consideration received;
- recognises the fair value of any investment retained;
- recognises any surplus or deficit in profit or loss;
- re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

(b) *Business combination and goodwill*

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

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

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

2. Summary of significant accounting policies (cont'd)

2.4 *Basis of consolidation and business combinations (cont'd)*

(b) ***Business combination and goodwill (cont'd)***

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

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

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

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

(c) ***Business combinations achieved in stages***

In business combinations achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

2.5 *Transactions with non-controlling interests*

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

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

2. Summary of significant accounting policies (cont'd)

2.6 ***Foreign currency***

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

(a) *Transactions and balances*

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

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

(b) *Consolidated financial statements*

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

2.7 ***Property, plant and equipment***

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment loss.

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

Freehold buildings	–	30 to 50 years
Leasehold buildings	–	4 to 10 years (over the term of the lease)
Leasehold improvements	–	10 years or over leasehold period (if shorter)
Plant and machinery	–	3 to 25 years or end of project life (if shorter)
Barges and dredgers	–	6 to 10 years
Dump trucks and motor vehicles	–	3 to 10 years or end of project life (if shorter)
Office equipment, furniture and fittings	–	3 to 15 years

2. Summary of significant accounting policies (cont'd)

2.7 *Property, plant and equipment (cont'd)*

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

Assets under construction are not depreciated as these assets are not yet available for use.

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

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

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

2.8 *Impairment of non-financial assets*

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

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

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

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

2. Summary of significant accounting policies (cont'd)

2.9 *Subsidiaries*

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

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

2.10 *Joint arrangements*

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

A joint arrangement is classified either as joint operation or joint venture, based on the rights and obligations of the parties to the arrangement.

To the extent the joint arrangement provides the Group with rights to the assets and obligations for the liabilities relating to the arrangement, the arrangement is a joint operation. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

(a) *Joint operations*

The Group recognises in relation to its interest in a joint operation,

(a) its assets, including its share of any assets held jointly;
(b) its liabilities, including its share of any liabilities incurred jointly;
(c) its revenue from the sale of its share of the output arising from the joint operation;
(d) its share of the revenue from the sale of the output by the joint operation; and
(e) its expenses, including its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the accounting policies applicable to the particular assets, liabilities, revenues and expenses.

(b) *Joint ventures*

The Group recognises its interest in a joint venture as an investment and accounts for the investment using the equity method. The accounting policy for investment in joint venture is set out in Note 2.11.

2. Summary of significant accounting policies (cont'd)

2.11 *Joint ventures and associates*

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

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

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

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

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

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

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

2. Summary of significant accounting policies (cont'd)

2.12 *Financial instruments*

(a) *Financial assets*

Initial recognition and measurement

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

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

Subsequent measurement

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

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

Financial assets at fair value through profit or loss include financial assets held for trading. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. This category includes derivative financial instruments entered into by the Group. Derivatives, including separated embedded derivatives are also classified as held for trading.

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

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

(ii) *Loans and receivables*

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

2. Summary of significant accounting policies (cont'd)

2.12 *Financial instruments (cont'd)*

(a) *Financial assets (cont'd)*

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

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

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

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

De-recognition

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

(b) *Financial liabilities*

Initial recognition and measurement

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

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

2. Summary of significant accounting policies (cont'd)

2.12 *Financial instruments (cont'd)*

(b) *Financial liabilities (cont'd)*

Subsequent measurement

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

De-recognition

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

2.13 *Impairment of financial assets*

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired.

(a) *Financial assets carried at amortised cost*

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

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

2. Summary of significant accounting policies (cont'd)

2.13 *Impairment of financial assets (cont'd)*

(a) *Financial assets carried at amortised cost (cont'd)*

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

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

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

(b) *Financial assets carried at cost*

If there is objective evidence (such as significant adverse changes in the business environment where the issuer operates, probability of insolvency or significant financial difficulties of the issuer) that an impairment loss on financial assets carried at cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed in subsequent periods.

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

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

2. Summary of significant accounting policies (cont'd)

2.13 *Impairment of financial assets (cont'd)*

(c) *Available-for-sale financial assets (cont'd)*

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

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

2.14 *Cash and cash equivalents*

Cash and cash equivalents comprise of cash at bank and on hand which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.15 *Inventories*

Inventories are stated at the lower of cost and net realisable value. Cost comprises direct materials and, where applicable, direct labour costs and those overheads that have been incurred in bringing the inventories to their present location and condition. These costs are assigned by using the weighted average cost formula.

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

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

2. Summary of significant accounting policies (cont'd)

2.16 *Properties held for development*

Properties held for development are properties acquired or being constructed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation.

Properties held for development are held as inventories and are measured at the lower of cost and net realisable value.

Net realisable value represents the estimated selling price less all estimated costs of completion and costs to be incurred in marketing and selling.

2.17 *Construction contracts*

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

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

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

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

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

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

Contract costs – Contract costs include costs that relate directly to the specific contract and costs that are attributable to contract activity in general and can be allocated to the contract.

2. Summary of significant accounting policies (cont'd)

2.18 *Provisions*

General

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

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

2.19 *Government grants*

Government grants are recognised when there is reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised as deferred capital grant on the balance sheet and is amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

Government grants related to income are recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income are presented as a credit in profit or loss, under "Other income".

2.20 *Borrowing costs*

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

2. Summary of significant accounting policies (cont'd)

2.21 *Employee benefits*

(a) *Defined contribution plan*

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

(b) *Employee leave entitlement*

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

(c) *Share-based payments*

The Group issues equity-settled share-based payments to certain employees. Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. At the end of each reporting period, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled employee benefits reserve.

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the entity obtains the goods or the counterparty renders the service.

2. Summary of significant accounting policies (cont'd)

2.22 *Leases*

As lessee

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

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

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

2.23 *Non-current assets held for sale and discontinued operations*

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

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

2. Summary of significant accounting policies (cont'd)

2.24 *Revenue*

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

(a) *Sale of goods*

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

(b) *Construction contracts revenue*

Revenue from construction contracts is recognised by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date bear to the estimated total contract costs.

(c) *Rental of machinery and equipment*

Revenue from the rental of machinery and equipment is recognised on a straight-line basis over the lease term.

(d) *Charter income*

Charter income is recognised on a straight-line basis over the term of the charter agreement.

(e) *Power station capacity credits*

Power station capacity credits are notional units of capacity that are valid for a particular reserve capacity year and are allocated to a specific generating plant by the Independent Market Operator in Australia. Capacity credits revenue is recognised in the month when the benefits are derived.

(f) *Dividend income*

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

(g) *Interest income*

Interest income is recognised using the effective interest method.

2. Summary of significant accounting policies (cont'd)

2.25 *Taxes*

(a) *Current income tax*

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

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

(b) *Deferred tax*

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

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

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

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

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

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

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

2. Summary of significant accounting policies (cont'd)

2.25 *Taxes (cont'd)*

(b) *Deferred tax (cont'd)*

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

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

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

(c) *Sales tax*

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

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

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

2.26 *Segment reporting*

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment results are regularly reviewed by management in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 33, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.27 *Share capital and share issue expenses*

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

2. Summary of significant accounting policies (cont'd)

2.28 *Contingencies*

A contingent liability is:

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

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

(i) It is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or
(ii) The amount of the obligation cannot be measured with sufficient reliability.

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

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

3. Significant accounting judgements and estimates

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

(a) *Judgements made in applying accounting policies*

Management is of the opinion that there is no significant judgement made in applying accounting policies that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial period.

3. Significant accounting judgements and estimates (cont'd)

(b) *Key sources of estimation uncertainty*

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period are discussed below. The Group based its assumptions and estimates on parameters available when the financial statements were prepared. Existing circumstances and assumptions about future developments, however, may change due to market changes or circumstances arising beyond the control of the Group. Such changes are reflected in the assumptions when they occur.

(i) Construction contracts

The Group recognises contract revenue by reference to the stage of completion of the contract activity at the end of each reporting period, when the outcome of a construction contract can be estimated reliably. The stage of completion is measured by reference to the proportion that contract costs incurred for work performed to date to the estimated total contract costs.

Significant assumptions are required to estimate the total contract costs and the recoverable variation works that affect the stage of completion. In making these estimates, management has relied on past experience and knowledge of the specialists.

The carrying amounts of assets and liabilities arising from construction contracts as at 31 December 2014 are $10,334,000 and $1,910,000 respectively (31 December 2013: $10,870,000 and $765,000 respectively). Management has performed cost studies, taking into account the costs to date and costs to complete each project, and evaluated exposures to liquidated damages. Based on these studies and evaluation, management considers that the above amounts relating to contract work in progress are fairly stated.

If the estimated total contract cost had been 1% higher than management estimate, the carrying amount of the assets and liabilities arising from construction contracts would have been $2,778,294 (2013: $2,638,939) lower and $805,615 (2013: $409,525) higher respectively.

3. Significant accounting judgements and estimates (cont'd)

(b) *Key sources of estimation uncertainty (cont'd)*

(ii) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. The carrying amount of the Group's loans and receivables and convertible loan receivable (excluding cash and bank balances) as at 31 December 2014 is $52,429,000 (2013: $47,123,000).

If the present value of estimated future cash flows decrease by 10% from management's estimates, the Group's allowance for impairment will increase by $5,242,900 (2013: increase by $4,712,300).

(iii) Impairment of goodwill on consolidation

As disclosed in Note 23 to the financial statements, the recoverable amount of the cash generating unit which goodwill has been allocated to is determined based on value in use calculation. The value in use calculation is based on a discounted cash flow model. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use including a sensitivity analysis, are disclosed and further explained in Note 23 to the financial statements.

The carrying amount of goodwill on consolidation as at 31 December 2014 is $3,536,000 (2013: $3,536,000).

(vi) Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies.

Where taxable profits are expected in the foreseeable future, deferred tax assets are recognised on the unused tax losses. The carrying value of the unrecognised tax losses at 31 December 2014 was disclosed in Note 9.

If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by $4,125,000 (2013:$4,399,000).

4. Related party transactions

Some of the Group's transactions and arrangements are with related parties that are not members of the Group. During the year, the Group entered into the following transactions with parties related to a substantial shareholder of the Group at terms agreed between the parties:

	Group	
	2014	**2013**
	$'000	$'000
Equipment rental income	*	(214)
Sale of property, plant and equipment	(795)	–
Secondment fee income	(348)	(348)
Sales of scrap metal	(87)	(1,231)
Other income	–	(203)
Subcontract award/purchase of precast components	10,408	2,536
Rental expenses	–	87
Charter expenses	169	354
Hire of equipment	48	42
Marine transport expenses	2,547	252
Agency fee charges	833	127
Professional fee	61	65

*Amounts less than $1,000

A joint venture of the Group had the following transactions with related parties (related by way of common shareholder) that are not members of the Group:

	Group	
	2014	**2013**
	$'000	$'000
Land rental expenses	743	124
Purchase of equipment	1,743	–
Service charges	10	–

Compensation of directors and key management personnel

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

	Group	
	2014	**2013**
	$'000	$'000
Short-term benefits	2,413	2,504
Defined contribution plans	78	57
Share-based payment expense	–	5
	2,491	2,566

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

5. Revenue

	Continuing operations		Discontinued operation		Group	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Construction contracts revenue	90,012	145,123	–	–	90,012	145,123
Sale of goods	63,759	64,742	–	–	63,759	64,742
Real estate brokerage income	–	–	–	11,408	–	11,408
Power station capacity credits	7,538	9,077	–	–	7,538	9,077
Rental of machinery and equipment	2,608	989	–	–	2,608	989
Rendering of services	–	30	–	–	–	30
	163,917	219,961	–	11,408	163,917	231,369

6. Other income

	Continuing operations		Discontinued operation		Group	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Fair value gain on held for trading investments	–	10	–	–	–	10
Gain on disposal of property, plant and equipment	386	–	–	–	386	–
Interest income from loan to investee company	–	–	–	255	–	255
Interest income from fixed deposits	118	398	–	–	118	398
Dividend income	1,500	–	–	–	1,500	–
Sale of scrap	419	384	–	–	419	384
Reversal of allowance for doubtful debts	193	425	–	–	193	425
Secondment fees for a director	348	348	–	–	348	348
Government grants	766	57	–	–	766	57
Others	66	322	–	58	66	380
	3,796	1,944	–	313	3,796	2,257

7. Finance costs

	Continuing operations		Discontinued operation		Group	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Interest on:						
Bank loans and bills payables	732	1,674	–	–	732	1,674
Bank overdraft	–	–	–	3	–	3
Finance leases	1,156	856	–	1	1,156	857
	1,888	2,530	–	4	1,888	2,534

8. Profit/(loss) before income tax

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

	Continuing operations		Discontinued operation		Group	
	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000
Depreciation of property, plant and equipment	9,541	12,050	–	–	9,541	12,050
Inventories written down	1,078	195	–	–	1,078	195
Employee benefits expense (including directors)	26,976	34,423	–	1,124	26,976	35,547
Directors' remuneration:						
- directors of the Company	1,613	1,728	–	–	1,613	1,728
- directors of subsidiaries	293	–	–	267	293	267
Defined contribution plans included in employee benefits expense (including directors)	1,149	1,242	–	117	1,149	1,359
Audit fees:						
- paid to auditors of the Company	237	307	–	14	237	321
- paid to other auditors	55	83	–	–	55	83
Foreign exchange loss	66	*	–	*	66	*
Reversal of allowance for doubtful debts (net)	(113)	(425)	–	–	(113)	(425)
(Reversal of)/Provision for foreseeable losses, included in cost of sales	(111)	4,202	–	–	(111)	4,202
(Gain)/Loss on disposal of property, plant and equipment (net)	(327)	778	–	–	(327)	778

*Amounts less than $1,000

9. Income tax

Major components of income tax expense

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

	Continuing operations		Discontinued operation		Group	
	2014	**2013**	**2014**	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000	$'000	$'000
Current income tax:						
- Current income taxation	476	291	–	–	476	291
- Over provision in respect of previous years	(115)	(467)	–	–	(115)	(467)
Deferred income tax:						
- Origination and reversal of temporary differences	322	(306)	–	–	322	(306)
- Over provision in respect of previous years	(335)	–	–	–	(335)	–
- Write down of deferred tax assets due to continued losses	–	2,748	–	–	–	2,748
Income tax expense recognised in profit or loss	348	2,266	–	–	348	2,266

Statement of comprehensive income:

	Group	
	2014	**2013**
	$'000	$'000
Deferred tax expense related to other comprehensive income:		
- Translation differences	(32)	–

9. Income tax (cont'd)

Relationship between tax expense and accounting profit/(loss)

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

	Group	
	2014	2013
	$'000	$'000
Profit/(Loss) before income tax	6,656	(8,941)
Tax at domestic rates applicable to profits in the countries where the Group operates	1,524	(1,173)
Tax effect of income not taxable and expenses not deductible (net)	(269)	603
Tax effect of share of results of joint venture/associate	(150)	39
Overprovision in prior years (net)	(450)	(467)
Write down of previously recognised deferred tax assets due to continued losses	–	2,748
Deferred tax assets not recognised	295	435
Utilisation of previously unrecognised deferred tax assets	(569)	–
Effect of partial tax exempt income	(57)	(10)
Others	24	91
Income tax expense recognised in profit or loss	348	2,266

Unrecognised tax losses and deductible temporary differences

At the end of the reporting period, the Group has tax losses and deductible temporary differences of approximately $24,082,000 (2013: $25,875,000) available for offset against future taxable profits of certain subsidiaries in which the losses arose, for which no deferred tax is recognised due to uncertainty of its recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which certain subsidiaries operate.

Tax consequences of proposed dividends

There are no income tax consequences (2013: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 40).

10. Earnings/(Loss) per share

(a) *Continuing operations*

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

Diluted earnings per share from continuing operations are calculated by dividing profit/(loss) from continuing operations, net of tax, attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year plus the weighted average number of ordinary shares that would be issued on the conversion of all the dilutive potential ordinary shares into ordinary shares.

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

	Group	
	2014	**2013**
	$'000	$'000
Profit/(Loss) for the year attributable to owners of the Company	5,824	(10,209)
Less: Profit from discontinued operation, net of tax, attributable to owners to the Company		
Loss attributable to owners of the Company (Note 32)	–	(1,026)
Gain on disposal of real estate agency operations (Note 32)	–	3,159
	–	2,133
Profit/(Loss) from continuing operations, net of tax, attributable to owners of the Company used in the computation of basic earnings/(loss) per share from continuing operations	5,824	(12,342)

	Group	
	2014	**2013**
	No. of shares '000	No. of shares '000
Weighted average number of ordinary shares for basic earnings/(loss) per share computation	263,098	262,996
Effect of dilutive potential ordinary shares:		
- Employee performance share plan	–	90
Weighted average number of ordinary shares for diluted earnings/(loss) per share computation	263,098	263,086

10. Earnings/(Loss) per share (cont'd)

(b) *Earnings per share computation*

The basic and diluted earnings/(loss) per share are calculated by dividing the profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares for basic earnings/(loss) per share computation and dividing the profit/(loss) for the year attributable to owners of the Company by the weighted average number of ordinary shares for diluted earnings/(loss) per share computation respectively. These profit and share data are presented in the tables in Note 10(a) above.

11. Cash and cash equivalents

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Cash at bank and on hand	17,041	21,788	449	355
Fixed deposits	853	2,560	–	–
Cash and bank balances	17,894	24,348	449	355
Less: Pledged fixed deposits	(800)	(2,560)	–	–
Cash and cash equivalents	17,094	21,788	449	355

The Group has certain fixed deposits amounting to $800,000 (2013: $2,560,000) pledged to banks for bank loan facilities granted (see Notes 24 and 34). The pledged fixed deposits have an average tenure of approximately 162 days (2013: approximately 145 days) and earn interest at average effective rate of 1.10% (2013: 1.53%) per annum. Management expects the pledge on the fixed deposits to be discharged within the next 12 months. Accordingly, the pledged fixed deposits have been presented under current assets.

The Group and the Company have the following cash and cash equivalents which are denominated in foreign currencies:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Australian Dollars	43	16	43	16

12. Trade receivables

	Group	
	2014	2013
	$'000	$'000
Amounts due from outside parties	30,980	29,829
Amounts due from related parties	81	147
Retention monies receivable	4,923	4,163
Unbilled receivables	9,837	10,783
Less: Allowance for impairment	(1,704)	(1,817)
	44,117	43,105

Retention monies held by customers are included in current assets as they are expected to be realised in the normal operating cycle upon completion of contract work.

The average credit period on the outstanding trade receivables is 30 days (2013: 30 days). No interest is charged on trade receivables.

Included in the Group's trade receivable balance are debtors with a carrying amount of $13,301,000 (2013: $11,820,000) which are past due at the reporting date for which the Group has not provided for any impairment allowance. These overdue balances include $12,369,000 (2013: $11,072,000), which arise from back-to-back contract arrangements under which the Group will not be making payment for the same amount included as trade payables in Note 25 if the trade receivable is not settled. Management expects that as there has not been a significant change in the credit quality and the amounts are still considered recoverable, no impairment allowance is necessary. The Group does not hold any collateral over these balances.

The table below is an analysis of trade receivables:

	Group	
	2014	2013
	$'000	$'000
Not past due and not impaired	30,816	31,285
Past due but not impaired	13,301	11,820
	44,117	43,105
Impaired receivables - individually assessed	1,704	1,817
Less: Allowance for impairment	(1,704)	(1,817)
	–	–
Total trade receivables (net)	44,117	43,105

12. Trade receivables (cont'd)

The table below is an analysis of age of debts which are past due but not impaired:

	Group	
	2014	2013
	$'000	$'000
3 months to 6 months	267	427
6 months to 12 months	627	6
12 months to 24 months	38	315
24 months to 36 months	12,369	11,072
	13,301	11,820

In determining the recoverability of a trade receivable, the Group considers any change in the credit quality of the trade receivable from the date credit was initially granted up to the reporting date. Management believes that no further allowance for impairment is necessary.

The trade receivables that are neither past due nor impaired related to customers that the Group has assessed to be creditworthy, based on the credit evaluation process performed by management.

The Group and the Company do not have any trade receivables which are denominated in foreign currencies.

Receivables that are impaired

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

	Group Individually impaired	
	2014	2013
	$'000	$'000
Trade receivables – nominal amounts	1,704	1,817
Less: Allowance for impairment	(1,704)	(1,817)
	–	–
Movement in allowance for impairment:		
At 1 January	1,817	2,242
Charged for the year	80	–
Reversed during the year	(193)	(425)
At 31 December	1,704	1,817

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

13. Other receivables

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Receivable for sale of property, plant and equipment	839	33	–	–
Other deposits	613	699	–	–
Prepayments	518	801	48	54
Amounts due from related parties	1,791	913	151	–
Amounts due from joint ventures	3,445	–	–	–
Amounts due from subsidiaries	–	–	8,540	8,400
Tax recoverable	357	6	–	–
Sales tax receivables	278	163	–	–
Convertible loan receivable (Note 37(d))	661	–	661	–
Others	963	2,373	239	481
Less: Allowance for impairment from a subsidiary	–	–	(145)	(145)
	9,465	4,988	9,494	8,790

Analysed as:

Current	9,226	4,637	9,494	8,790
Non-current	239	351	–	–
	9,465	4,988	9,494	8,790

Amounts due from related parties and subsidiaries are unsecured, interest-free and are repayable on demand.

Amounts due from joint ventures are unsecured, interest-free and are expected to be repayable in the next 12 months.

Convertible loan receivable is secured against unquoted equity shares in a privately-held company, bears interest at 8% per annum if no conversion takes place.

Included in Others, are two loan receivables from an ex-employee amounted to $136,000 (2013: $128,000) payable to Tesla Group and $239,000 (2013: $249,000) payable to the Company respectively. Both loan receivables are secured against the equity shares of Tesla Group. The loan payable to Tesla Group is interest free and payable upon dividend distribution by Tesla Group. The loan payable to the Company bears interest equal to the dividend distribution by Tesla Group and repayable in 2015.

13. Other receivables (cont'd)

At the end of the reporting period, the Company has provided an allowance of $145,000 (2013: $145,000) for impairment of the unsecured loan to a subsidiary company with a nominal amount of $344,000 (2013: $361,000).

There has been no movement in this allowance account for the financial year ended 31 December 2014 (2013: charge of $145,000 for impairment loss).

The Group and the Company have the following other receivables which are denominated in foreign currencies:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Australian Dollars	239	249	239	249
United States Dollars	661	–	661	–

14. Inventories

	Group	
	2014	**2013**
	$'000	$'000
Balance sheet:		
Raw materials	2,231	3,715
Finished goods	4,642	7,166
	6,873	10,881
Statement of comprehensive income:		
Inventories recognised as an expense in cost of sales	61,288	75,219
Inclusive of the following charge:		
- Inventories written down	1,078	195

15. Contract work-in-progress

	Group 2014	Group 2013
	$'000	$'000
Contract costs incurred to date	449,738	414,457
Foreseeable losses	(122)	(233)
Recognised profits less recognised losses to date	19,690	11,320
	469,306	425,544
Progress billings	(460,882)	(415,439)
	8,424	10,105
Represented as:		
Gross amount due from customers for contract work-in-progress	10,334	10,870
Gross amount due to customers for contract work-in-progress	(1,910)	(765)
	8,424	10,105
Movements in provision for specific foreseeable losses:		
Balance at beginning of year	233	397
(Reversed)/charged to profit or loss during the year	(111)	4,202
Amounts utilised	–	(4,366)
Balance at end of year	122	233
Retention sums on construction contracts included in trade receivables	286	172

16. Held for trading investments

	Group 2014	Group 2013
	$'000	$'000
Quoted equity shares	36	33

17. Properties held for development

Properties held for development mainly comprise plots of vacant freehold land located in Malaysia.

Description and Location	Site Area (square metre)	Interest held by the Group	
		2014	2013
		%	%
Lot 150205, Mukim Plentong, Johor Bahru, Malaysia	1,416	100	100
Lot 150216-150225, Mukim Plentong, Johor Bahru, Malaysia	1,807	100	100
Lot 68319, Mukim Plentong, Johor Bahru, Malaysia *	42,938	100	100

* Freehold land at Lot 68319 is pledged as security for a bank loan of a subsidiary (Note 24)

18. Subsidiaries

	Company	
	2014	2013
	$'000	$'000
Unquoted equity shares, at cost	48,230	48,230
Deemed investment in subsidiary*	17,000	17,000
Allowance for impairment losses	(5,928)	(5,928)
	59,302	59,302

* This represents funds provided by the Company to a subsidiary which are deemed to be additional capital contributions in the subsidiary, for it to acquire shares in its subsidiaries.

18. Subsidiaries (cont'd)

(a) *Composition of the Group*

The Group has the following investments in subsidiaries:

Name of subsidiaries	Principal activities (Country of incorporation/operation)	Effective equity interest held	
		2014 (%)	2013 (%)
Held by the Company:			
Entire Engineering Pte Ltd [1]	Rental of construction and civil engineering machinery and equipment (Singapore)	100	100
Entire Construction Pte Ltd [1]	Contractors for civil and engineering works (Singapore)	100	100
Econ Precast Pte Ltd [1]	Manufacturing and trading of precast components and reinforced concrete piles (Singapore)	100	100
Koon Properties Pte Ltd[1]	Investment holding (Singapore)	100	100
Koon Construction & Transport Co. Pte Ltd [1]	Contractors for civil and drainage engineering, building, shore protection and marine and foundation works (Singapore)	100	100
Tesla Holdings Pty Ltd[2]	Investment holding (Australia)	71	71

18. Subsidiaries (cont'd)

(a) *Composition of the Group (cont'd)*

Name of subsidiaries	Principal activities (Country of incorporation/operation)	Effective equity interest held	
		2014 (%)	2013 (%)
Held through subsidiaries			
Bukit Intan Pte Ltd[(1)]	Trading of precast components (Singapore)	100	100
Contech Precast Pte Ltd[(1)]	Manufacturing and trading of precast components (Singapore)	100	100
Econ Precast Sdn. Bhd.[(3)]	Manufacturing of reinforced concrete piles and precast components (Malaysia)	100	100
Koon Construction & Transport Sdn. Bhd.[(3)]	Contractors for civil engineering and building works (Malaysia)	100	100
Koon-Top Pave Joint Venture[(4)]	Contractors for civil engineering and building works (Singapore)	–	100
Metro Coast Sdn. Bhd.[(3)]	Property development (Malaysia)	100	100
Seven Star Development Sdn. Bhd.[(3)]	Property development (Malaysia)	100	100
Tesla Corporation Pty Ltd[(2)]	Holding company for electric power generation business (Australia)	71	71
Tesla Corporation Management Pty Ltd[(2)]	Owns and operates power plant (Australia)	71	71
Tesla Geraldton Pty Ltd[(2)]	Owns and operates power plant (Australia)	71	71
Tesla Kemerton Pty Ltd[(2)]	Owns and operates power plant (Australia)	71	71

18. Subsidiaries (cont'd)

(a) *Composition of the Group (cont'd)*

Name of subsidiaries	Principal activities (Country of incorporation/operation)	Effective equity interest held 2014 (%)	2013 (%)
Held through subsidiaries (cont'd)			
Tesla Northam Pty Ltd[2]	Owns and operates power plant (Australia)	71	71
Triumph Heights Sdn. Bhd.[3]	Property development (Malaysia)	100	100
Unison Progress Sdn. Bhd. [3]	Property development (Malaysia)	100	100

Notes:

[1] Audited by Ernst & Young LLP, Singapore
[2] Tesla group of companies ("Tesla Group") are audited by a member firm of EY Global in Australia
[3] Audited by other firms of auditors
[4] Deregistered on 6 June 2014

(b) *Interest in subsidiaries with material non-controlling interest ("NCI")*

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/(Loss) allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period	Dividends paid to NCI
			$'000	$'000	$'000
31 December 2014:					
Tesla Group	Australia	29%	484	4,670	–
31 December 2013:					
Tesla Group	Australia	29%	(998)	4,393	–

18. Subsidiaries (cont'd)

(c) *Summarised financial information about subsidiaries with material NCI*

Summarised financial information including consolidation adjustments but before intercompany eliminations of subsidiaries with material non-controlling interests are as follows:

	Tesla Group	
	2014	**2013**
	$'000	$'000
Summarised balance sheets:		
Current		
Assets	4,184	4,079
Liabilities	(13,628)	(6,515)
Net current assets	(9,444)	(2,436)
Non-current		
Assets	27,841	30,546
Liabilities	(1,990)	(12,667)
Net non-current assets	25,851	17,879
Net assets	16,407	15,443
Summarised statement of comprehensive income:		
Revenue	7,538	9,077
Profit before income tax	2,335	2,367
Income tax	(654)	(99)
Profit after income tax – continuing operations	1,681	2,268
Other comprehensive loss	(717)	(1,815)
Total comprehensive income	964	453
Other summarised information:		
Net cash flows from operations	3,730	3,094
Acquisition of significant property, plant and equipment	27	72

19. Associates

	Group 2014 $'000	Group 2013 $'000
Unquoted equity shares, at cost	*	*

* Less than $1,000.

Details of the associates at the end of the reporting period are as follows:

Name of associates (Country of incorporation/ operation)	Principal activities	Proportion of ownership interest/voting power held 2014 (%)	2013 (%)
Mesco Sdn Bhd (Brunei)*	Dormant	50	50
Penta-Ocean/Hyundai/Koon Joint Venture (Singapore)*	Contractors for civil engineering and building work	20	20

* Audited by other firms of auditors.

20. Joint ventures

	Group 2014 $'000	Group 2013 $'000
Sindo-Econ Pte Ltd and its subsidiary	1,332	(145)**
Others	*	–
Total	1,332	(145)

* No investment cost
** The amount was shown under "other payable" in prior year due to its share of losses.

Details of the Group's material joint ventures at the end of the reporting period are as follows:

Name of joint ventures	Principal activities (Country of incorporation/operation)	Proportion of ownership interest/voting power held 2014 (%)	2013 (%)
Sindo-Econ Pte Ltd[1]	Investment holding and provision of management and consultancy services (Singapore)	50	50
PT Sindomas Precas[2]	Manufacture of precast components (Indonesia)	50	50

Notes:

(1) Held by Econ Precast Pte Ltd
(2) Subsidiary of Sindo-Econ Pte Ltd

The above joint ventures are strategic to the Group's activities. The Group jointly controls the above ventures with partners under the contractual agreements and requires unanimous consent for all major decisions over the relevant activities.

20. Joint ventures (cont'd)

Summarised financial information in respect of Sindo-Econ Pte Ltd and its subsidiary ("Sindo-Econ Group") based on its FRS financial statements, and reconciliation with the carrying amount of the investment in the consolidated financial statements are as follows:

	Sindo-Econ Group	
	2014	**2013**
	$'000	$'000
Summarised balance sheet:		
Cash and cash equivalents	1,353	418
Trade receivables	5,246	1,463
Other receivables	1,138	138
Inventories	1,197	1,061
Current assets	8,934	3,080
Non-current assets	5,792	724
Total assets	14,726	3,804
Current liabilities	8,917	4,084
Non-current liabilities (excluding trade, other payables and provisions)	2,563	–
Total liabilities	11,480	4,084
Net assets/(liabilities)	3,246	(280)
Proportion of the Group's ownership	50%	50%
Group's share of net assets/(liabilities)	1,623	(140)
Eliminations	(291)	(5)
Carrying amount of the investment	1,332	(145)
Summarised statement of comprehensive income:		
Revenue	12,119	2,663
Cost of sales and operating expenses	(8,718)	(2,992)
Depreciation	(977)	(176)
Interest expense	(34)	–
Profit/(Loss) before income tax	2,390	(505)
Income tax	(464)	–
Profit/(Loss) after income tax, representing total comprehensive income/(loss) for the year	1,926	(505)

21. Property, plant and equipment

	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000	Leasehold improve-ments $'000	Plant and machinery $'000	Barges and dredgers $'000	Dump trucks and motor vehicles $'000	Office equipment, furniture and fittings $'000	Assets under construction $'000	Total $'000
Group										
Cost:										
At 1 January 2013	1,991	1,111	630	585	70,833	1,390	6,189	2,434	9,553	94,716
Additions	–	18	61	184	7,590	–	385	352	546	9,136
Disposals	–	–	–	(225)	(5,924)	–	(313)	(217)	(41)	(6,720)
Disposal of subsidiaries (Note 32)	–	–	–	(365)	–	–	–	(444)	–	(809)
Write-offs	–	–	–	–	(1,792)	–	–	–	–	(1,792)
Transfers	–	–	9,315	525	–	–	–	–	(9,840)	–
Exchange difference	(127)	15	–	–	(3,895)	–	–	(2)	–	(4,009)
At 31 December 2013	1,864	1,144	10,006	704	66,812	1,390	6,261	2,123	218	90,522
Additions	–	8	–	–	5,596	–	1,110	16	701	7,431
Disposals	–	–	–	(6)	(2,218)	–	(22)	(273)	–	(2,519)
Write-offs	–	–	–	–	–	–	–	(1)	(58)	(59)
Transfers	–	73	–	–	3	–	–	–	(84)	(8)
Exchange difference	(40)	–	–	–	(692)	–	–	39	–	(693)
At 31 December 2014	1,824	1,225	10,006	698	69,501	1,390	7,349	1,904	777	94,674

21. Property, plant and equipment (cont'd)

Group	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000	Leasehold improve-ments $'000	Plant and machinery $'000	Barges and dredgers $'000	Dump trucks and motor vehicles $'000	Office equipment, furniture and fittings $'000	Assets under construction $'000	Total $'000
Accumulated depreciation:										
At 1 January 2013	–	81	354	242	13,646	551	2,471	1,147	–	18,492
Depreciation	–	50	873	461	9,266	199	747	454	–	12,050
Disposals	–	–	–	(208)	(3,542)	–	(182)	(196)	–	(4,128)
Disposal of subsidiaries (Note 32)	–	–	–	(4)	–	–	–	(141)	–	(145)
Write-offs	–	–	–	–	(761)	–	–	–	–	(761)
Exchange difference	–	4	–	–	(115)	–	–	(3)	–	(114)
At 31 December 2013	–	135	1,227	491	18,494	750	3,036	1,261	–	25,394
Depreciation	–	60	1,098	194	6,258	199	1,335	397	–	9,541
Disposals	–	–	–	(4)	(1,439)	–	(21)	(271)	–	(1,735)
Write-offs	–	–	–	–	–	–	–	–	–	–
Exchange difference	–	–	–	–	288	–	–	34	–	322
At 31 December 2014	–	195	2,325	681	23,601	949	4,350	1,421	–	33,522
Impairment:										
At 1 January 2013	–	–	–	147	–	–	–	–	–	147
Disposal of subsidiaries (Note 32)	–	–	–	(147)	–	–	–	–	–	(147)
At 31 December 2013 and 2014	–	–	–	–	–	–	–	–	–	–
Carrying amount:										
At 31 December 2014	1,824	1,030	7,681	17	45,900	441	2,999	483	777	61,152
At 31 December 2013	1,864	1,009	8,779	213	48,318	640	3,225	862	218	65,128

21. Property, plant and equipment (cont'd)

Property, plant and equipment of the Group with carrying amount of $49,469,000 (2013: $57,100,000) are pledged as securities for finance leases and bank loans.

	Motor vehicles $'000	Office equipment, furniture and fittings $'000	Total $'000
Company			
Cost:			
At 1 January 2013	774	140	914
Additions	170	1	171
Disposals	(304)	(7)	(311)
At 31 December 2013 and 2014	640	134	774
Accumulated depreciation:			
At 1 January 2013	304	127	431
Depreciation	132	8	140
Disposals	(178)	(7)	(185)
At 31 December 2013	258	128	386
Depreciation	128	6	134
At 31 December 2014	386	134	520
Carrying amount:			
At 31 December 2014	254	–	254
At 31 December 2013	382	6	388

Motor vehicles of the Company with carrying amount of $250,000 (2013: $335,000) are pledged as securities for finance leases.

22. Available-for-sale investments

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Unquoted equity shares, at cost (a)	500	500	–	–
Less: Allowance for impairment	(500)	(500)	–	–
	–	–	–	–
Quoted equity shares, at fair value (b)	731	538	731	538
	731	538	731	538

(a) The investment in unquoted equity shares represents investment in a company that is engaged in construction projects.

In estimating the carrying amount, management determined that no future cash flow is expected from this investee.

(b) The investment in quoted equity shares represents investment in GPS Alliance Holdings Limited (Note 32).

23. Goodwill on consolidation

	Group	
	2014	2013
	$'000	$'000
Balance at beginning of year	3,536	5,438
Disposed during the year (Note 32)	–	(1,902)
Balance at end of year	3,536	3,536

Goodwill is allocated to the cash generating unit ("CGU") identified that is expected to benefit from the business combination. The carrying amount of goodwill is attributed to the Electric Power Generation CGU.

23. Goodwill on consolidation (cont'd)

The Group tests goodwill annually for impairment or more frequently if there are indications that goodwill might be impaired. The recoverable amount of the CGU have been determined based on value in use calculations using cash flow projections from financial budget and forecast approved by management covering a 5-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the 5-year period are as follows:

	2014	**2013**
Growth rate	5.00%	5.00%
Pre-tax discount rate	8.50%	12.82%

Key assumptions used in value in use calculations

The calculations of value in use for both the CGUs are most sensitive to the following assumptions:

(i) Growth rate – The forecasted growth rate is based on published industry research and does not exceed the long-term average growth rate for the industry.

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

Sensitivity to changes in assumption

With regards to the assessment of value in use, management believes that no reasonably possible changes in any of the above key assumptions would cause the carrying value of the CGU to materiality exceed its recoverable amount.

24. Bank loans and bills payable

	Group 2014 $'000	Group 2013 $'000
Long-term bank loans and bills payable	30,580	31,385
Less: Current portion	(21,660)	(20,575)
Non-current portion	8,920	10,810

Bank loans and bills payable comprise:

	Group 2014 $'000	Group 2013 $'000
Loan A	333	817
Loan B	627	1,135
Loan C	78	124
Loan D	404	641
Loan E	11	11
Loan F	4,435	5,578
Loan G	4,000	4,000
Loan H	5,800	5,800
Loan I	2,400	1,000
Bills payable	12,492	12,279
	30,580	31,385

(i) Loan A is repayable in 48 monthly instalments commencing September 2011 and bears fixed interest of 3.40% per annum (2013: 3.40% per annum). The loan is secured by a charge over certain subsidiaries' plant and machinery and motor vehicle with a carrying amount of $51,000 (2013: $216,000) as at the end of the reporting period.

(ii) Loan B is repayable in 48 monthly instalments commencing December 2011 and June 2012 and bears effective interest of 5.30% per annum (2013: 5.30% per annum). The loan is secured by a corporate guarantee from the Company.

(iii) Loan C is repayable in 96 monthly instalments commencing April 2008 and bears interest at effective interest rate of 7.40% per annum (2013: 7.40% per annum). The loan is secured by way of first legal charge over a subsidiary's freehold land with a carrying amount of $859,000 as at 31 December 2014 (2013: $859,000) and is guaranteed by another subsidiary.

(iv) Loan D is repayable in 48 monthly instalments commencing June 2012 and January 2013 and bears interest at 1.33% per annum below the bank's prevailing Enterprise Base Rate. The effective interest rate during the year is 3.29% per annum (2013: 3.27% per annum). The loan is secured by a corporate guarantee from the Company.

24. Bank loans and bills payable (cont'd)

(v) Loan E is repayable in 72 monthly instalments commencing August 2011 and bears effective interest of 7.42% per annum (2013: 8.36% per annum). The loan is used to finance the construction of the power plants in Australia. The loan is secured by a corporate guarantee from the Company and all assets under the Tesla group of companies (Note 18).

(vi) Loan F is repayable in 72 monthly instalments commencing October 2012 and relates to a mortgage loan for the purchase of leasehold properties. The loan bears interest at effective interest rate of 3.41% per annum (2013: 1.09% per annum). It is secured by a corporate guarantee from the Company and secured by a mortgage of a leasehold building of a subsidiary with a carrying amount of $7,679,000 (2013: $8,684,000).

(vii) Loan G bears effective interest rate of 2.15% (2013: 1.90%) per annum during the year, is unsecured and repayable by 18 February 2015. The loan can be rolled over upon its maturity.

(viii) Loan H is repayable in 30 monthly (2013: 45 monthly) instalments after 30 months (2013: 18 months) from date of loan taken in June 2013 and bears interest rates range from 2.00% to 2.30% per annum. It is secured by the mortgage of the properties held for development by subsidiaries with an aggregated carrying amount of $14,750,000 as at 31 December 2014 (2013: $15,588,000) and is secured by a corporate guarantee from the Company.

(ix) Loan I bears effective interest rate of 2.60% (2013: 2.55%) per annum during the year, is unsecured and repayable by 15 January 2015. It is secured by the mortgage of the properties held for development by subsidiaries with an aggregated carrying amount of $14,750,000 as at 31 December 2014 (2013: $15,588,000). The loan can be rolled over upon its maturity and is secured by a corporate guarantee from the Company.

(x) Bills payable relate to import financing facilities provided by banks. The interest rate for credit advance range between 1.87% to 2.18% above swap offer rate (2013: range between 1.75% swap offer rate and 2.11% above swap offer rate). The bills payable bear effective interest rate of 2.11% (2013: 2.84%) per annum during the year. These facilities are secured by a corporate guarantee from the Company.

The Group is in compliance with externally imposed financial covenants as at 31 December 2014. As at 31 December 2013, net equity of a subsidiary fell short of the minimum equity specified in a financial covenant of a bank. Bills payable to this bank of $3,473,000 were included in current liabilities as at 31 December 2013.

25. Trade payables

	Group 2014 $'000	Group 2013 $'000
Amounts due to outside parties	38,091	50,111
Amounts due to related parties	6,318	1,675
	44,409	51,786

Trade payables included $12,369,000 (2013: $11,072,000) which will not be settled unless receivables for the same amount, included in trade receivables (Note 12), is received.

The average credit period on the outstanding trade payables is 60 days (2013: 60 days). No interest is payable on overdue balances.

Amounts due to related parties are unsecured, non-interest bearing, are repayable within the next 12 months and are expected to be settled in cash.

As at 31 December 2014, the Group has trade payables amounting to $104,000 (2013: $nil) which are denominated in Euro.

26. Provision

	Group 2014 $'000	Group 2013 $'000
At beginning of year	600	600
Reversed during the year	(600)	–
At end of year	–	600

The provision represents management's estimation of losses on sales commitments as a result of the difference between the committed selling price and the estimated cost of sales for the unfulfilled sales quantities committed. The provision was reversed upon the completion of the contract.

27. Other payables

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Accrued expenses	3,470	2,335	873	768
Advance from investee company	350	1,850	–	–
Deposits received	1,939	3,658	–	26
Payable for acquisition of non-controlling interest of a subsidiary	2,500	2,500	2,500	2,500
Sales tax payables	730	578	45	40
Amounts due to related parties	219	674	8	–
Amounts due to subsidiaries	–	–	13,074	12,095
Amounts due to joint ventures	2,444	145	–	–
Others	1,068	2,695	199	217
	12,720	14,435	16,699	15,646
Analysed as:				
Current	12,631	11,935	16,699	13,146
Non-current	89	2,500	–	2,500
	12,720	14,435	16,699	15,646

The amount payable for acquisition of non-controlling interest of a subsidiary is unsecured and repayable in 2015. In the event the Group fails to pay on due date, an interest capped at $150,000 will be charged to the Group.

Except for the amount payable for acquisition of non-controlling interest of a subsidiary, the other payables are unsecured, interest-free and repayable on demand.

The Group and the Company do not have any other payables which are denominated in foreign currencies.

28. Finance leases

	Minimum lease payments		Present value of minimum lease payments	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Group				
Amounts payable under finance leases:				
Within one year	15,943	8,859	15,016	7,841
In the second to fifth years inclusive	9,007	21,644	8,681	20,467
	24,950	30,503	23,697	28,308
Less: Future finance charges	(1,253)	(2,195)	N/A	N/A
Present value of lease obligations	23,697	28,308	23,697	28,308
Less: Amount due for settlement within 12 months			(15,016)	(7,841)
Amount due for settlement after 12 months			8,681	20,467
Company				
Amounts payable under finance leases:				
Within one year	60	58	54	51
In the second to fifth years inclusive	105	166	101	156
	165	224	155	207
Less: Future finance charges	(10)	(17)	N/A	N/A
Present value of lease obligations	155	207	155	207
Less: Amount due for settlement within 12 months			(54)	(51)
Amount due for settlement after 12 months			101	156

These obligations are secured by a charge over the leased assets (Note 21). These obligations are denominated in the respective functional currencies of the relevant entities in the Group.

28. Finance leases (cont'd)

Group

The average lease term is 4 years (2013: 4 years). The effective borrowing rates ranged between 2.51% and 5.85% (2013: 2.41% and 5.85%) per annum.

Company

The average lease term is 5 years (2013: 5 years). The effective borrowing rate is 4.00% (2013: 4.00%) per annum.

29. Deferred tax (liabilities)/assets

	Group	
	2014	**2013**
	$'000	$'000
Deferred tax assets	–	225
Deferred tax liabilities	(1,261)	(1,531)
Net	(1,261)	(1,306)

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

	Fair value adjustment on property, plant and equipment	**Accelerated tax depreciation**	**Provision for foreseeable losses**	**R&D tax credit**	**Tax losses**	**Total**
	$'000	$'000	$'000	$'000	$'000	$'000
Group						
At 1 January 2013	(387)	(1,115)	64	–	2,577	1,139
Credit/(Charge) to profit or loss	85	(109)	–	223	107	306
Disposal of subsidiaries	–	(3)	–	–	–	(3)
Write down of deferred tax assets	–	–	(64)	–	(2,684)	(2,748)
At 31 December 2013	(302)	(1,227)	–	223	–	(1,306)
Credit/(Charge) to profit or loss	256	410	–	(653)	–	13
Translation differences	–	–	–	32	–	32
At 31 December 2014	(46)	(817)	–	(398)	–	(1,261)

29. Deferred tax (liabilities)/assets (cont'd)

Unrecognised temporary differences relating to investments in subsidiaries

At the end of the year, undistributed earnings of foreign subsidiaries which would be subject to tax when distributed amounted to $1,112,000 (2013: $140,000). No deferred tax liability has been recognised as the Group is in a position to control the dividend policy of the subsidiaries and there is no intent to distribute these retained earnings in the foreseeable future.

30. Share capital

	Group and Company			
	Number of ordinary shares 2014	Share Capital 2014	Number of ordinary shares 2013	Share capital 2013
		$'000		$'000
Issued and paid up:				
At beginning of year	263,007,800	25,433	262,732,800	25,373
Shares issued during the year	90,000	13	275,000	60
At end of year	263,097,800	25,446	263,007,800	25,433

The Company has one class of ordinary shares which carry one vote per share, has no par value and carries a right to dividend as and when declared by the Company.

The Company has an Employee Performance Share Plan ("Koon EPSP") which applies to the executive directors of the Company and the employees of the Group. However, controlling shareholders, including controlling shareholders who are executive directors and their associates are not eligible to participate in the Koon EPSP.

Koon EPSP is administrated by the Remuneration Committee.

In 2010, the Remuneration Committee approved the grant of awards comprising 330,000 shares to selected employees of the Company and its subsidiaries which will vest equally over a period of three years starting from 2011.

30. Share capital (cont'd)

In 2011, the Remuneration Committee approved the grant of awards comprising 360,000 shares to selected employees of the Company and its subsidiaries which will vest equally over a period of two years starting from 2013.

In 2014, 90,000 (2013: 275,000) ordinary shares were issued pursuant to the Koon EPSP. The shares were valued based on the five-day average prevailing share prices of $0.148 (2013: $0.22) before the date of issue.

In 2014, no shares (2013: 75,000 shares) were forfeited due to the resignation of employees.

Accumulated shares awarded were as follows:

	Number of shares			
	Not vested		Vested and issued (Accumulated)	
	2014	2013	2014	2013
Directors	–	–	344,000	344,000
Other members of key management	–	15,000	380,000	365,000
Other employees	–	75,000	855,000	780,000
Total number of shares granted under the Koon EPSP	–	90,000	1,579,000	1,489,000

31. Capital reserve

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Capital reserve arising from:				
Restructuring exercise	13,006	13,006	13,006	13,006
Share-based payment	283	283	–	–
Acquisition of non-controlling interest in subsidiaries	(4,626)	(4,626)	–	–
	8,663	8,663	13,006	13,006

31. Capital reserve (cont'd)

Restructuring Exercise

On 10 April 2003, pursuant to a Restructuring Exercise, the shareholders of Koon Construction & Transport Co. Pte Ltd ("KCTC") transferred their entire equity interest comprising 16,006,400 ordinary shares of $1 each in KCTC to the Company in exchange for 59,999,998 ordinary shares of $0.05 each in the Company. As a result, KCTC became a wholly-owned subsidiary of the Company.

Capital reserve of $13,006,000 represents the difference between the par value of the 59,999,998 ordinary shares of $0.05 issued and cost of investment in KCTC.

Share-based payment

The share-based payment relates to the issuance of 200,000 shares of a subsidiary, Tesla Holdings Pty Ltd ("Tesla"), to 3 directors of the subsidiary in March 2012 at no consideration in recognition of their services to Tesla. This has been accounted for as share-based payment expense of AUD200,000 ($283,000) based on a value of AUD1 per share offered to other shareholders during a capital raising exercise.

Acquisition of non-controlling interest in subsidiaries

In 2013, the Group acquired the remaining 25% equity interest of Econ Precast Pte Ltd and its subsidiaries at a consideration of $5,500,000. The negative amount of $4,626,000 in capital reserve represents the excess of the consideration paid over the non-controlling interest of $874,000 that was eliminated through the acquisition.

32. Discontinued operation and disposal of subsidiaries

GPS Alliance Holdings Limited ("GPS Australia") was incorporated as a 51% held subsidiary in 2013. In March 2013, the Group, together with the minority shareholders carried out a share swap and shares in GPS Alliance Holdings Pte Ltd ("GPS Singapore") were transferred to GPS Australia in exchange for shares in GPS Australia. The exercise resulted in GPS Singapore becoming a wholly-owned subsidiary of GPS Australia.

In April 2013, GPS Australia issued 7,446,460 new shares to the minority shareholders in recognition of the past services rendered by the minority shareholders to GPS Group.

On 11 June 2013, the Group distributed 17,093,960 shares in its subsidiary, GPS Australia to the shareholders as a dividend in specie (Note 40). This resulted in a loss of control in GPS Australia, classification of residual interest in GPS Australia as an available-for-sale investment (Note 22) and classification of the operations of the GPS Australia and its subsidiaries as a discontinued operation for the Group.

32. Discontinued operation and disposal of subsidiaries (cont'd)

The results of discontinued real estate agency operation for the period from 1 January 2013 to 10 June 2013 was as follows:

	Group 1.1.2013 to 10.6.2013 $'000
Discontinued operation:	
Revenue	11,408
Cost of sales	(9,573)
Gross profit	1,835
Other income	313
Administrative expense	(3,956)
Distribution costs	(285)
Finance costs	(4)
Loss before income tax	(2,097)
Income tax	–
Loss for the period, representing total comprehensive loss for the period	(2,097)
Loss for the period, representing total comprehensive loss for the period attributable to:	
- Owners of the Company	(1,026)
- Non-controlling interests	(1,071)
	(2,097)

32. Discontinued operation and disposal of subsidiaries (cont'd)

Book values of net assets over which control was lost

	Group 10.6.2013 $'000
Non-current assets	
Available-for-sale investment	150
Property, plant and equipment	517
Deferred tax assets	3
Total non-current assets	670
Current assets	
Trade receivables	10,401
Other receivables	8,470
Cash and cash equivalents	410
Contract work-in-progress less progress billings	79
Inventories	20
Total current assets	19,380
Non-current liabilities	
Term loan	(6,416)
Finance lease	(50)
Total non-current liabilities	(6,466)
Current liabilities	
Trade payables	(8,281)
Other payables and accruals	(3,253)
Term loan	(246)
Provision for taxation	(53)
Finance lease	(34)
Total current liabilities	(11,867)
Attributable goodwill	1,902
Net asset derecognised	3,619

32. Discontinued operation and disposal of subsidiaries (cont'd)

Book values of net assets over which control was lost (cont'd)

	Group 1.1.2013 to 10.6.2013 $'000
Gain on disposal:	
Recognition of fair value of shares in GPS Alliance Holdings Limited*	4,060
Net assets derecognised	(3,619)
Capital reserve derecognised	(256)
Non-controlling interest derecognised	2,031
Fair value of retained interest recognised as available-for-sale investment	943
Gain	3,159

* These shares were subsequently distributed to shareholders of Koon Holdings Limited (Note 40).

The profit for the period from the discontinued operation is as follows:

	Group 1.1.2013 to 10.6.2013 $'000
Loss from real estate agency operation	(2,097)
Gain on disposal of real estate agency operation	3,159
Net	1,062

In 2013, operating cash outflow for the discontinued operation was $2,946,000; and cash outflows for investing activities and financing activities were $168,000 and $125,000 respectively.

Earnings per share from discontinued operations

Basic and diluted earnings per share for the discontinued operation is 0.81 cents per share and 0.81 cents per share respectively, based on the profit from the year from the discontinued operation of $2,133,000 and the denominators detailed in Note 10 for basic and diluted earnings per share.

33. Operating segment information

Products and services from which reportable segments derive their revenues

For management reporting purpose, the Group's reportable segments are as follows:

- Construction
- Precast
- Property
- Electric power generation

I. The "Construction" segment relates to construction projects for civil engineering and infrastructure construction works including land reclamation, roads and bridges, shore protection, terminal and port projects.

II. The "Precast" segment relates to the supply and manufacturing of precast components and reinforced concrete piles.

III. The "Property" segment relates to property development activities.

IV. The "Electric power generation" segment relates to the ownership and operation of electricity power generation plants.

Information regarding the Group's reportable segments is presented below.

Segment revenues and results

The following is an analysis of the Group's revenue and results by reportable segment:

	Revenue		Results	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Continuing operations:				
Construction	93,352	146,516	5,091	(3,630)
Precast	72,577	77,605	1,677	(6,411)
Property	–	–	55	(272)
Electric power generation	7,538	9,077	3,228	3,878
	173,467	233,198	10,051	(6,435)
Elimination	(9,550)	(13,237)	(6,185)	(3,212)
Total	163,917	219,961	3,866	(9,647)
Other income			3,796	1,944
Share of profit of joint ventures/associates (net)			882	230
Finance costs			(1,888)	(2,530)
Profit/(Loss) before income tax			6,656	(10,003)
Income tax			(348)	(2,266)
Profit/(Loss) for the year			6,308	(12,269)

33. Operating segment information (cont'd)

	Revenue		Results	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Discontinued operation:				
Property (real estate agency)	–	11,451	–	(2,393)
Elimination	–	(43)	–	(13)
Total	–	11,408	–	(2,406)
Other income			–	3,472
Finance costs			–	(4)
Profit before income tax			–	1,062
Income tax			–	–
Profit for the year			–	1,062
Consolidated revenue for the year	163,917	231,369		
Consolidated profit/(loss) for the year			6,308	(11,207)

Consolidated revenue of $163,917,000 (2013: $231,369,000) after elimination of inter-segmental sales comprise revenue from construction segment of $92,619,000 (2013: $146,142,000), precast segment of $63,760,000 (2013: $64,742,000), property segment of $nil (2013: $11,408,000) and electric power generation segment of $7,538,000 (2013: $9,077,000).

The accounting policies of the reportable segments are the same as the Group's accounting policies described in Note 2. Performance is measured based on segment results before allocation of other income, share of results of joint ventures and associates, finance costs and income tax expense, as included in internal management reports. Segment results are used by management for the purposes of resource allocation and assessment of segment performance.

Segment assets

	Group	
	2014	2013
	$'000	$'000
Construction	92,979	107,719
Precast	48,411	81,564
Property	20,722	28,264
Electric power generation	32,022	34,403
	194,134	251,950
Elimination	(25,164)	(73,156)
Total segment assets	168,970	178,794
Unallocated corporate assets	2,888	2,041
Total assets	171,858	180,835

33. Operating segment information (cont'd)

All assets are allocated to reportable segments other than deferred income tax asset of the Group and all assets of the Company other than those eliminated at consolidation.

Other segment information

	Depreciation		Additions to property, plant and equipment	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Continuing operations:				
Construction	4,444	3,608	3,569	6,118
Precast	3,725	6,861	3,835	2,735
Property	–	–	–	–
Electric power generation	1,372	1,473	27	73
	9,541	11,942	7,431	8,926
Discontinued operation:				
Property (real estate agency)	–	108	–	210
Total	9,541	12,050	7,431	9,136

The Construction segment includes reversal of provision for foreseeable losses amounting to $111,000 (2013: provision for foreseeable losses $4,202,000).

The Precast segment includes inventories written down amounting to $1,078,000 (2013: $195,000).

The Precast segment includes reversal of allowance for doubtful debts (net) amounting to $113,000 (2013: $425,000).

The Construction and Precast segments include investments in joint ventures and associates amounting to $1,332,000 (2013: $145,000 in other payables).

Geographical information

In presenting information based on geographical segments, segment revenue is based on geographical location of the customers and segment assets are based on geographical location of the assets as follows:

	Revenue		Non-current assets	
	2014	**2013**	**2014**	**2013**
	$'000	$'000	$'000	$'000
Singapore	154,913	219,818	38,412	38,697
Australia	7,538	9,077	27,603	29,971
Malaysia	1,466	2,474	16,393	17,179
Total	163,917	231,369	82,408	85,847

33. Operating segment information (cont'd)

Non-current assets information presented above consist of properties held for development, associates, joint ventures, property, plant and equipment, available-for-sale investments and goodwill on consolidation as presented in the consolidated balance sheets.

Information about major customer

The Group's major customer contributed revenue of $46,865,000 (2013: $83,287,000) to the Construction segment in Singapore.

34. Bank guarantees, performance bonds and commitments

As at 31 December 2014, the Company has provided corporate guarantees totalling $82,604,000 (2013: $88,843,000) to financial institutions in respect of credit facilities utilised by the subsidiaries.

35. Operating lease arrangements – as lessee

	Group	
	2014	**2013**
	$'000	$'000
Minimum lease payments under operating leases recognised as an expense in the year	2,970	4,943

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

	Group	
	2014	**2013**
	$'000	$'000
Within one year	2,094	2,330
In the second to fifth year inclusive	3,368	2,087
In the sixth to tenth year inclusive	1,098	1,583
	6,560	6,000

Operating lease payments represent rentals payable by the Group for rental of office, equipment, yard premises and accommodation. Leases are negotiated for an average term of 3 years (2013: 3 years).

36. Categories of financial instruments

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

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Financial assets:				
Fair value through profit or loss				
- Held for trading investments	36	33	–	–
At cost less impairment				
- Convertible loan receivable	661	–	661	–
Loans and receivables				
- Trade receivables	44,117	43,105	–	–
- Other receivables (excluding prepayments, tax recoverable, sales tax receivables and convertible loan receivable)	7,651	4,018	8,785	8,736
- Pledged fixed deposits	800	2,560	–	–
- Cash and cash equivalents	17,094	21,788	449	355
	69,662	71,471	9,234	9,091
Available-for-sale financial assets				
- Available-for-sale investments	731	538	731	538
Total financial assets	71,090	72,042	10,626	9,629
Financial liabilities:				
Financial liabilities at amortised cost				
- Bank loans and bills payable	30,580	31,385	–	–
- Trade payables	44,409	51,786	–	–
- Other payables (excluding deposits received and sales tax payables)	10,051	10,199	16,654	15,606
	85,040	93,370	16,654	15,606
Finance leases	23,697	28,308	155	207
Total financial liabilities	108,737	121,678	16,809	15,813

37. Fair value of assets and liabilities

(a) *Fair value hierarchy*

The Group categorises fair value measurement using a fair value hierarchy that is dependent on the valuation inputs as follows:

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

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

There were no transfers between Level 1, Level 2 and Level 3 of the fair value hierarchy in 2013 and 2014.

(b) *Assets and liabilities measured at fair value*

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

	Group 2014 $'000			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
Assets measured at fair value				
Financial assets:				
Held-for-trading financial assets (Note 16)				
- Quoted equity instruments	36	–	–	36
Available-for-sale financial assets (Note 22)				
- Quoted equity instruments	731	–	–	731

37. Fair value of assets and liabilities (cont'd)

(b) *Assets and liabilities measured at fair value (cont'd)*

	Group 2013 $'000			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant observable inputs other than quoted prices** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
Assets measured at fair value				
Financial assets:				
Held-for-trading financial assets (Note 16)				
- Quoted equity instruments	33	–	–	33
Available-for-sale financial assets (Note 22)				
- Quoted equity instruments	538	–	–	538

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

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

	Group 2014 $'000		Group 2013 $'000	
	Carrying amount	**Fair value (Level 3)**	**Carrying amount**	**Fair value (Level 3)**
Financial assets				
Unquoted equity investments (i)	–	–	–	–
Financial liabilities				
Finance leases (non-current) (ii)	(8,681)	(8,260)	(20,467)	(20,162)
Bank loans (non-current), fixed rate (ii)	(5,607)	(5,551)	(6,289)	(6,535)

37. Fair value of assets and liabilities (cont'd)

(c) *Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value (cont'd)*

(i) Unquoted equity investment represents 50% (2013: 50%) of total ordinary shares in Koon-Zinkon Pte Ltd which has been fully impaired in prior years.

(ii) The fair value of finance lease liabilities and interest-bearing bank loans with fixed interest rates are determined using discounted future principal and interest at the market interest rate at the end of the reporting period. The estimated future cash flows are projected based on management's best estimates.

(d) *Fair value of convertible loan receivable*

Included in other receivables (Note 13) is a convertible loan receivable amounting to $661,000 (2013: $nil). The Group is entitled to convert the convertible loan receivable to unquoted equity shares in a privately-held company. The convertible loan receivable is carried at cost less impairment because its fair value cannot be reliably determined. The variability in the range of reasonable fair value estimates is significant and the probabilities of the various estimates within the range of reasonable inputs are not sufficiently reliable to determine its fair value.

38. Financial risks management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk, interest rate risk, foreign currency risk and market price risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

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

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

38. Financial risks management objectives and policies (cont'd)

(a) ***Credit risk***

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result that the Group's exposure to bad debts is not significant.

Exposure to credit risk

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

- A nominal amount of $1,596,000 (2013: $Nil) relating to a corporate guarantee provided by the Company to the financial institution in respect of credit facilities utilised by a joint venture.

Credit risk concentration profile

Concentration of credit risk exists when economic, industry or geographical factors similarly affect Group counter parties whose aggregate credit exposure is significant in relation to the Group's total credit exposure.

The Group's customers are mainly located in Singapore and Australia. The Group has significant concentration of credit risk in that its top 5 debtors accounted for $36,201,000 (2013: $12,911,000) or 82% (2013: 30%) of the gross trade receivables balance at year end.

Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are with creditworthy debtors with good payment record with the Group. Cash and bank balances that are neither past due nor impaired are placed with reputable financial institutions with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 12 (Trade receivables).

38. Financial risks management objectives and policies (cont'd)

(b) ***Liquidity risk***

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

The Group recorded net current liability of $7,674,000 at 31 December 2014 (2013: $127,000 net current assets) as the current portion of finance leases included the principal of final balloon installments totalling $9,591,000 ("Balloon Installments") of the borrowings for three power generation plants under Tesla Group which were initially scheduled for repayment on December 2015. Subsequent to the balance sheet date, Tesla Group has entered into a refinancing arrangement with its bank to defer the payment due date of the Balloon Installments to March 2016 (Note 41). During the year, positive operating cash flows before working capital changes was $15,120,000 (2013: $8,244,000) and cash generated from operations after working capital changes was $6,569,000 (2013: $16,755,000). The Group maintains sufficient cash and cash equivalents, and internally generated cash flows to finance its activities. Future routine working capital requirements are expected to be funded with cash and cash equivalents, internally generated cash flows and several credit lines to draw on for routine working capital requirements.

Credit lines are reviewed with providers of credit facilities from time to time. Based on these evaluations, management expects that there will be sufficient liquidity for the Group's operations in the next financial year.

Analysis of financial instruments by remaining contractual maturities

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

38. Financial risks management objectives and policies (cont'd)

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

	1 year or less	1 to 5 years	After 5 years	Total
	$'000	$'000	$'000	$'000
Group				
2014				
Financial assets:				
Held for trading investments	36	–	–	36
Trade receivables	44,117	–	–	44,117
Other receivables	8,073	239	–	8,312
Pledged fixed deposits	800	–	–	800
Cash and cash equivalents	17,094	–	–	17,094
Available-for-sale investments	–	731	–	731
Total undiscounted financial assets	70,120	970	–	71,090
Financial liabilities:				
Bank loans and bills payable	22,074	9,226	–	31,300
Trade payables	44,409	–	–	44,409
Other payables	9,962	89	–	10,051
Finance leases	15,943	9,007	–	24,950
Total undiscounted financial liabilities	92,388	18,322	–	110,710
Total net undiscounted financial liabilities	(22,268)	(17,352)	–	(39,620)
2013				
Financial assets:				
Held for trading investments	33	–	–	33
Trade receivables	43,105	–	–	43,105
Other receivables	3,667	351	–	4,018
Pledged fixed deposits	2,560	–	–	2,560
Cash and cash equivalents	21,788	–	–	21,788
Available-for-sale investments	–	538	–	538
Total undiscounted financial assets	71,153	889	–	72,042
Financial liabilities:				
Bank loans and bills payable	20,848	11,120	–	31,968
Trade payables	51,786	–	–	51,786
Other payables	7,699	2,500	–	10,199
Finance leases	8,965	21,532	–	30,497
Total undiscounted financial liabilities	89,298	35,152	–	124,450
Total net undiscounted financial liabilities	(18,145)	(34,263)	–	(52,408)

38. Financial risks management objectives and policies (cont'd)

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

	1 year or less $'000	1 to 5 years $'000	After 5 years $'000	Total $'000
Company				
2014				
Financial assets:				
Other receivables	9,446	–	–	9,446
Cash and cash equivalents	449	–	–	449
Available-for-sale investments	–	731	–	731
Total undiscounted financial assets	9,895	731	–	10,626
Financial liabilities:				
Other payables	16,654	–	–	16,654
Finance leases	60	106	–	166
Total undiscounted financial liabilities	16,714	106	–	16,820
Total net undiscounted financial (liabilities)/assets	(6,819)	625	–	(6,194)
2013				
Financial assets:				
Other receivables	8,736	–	–	8,736
Cash and cash equivalents	355	–	–	355
Available-for-sale investments	–	538	–	538
Total undiscounted financial assets	9,091	538	–	9,629
Financial liabilities:				
Other payables	13,106	2,500	–	15,606
Finance leases	58	166	–	224
Total undiscounted financial liabilities	13,164	2,666	–	15,830
Total net undiscounted financial liabilities	(4,073)	(2,128)	–	(6,201)

38. Financial risks management objectives and policies (cont'd)

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates.

Interest-yielding financial assets are mainly bank balances, fixed deposit and loan to investee company. The interest rates for finance leases, loan to investee company and certain bank loans are fixed on the date of inception. Any variation in the short-term interest rates will not have a material impact on the results of the Group.

The Group is exposed to the effect of changes of interest rates on bank borrowings and bills payable totalling $24,153,000 (2013: $29,433,000). Management has assessed that the effect of any reasonably possible changes in interest rates will not have a significant impact on the Group's operating results.

<u>Sensitivity analysis for interest rate risk</u>

At the end of the reporting period, if SGD interest rates had been 1%(2013:1%) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $242,000 (2013: $294,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment, showing a significantly higher volatility as in prior years.

(d) *Foreign exchange risk*

The activities of the Company and the subsidiaries are mainly conducted in the functional currencies of the respective entities. Management considers the Group's exposure to foreign exchange risk to be low.

(e) *Market price risk*

Market price risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market prices (other than interest or exchange rates). The Group is exposed to equity price risk arising from its investment in quoted equity securities. These securities are quoted on SGX-ST and ASX in Singapore and Australia respectively are classified as held for trading or available-for-sale financial assets. The Group does not have exposure to commodity price risk.

<u>Sensitivity analysis for equity price risk</u>

As at 31 December 2014, the Group's investment in quoted equity securities amounted to $767,000 (2013: $571,000). At the end of the reporting period, if the STI and ASX had been 2% (2013: 2%) higher/lower with all other variables held constant, the Group's profit before tax would have been $720 (2013: $660) higher/lower, arising as a result of higher/lower fair value gains on held for trading investments in equity instruments, and the Group's other comprehensive income would have been $14,620 (2013: $10,760) higher/lower, arising as a result of an increase/decrease in the fair value of equity securities classified as available-for-sale.

39. Capital management

The Group manages its capital to ensure that entities in the Group will be able to continue as going concerns while maximising the return to stakeholders through the optimisation of relative proportions of debt and equity.

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

The Group monitors capital using a gearing ratio, which is net debt divided by total capital. The Group includes within net debt, loans and borrowings less cash and bank balances. Capital includes equity attributable to the owners of the Company add the fair value adjustment reserve.

	Group	
	2014	**2013**
	$'000	$'000
Bank loans and borrowings	54,277	59,693
Less: Cash and bank balances (Note 11)	(17,894)	(24,348)
Net debt	36,383	35,345
Equity attributable to the owners of the Company	52,083	47,387
Add: Fair value adjustment reserve	212	405
Total capital	52,295	47,792
Net gearing ratio	70%	74%

40. Dividends

	Group	
	2014	**2013**
	$'000	$'000
Final dividend of $0.005 per share on 263,007,800 ordinary shares in respect of financial year ended 31 December 2012	–	1,315
Dividend in specie comprising distribution of shares in GPS Alliance Holdings Limited to the shareholders of Koon Holdings Limited (Note 32)	–	4,060
	–	5,375

41. Subsequent event

The Group's finance leases due within twelve months included the principal of final balloon installments totalling $9,591,000 ("Balloon Installments") of the borrowings for three power generation plants under Tesla Group which were initially scheduled for repayment in December 2015. Subsequent to the balance sheet date, Tesla Group has entered into a refinancing arrangement with its bank to defer the payment due date of the Balloon Installments to March 2016.

42. Comparative figures

The financial statements for the year ended 31 December 2013 were audited by another firm.

43. Authorisation of financial statements

The financial statements for the financial year ended 31 December 2014 were authorised for issue in accordance with a resolution of the directors on 20 March 2015.