BROADWAY
INDUSTRIAL GROUP LIMITED

TRANSFORMATION

ANNUAL REPORT 2014

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CORPORATE **PROFILE**

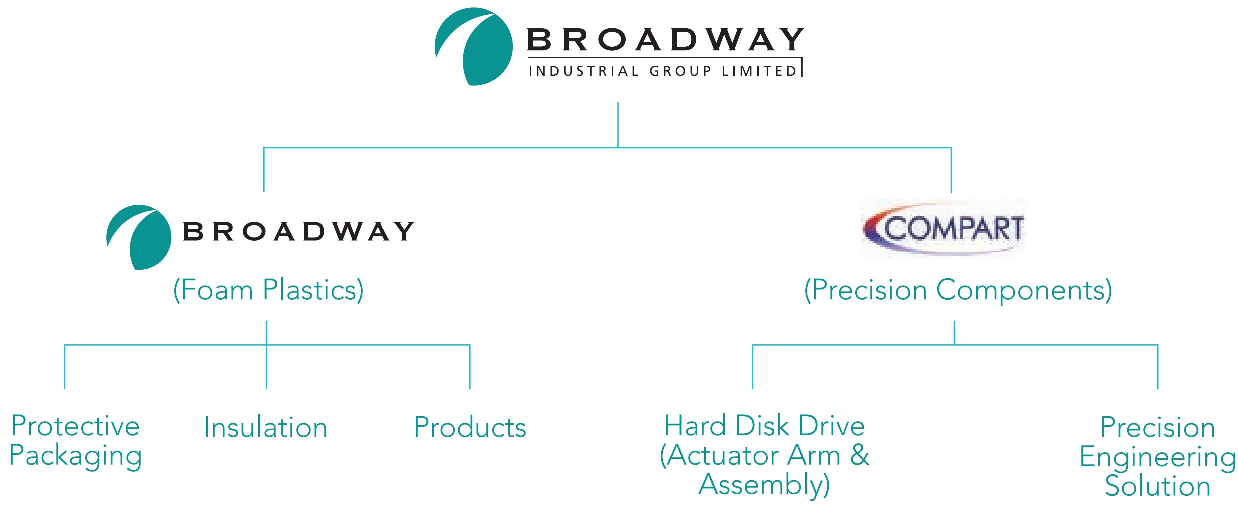
Broadway Industrial Group Limited ("Broadway" or the "Company") is a leading manufacturer of precision-machined components and engineered foam plastic solutions provider, offering an excellent mix of cost-efficient manufacturing facilities, state-of-the-art technologies, an experienced management team, and innovative solutions to a global customer base.

Founded in 1969 and listed on the SGX Mainboard in 1994, Broadway and its subsidiaries (the "Group") comprises over 15 manufacturing facilities across China, Thailand and the USA. The Group currently employs more than 10,000 people worldwide.

Through its wholly-owned subsidiary, Compart Asia Pte Ltd, Broadway is one of the top manufacturers of actuator arms and related assembled parts for the global hard disk drive ("HDD") industry. Other than the HDD industry, Compart also supply precision components to the semiconductor, automotive and other industries.

With over 40 years of track record, Broadway is also a leading-edge producer of eco-friendly foam solutions for protective packaging, insulation, automotive, medical and other applications. With an emphasis on innovation, quality and reliability, Broadway's Foam Plastics division has developed a strong pool of global customers in the consumer electronics, automotive, construction, shipbuilding and other emerging industries.

For more information, please visit our website at www.bw-grp.com.



Sales Breakdown
averaged across last 5 years

Precision Components 73%
Foam Plastics 23%

Profit before tax breakdown
averaged across last 5 years

Precision Components 40%
Foam Plastics 60%

CHAIRMAN'S **STATEMENT**

Dear Shareholders,

General Review

The financial year ended 31 December 2014 ("FY2014") continued to be a difficult and challenging one, although it was a turnaround year for the operating results. The details of the turnaround are given in greater detail in the CEO's message. The main reasons for the turnaround, especially evident in the second half of the financial year, are restructuring and right sizing of the operations in the HDD business, higher productivity in the manufacturing process arising from improved workflow and better control over costs and cash flow management.

Unfortunately, the better operational results were negatively impacted by the unrealised marked-to-market fair value losses of financial derivatives and also realized foreign exchange losses due to the unforeseen strengthening of the USD against the RMB in the latter half of the financial year. As a result of the above, our profit after tax and minority interest ("PATMI") declined, from $1.6m in FY2013 to $0.2m in FY2014. However, it is heartening to note that the group's Core PATMI increased by $13.2m, from a loss of $5.7m in FY2013 to a profit of $7.5m in FY2014.

During FY2014, a rights issue was carried out to strengthen our financial position and improve our capital base. The exercise was a success with the issue oversubscribed. In this regard, we would like to thank all shareholders for their faith in the company and their continued loyal support.

In order to continue to conserve cash to improve our liquidity and to strengthen our balance sheet going forward, the Board has decided not to declare any dividends for FY2014. We seek our shareholders' understanding on this, and will surely make this up to shareholders at the appropriate time in the future.

Outlook and Future Prospects

The global economic outlook appears rather uncertain overall now, although global growth was forecasted to accelerate early this year mainly because of tumbling oil prices. It looks like the divergence in economic performance between economies doing well and those that have problems will persist.

The USA, the bright spark in a troubled world this year, is expected to perform above trend as the Fed moves to exit quantitative easing and is waiting to find the right time to start hiking interest rates slowly this year. As a result, the US dollar is expected to strengthen further, making American exports less competitive.

In Europe, Greece continues to grapple with its huge budget deficit, casting great uncertainty over the Euro. The European Central Bank has embarked on its first ever government bond purchases to ward off deflationary pressures. The Euro is expected to weaken further as a result, thereby helping European goods compete better globally and the region recover economically.

In China, economic growth is expected to slow to about 7%. Wage and other costs are expected to continue to increase, putting pressure on lower value added manufacturing operations, but at the same time, creating better purchasing power for greater domestic consumption. The Chinese government is expected to maintain its policy of maintaining a fairly stable RMB under the current circumstances.

In Japan, the Abe government will continue its monetary easing in order to increase domestic investment and consumption. Unfortunately, this will lead to further weakening of the Japanese Yen against most other currencies.

In Asia, the monetary easing in many economies and the low oil prices will offer many countries an opportunity to follow through on their structural reforms for longer term sustainable growth.

. . . the Group will confront many challenges as we pursue our goal of transforming our businesses into leaner outfits focusing more on innovation and higher value-added products . . .

Challenges for the Group

Given the world scenario for this year, the Group will confront many challenges as we pursue our goal of transforming our businesses into leaner outfits focusing more on innovation and higher value-added products than on labour intensive ones that survive on sheer volume. We will have to continue to manage our costs better in our manufacturing bases, improve the hedging of exchange rate volatilities of our major operating currencies, review our organization and business structures to optimize our cash flows and strengthen our financial position. We will have to review and strengthen our human resources, and ensure that they have the right skillsets to achieve these objectives. We will also continue to review our businesses for opportunities to unlock value for all our shareholders.

Appreciation

On behalf of the Board, I would like to express my gratitude to our management and staff for their hard work in helping to turnaround the Group last year, and for their continued perseverance and resolve to transform the Group into a leaner, but more profitable one in the coming year. Let me also thank our customers, vendors, bankers and business partners for their continued support.

I would also like to thank all my fellow Board members for their contributions to the Group, especially for their time and wise counsel. In this respect, I would like to place on record the Group's huge gratitude to the late Mr Wong Sheung Sze, a Non-Executive Director and Advisor to the Group. Mr Wong was a pioneer of the Company and the former Chairman and CEO for several decades. He had built up the businesses of the Group with true grit, vision and personal leadership. His recent passing was a great loss to us and we extend our deepest sympathy and condolences to his family. Fortunately, our succession plan has already been put in place, and hence, his sudden demise is not expected to affect the Group's performance negatively.

Last but not least, I thank all shareholders for their unwavering support over the years.

MR LEW SYN PAU
Chairman and Independent Director
Broadway Industrial Group Limited

EXECUTIVE DIRECTOR AND CHIEF EXECUTIVE OFFICER'S **STATEMENT**

Dear Shareholders

Group Overview

FY2014 presented a challenging operating environment for the Group, with uncertainty in the global economy and high volatility in the foreign exchange markets.

During the year, we deployed key initiatives to turnaround our financial performance. We restructured our cost model and improved productivity through operational streamlining and right sizing. Our sales turnover rose 7.7% year-on-year to $694.5m in FY2014 versus $644.7m in FY2013. With prompt execution of our initiatives and attention to financial discipline, we improved the Group's gross profit by 19.7% year-on-year to $67.5m in FY2014 versus $56.4m in FY2013.

To illustrate the operational turnaround in FY2014, the Group realized quarterly sequential improvement of its core earnings before interest, taxes, depreciation and amortization ("EBITDA") (ie. EBITDA excluding foreign exchange gains and losses and exceptional or extraordinary items) as follows: $6.4m in 1Q2014, $13.2m in 2Q2014, $15.3m in 3Q2014 and $17.8m in 4Q2014.

Notwithstanding the improvement in operational performance, our financials were adversely affected by the volatile foreign exchange market. In FY2014, the Group suffered $5.5m in unrealised marked-to-market (MTM) fair value losses on financial derivatives and $1.4m in realised foreign exchange losses, compared with gains of $6.3m in unrealised MTM fair value and $0.4m in realised foreign exchange in FY2013. Although MTM fair value losses are non-cash items, these still had a negative effect on our reported earnings. The Group's profit before income tax ("PBT") was a loss of $2.7m in FY2014 compared with PBT of $6.1m in FY2013, but the core PBT (ie. PBT excluding forex gains and losses and exceptional or extraordinary items) was $4.7m in FY2014 versus core PBT of negative $1.2m in FY2013.

Our focus on financial discipline also resulted in free cash flow of $35.6m for FY2014, compared to a negative free cash flow of $1.0m for FY2013. The Group's net gearing ratio was also reduced to 43.0% in FY2014 from 64.4% in FY2013.

Hard Disk Drive (HDD) Segment

Our HDD segment recorded year-on-year revenue growth of 7.0% in FY2014 from $370.3m to $396.2m.

The HDD industry is a mature market with anticipated flattish annual volume trend. The HDD industry managed to record year-on-year growth of 2.2% in FY2014 to 564m units shipped. For 2015, Trendfocus's long term forecast (Feb 2015) projected HDD volume to decline 1.7% to 554m units. Nevertheless, this is still a high volume business and can be profitable with the right cost model.

The Group's improved core earnings in FY2014 are mainly due to restructuring and right sizing of the HDD operations.

Precision Engineering Solution (PES) Segment

The PES segment recorded year-on-year revenue growth of 28.7% in FY2014 from $77.9m to $100.3m.

We repositioned the former non-HDD precision components machining segment and renamed it as "Precision Engineering Solutions", to emphasize the importance of a growth platform outside of the HDD industry. The PES segment mainly comprises the machining of precision components for the semiconductor wafer fab gas delivery system and metal frames for the mobile devices industry.

The most recent edition of the SEMI World Fab Forecast report (March 2015), which tracks semiconductor wafer fab equipment spending, projected a positive outlook for the industry. The report shows that semiconductor wafer fab equipment spending in 2014 increased 20%, and is expected to rise 15% in 2015.

Foam Plastics Solution (FPS) Segment

The FPS segment posted slight year-on-year revenue growth of 0.8% in FY2014 from $196.5m to $198.0m.

The performance of China's economy has a significant impact on the performance our FPS segment, and the modest growth experienced by the FPS segment in FY2014 was largely due to the softening of China's economy. The FPS segment will similarly be linked to the performance of China's economy in FY2015.

. . . we shall embark on key transformative initiatives to improve the profitability achieved in FY2014, as well as shape our future for growth.

We will further intensify the FPS business development effort to secure new customers and products in order to outperform China's economic growth.

Transformation for sustainability and growth

Given the uncertainty in the global economy, we shall embark on key transformative initiatives to improve the profitability achieved in FY2014, as well as shape our future for growth.

We shall review and revamp our business models to increase the value creation and profit generation process, together with customer segmentation and value chain positioning. Concurrently, we shall also increase our innovation as a driver for growth.

The overall strategic direction is to transform the Group's businesses from labour intensive to skill intensive, and from capital intensive to technology intensive.

Acknowledgement

I would like to thank the Board for their support and guidance, and management and staff for their commitment and dedication, each devoting their time and effort towards the best interests of the Group. I would also like to thank each of our business partners, shareholders and bankers for their continued support.

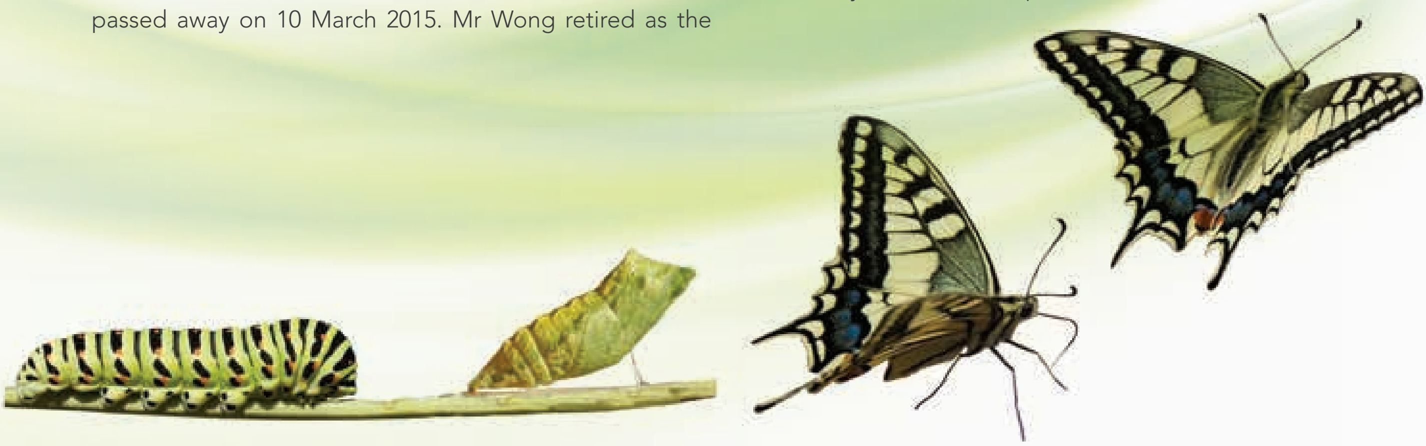
I would also like to pay tribute to the late Mr Wong Sheung Sze, the Group's pioneer and Non-Executive Director who passed away on 10 March 2015. Mr Wong retired as the Executive Chairman of the Board on 31 January 2014, and continued as a Non-Executive Director and Advisor of the Company.

As the pioneer leader of the Group, Mr Wong had contributed immensely to the success of the Group, bringing it from a local manufacturer of foam plastics protective packaging to a leading diversified foam plastics solutions provider for packaging, foam products and insulation. Mr Wong also led the Group in its establishment and expansion of precision machining businesses into diversified market segments, including components for hard disk drives, mobile devices, semiconductor gas flow control, automotive and other industrial applications.

Although the Company has lost a great visionary leader and former chief executive, the loss is not expected to impact the business and operations of the Group adversely as the succession plan of the Group had been implemented more than a year ago.

Mr Wong will always be remembered for his guidance, leadership, commitment, dedication and invaluable contributions to the Company through the last 4 decades.

MR LEE WAI LEONG (JEREMY)
Executive Director and Chief Executive Officer
Broadway Industrial Group Limited



BOARD OF DIRECTORS

MR LEW SYN PAU

Chairman and Independent Director, 61

Mr Lew was appointed as an independent Director on 2 November 2011 and was re-elected on 23 April 2014. He is currently the Non-Executive Chairman of Achieva Limited and also sits on the boards of listed companies Food Empire Holdings Limited, Golden Agri-Resources Limited and Poh Tiong Choon Logistics Limited. His prior work experience included being General Manager and Senior Country Officer of Banque Indosuez, Singapore Branch, Executive Director of NTUC Fairprice Co-operative Limited, Managing Director of NTUC Comfort Co-operative Limited and Assistant Secretary-General of NTUC. A Singapore Government Scholar, Mr Lew began his career with the Singapore Administrative Service. He holds a Masters in Engineering for Cambridge University, UK, and a Masters in Business Administration from Stanford University, USA. He was a Member of Parliament from 1988 to 2001.

MR LEE WAI LEONG (JEREMY)

Executive Director and Chief Executive Officer, 56

Mr Lee was appointed as an Executive Director of the Board on 14 January 2015. He joined the Group as Chief Strategy Officer in May 2009. He was subsequently promoted to Acting Chief Executive Officer in August 2013 and appointed as Chief Executive Officer on 1 August 2014. Mr Lee is responsible for providing leadership in development of the strategic plan and management of resources to advance the Company's mission and objectives. He has more than 30 years of experience in business management and manufacturing operations in electronics assembly and precision engineering industries. Mr Lee holds a Master of Business Administration from Golden Gate University, USA.

MR NG AH HOY

Executive Director, 64

Mr Ng has more than 30 years of management experience in the electronics and manufacturing industry. He is currently the Senior Managing Director of the Group's Foam Plastics division, responsible for its business operations and growth direction. Prior to joining the Group in 1990, Mr Ng headed the manufacturing operations of several multi-national corporations. Mr Ng graduated from the University of Singapore with a Bachelor of Engineering Degree in Mechanical Engineering. He was last re-elected as a Director on 27 April 2012.

MR LEE CHOW SOON

Independent Director, 75

Mr Lee joined the Board in 1994 and was last re-appointed on 23 April 2014. Mr Lee has been practicing as an Advocate and Solicitor and is currently a senior partner of Messrs Tan Lee & Partners, a firm of advocates and solicitors. He holds a Degree in Law from the University of London and an Honours Degree in Law from the University of Singapore. Mr Lee is a Justice of the Peace. He was awarded PBM in 1998 and BBM in 2006.

MR EU YEE MING RICHARD

Independent Director, 67

Mr Eu joined the Board in 2005 and was last re-elected on 29 April 2013. He is currently the Group Chief Executive Officer of SGX Mainboard listed Eu Yan Sang International Ltd. Mr Eu is also actively involved in the community projects and non-profit organizations such as the SIM University (UniSIM) and the National Heritage Board. He graduated with a Bachelor Degree in Law from the London University, UK.

MR LEE PO LO @ LEE KHONG KEE

Non-Executive Director, 63

Mr Lee was the strategic advisor to the Group's Foam Plastics division since 2011 till his retirement in 2014. Mr Lee served as Executive Director of the Group's Foam Plastic division since the Group's listing in 1994. During his more than 30 years tenure, he led the division's business development and was instrumental in building an extensive international customer base for the Foam Plastics business. Mr Lee is a Colombo Plan Scholar and graduated from the University of Auckland, New Zealand, with an Honours Degree in Mechanical Engineering. He also holds a Masters Degree in industrial Engineering and a Masters Degree in Business Administration from the National University of Singapore. He is a registered professional engineer with the Singapore Professional Engineer Board. He was last re-elected as a Director on 29 April 2013.

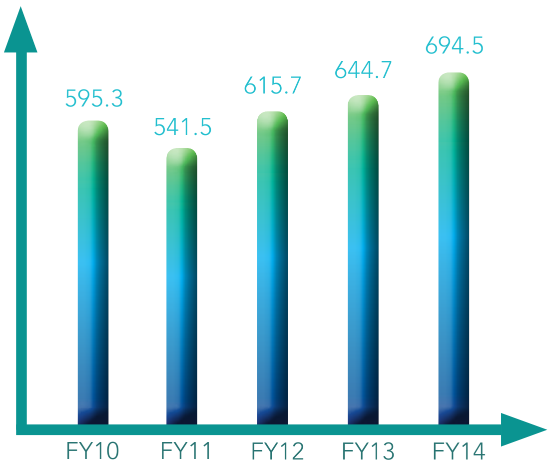
MS WONG YI JIA

Non-Executive Director, 31

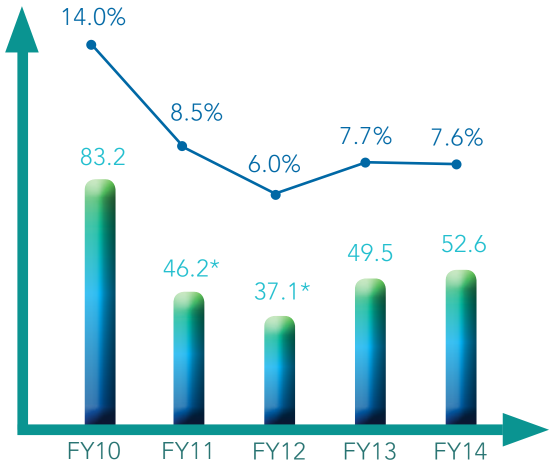
Ms Wong Yi Jia was appointed as a Non-Executive Director on 30 March 2015. Ms Wong was the Corporate Legal Counsel of the Group from July 2012 to March 2015, and was also the Joint Company Secretary of the Company. She is currently a practicing lawyer at Allen & Gledhill LLP. Ms Wong graduated from King's College London with a Bachelor of Laws degree and holds a Master of Laws degree from University College London.

FINANCIAL **HIGHLIGHTS**

TURNOVER (S$' MIL)

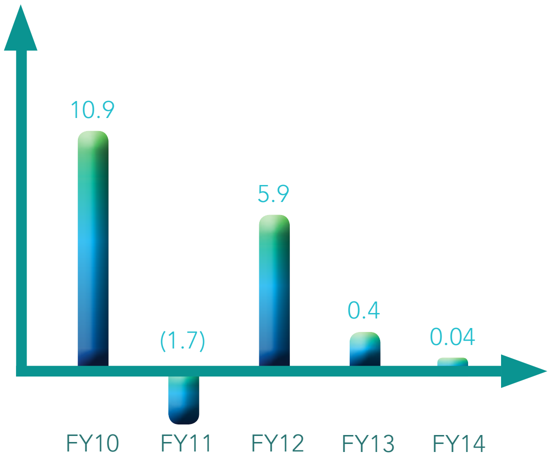


CORE EBITDA (S$' MIL) Excluding net forex gain/losses



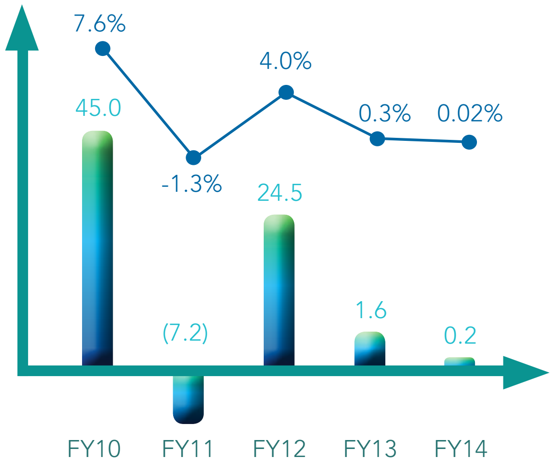
* Excluding Thailand flood impact (2011) and insurance claim (2012)

EPS (S CENTS)

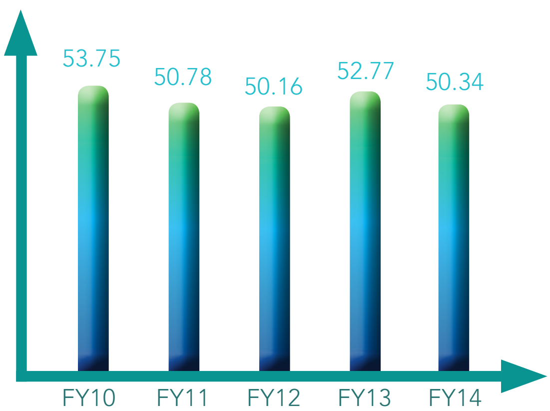


FY'10 figure has been revised to account for the 1-1 bonus issue in 2011

PATMI (S$' MIL)

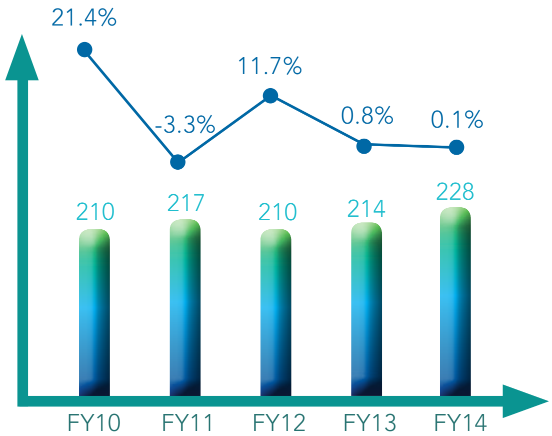


NAV PER SHARE (S CENTS)



FY'10 figure has been revised to account for the 1-1 bonus issue in 2011

RETURN ON EQUITY (ROE)*



* Based on average Shareholders' equity

CORPORATE **INFORMATION**

BOARD OF DIRECTORS

Lew Syn Pau	Chairman Independent Director
Lee Chow Soon	Independent Director
Eu Yee Ming Richard	Independent Director
Lee Po Lo @ Lee Khong Kee	Non-Executive Director
Lee Wai Leong (Jeremy)	Executive Director (Appointed on 14 January 2015) Chief Executive Officer
Ng Ah Hoy	Executive Director
Wong Yi Jia	Non-Executive Director (Appointed on 30 March 2015)

AUDIT COMMITTEE

Lee Chow Soon	Chairman
Lew Syn Pau	
Eu Yee Ming Richard	
Lee Po Lo @ Lee Khong Kee	

REMUNERATION COMMITTEE

Eu Yee Ming Richard	Chairman
Lew Syn Pau	
Lee Chow Soon	

NOMINATION COMMITTEE

Eu Yee Ming Richard	Chairman
Lew Syn Pau	
Lee Chow Soon	

COMPANY SECRETARIES

Chang Ai Ling
Cho Form Po (Appointed on 30 March 2015)

AUDITORS

KPMG LLP
16 Raffles Quay
#22-00 Hong Leong Building
Singapore 048581
Tel: (65) 6213 3388

Audit Partner-in-charge:
Ms Chu Sook Fun (appointed in FY2011)

BUSINESS OFFICE

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#13-26/27 Symbiosis Tower
Singapore 138633
Tel: (65) 6236 0088
Fax: (65) 6226 6119

REGISTERED OFFICE

50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

SHARE REGISTRAR

Boardroom Corporate &
Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623
Tel: (65) 6536 5355
Fax: (65) 6536 1360

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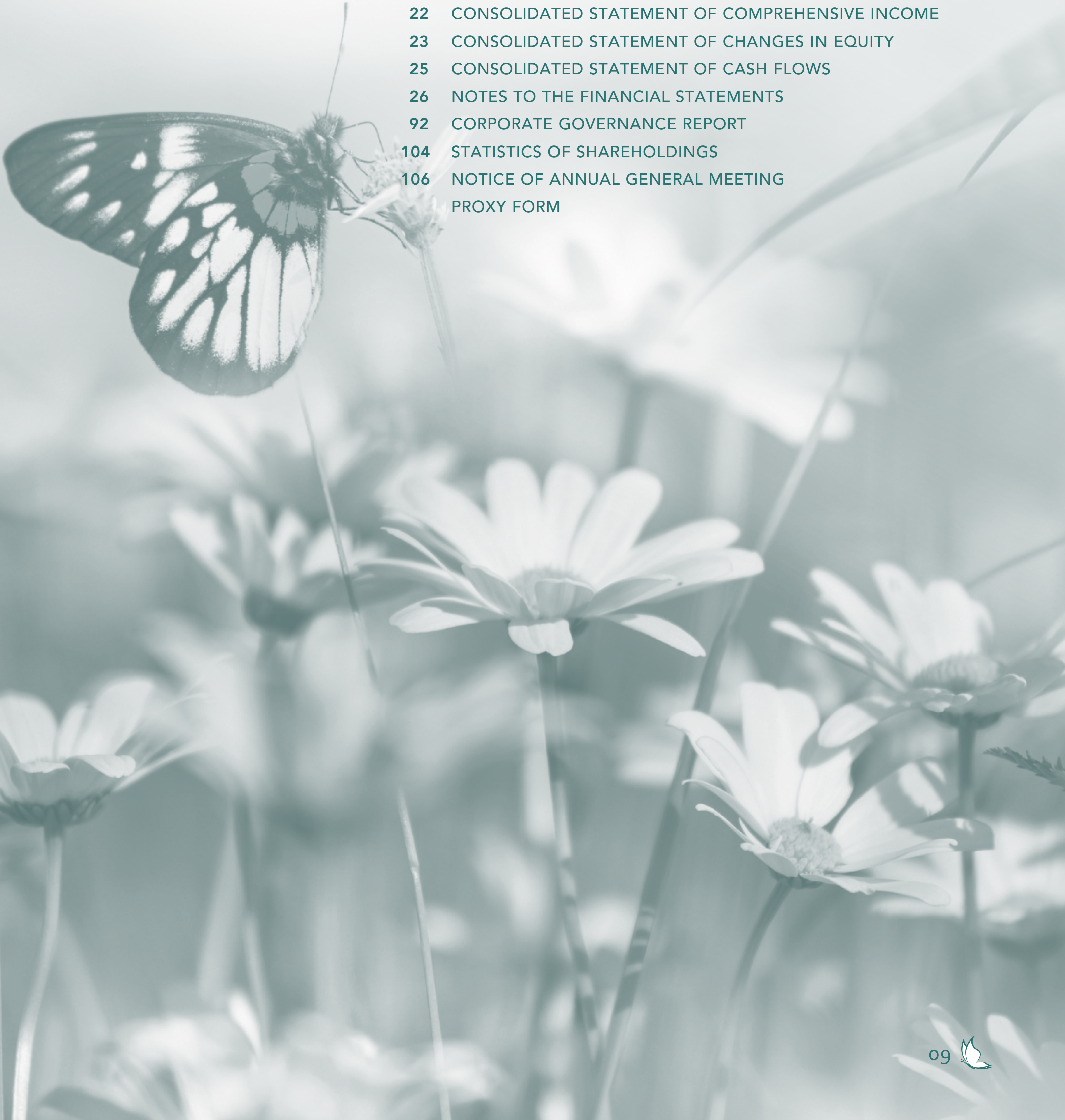

DIRECTORS' REPORT

We are pleased to submit this annual report to the members of the Company together with the audited financial statements for the financial year ended 31 December 2014.

Directors

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

Lew Syn Pau
Lee Chow Soon
Eu Yee Ming Richard
Lee Po Lo @ Lee Khong Kee
Ng Ah Hoy
Lee Wai Leong (Jeremy) (Appointed on 14 January 2015)
Wong Yi Jia (Appointed on 30 March 2015)

Directors' interests

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

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
The Company		
Wong Sheung Sze		
– ordinary shares		
– interests held	70,456,890	79,851,142
– deemed interests	79,691,884	90,317,468
Lew Syn Pau		
– ordinary shares		
– interests held	17,728,800	92,640
– deemed interests	21,600,000	44,479,999
Lee Chow Soon		
– ordinary shares		
– interests held	400,000	453,333
– options to subscribe for ordinary shares at:		
– $0.45 per share between 03/03/2011 and 03/03/2015	100,000	100,000
– $0.50 per share between 04/03/2012 and 04/03/2016	100,000	100,000

DIRECTORS' REPORT (cont'd)

Name of director and corporation in which interests are held	Holdings at beginning of the year	Holdings at end of the year
The Company		
Eu Yee Ming Richard		
– ordinary shares		
– interests held	130,000	147,333
– options to subscribe for ordinary shares at:		
– $0.45 per share between 03/03/2011 and 03/03/2015	100,000	100,000
– $0.50 per share between 04/03/2012 and 04/03/2016	100,000	100,000
Lee Po Lo @ Lee Khong Kee		
– ordinary shares		
– interests held	1,643,908	1,861,962
– options to subscribe for ordinary shares at:		
– $0.45 per share between 03/03/2011 and 03/03/2020	150,000	150,000
– share awards to be delivered from 2013 to 2015	0 to 30,000(1)	0 to 20,000(1)
– share awards to be delivered from 2014 to 2016	0 to 60,000(2)	0 to 45,000(2)
Ng Ah Hoy		
– ordinary shares		
– interests held	880,000	1,037,000
– deemed interests	60,000	128,000
– options to subscribe for ordinary shares at:		
– $0.45 per share between 03/03/2011 and 03/03/2020	150,000	150,000
– share awards to be delivered from 2013 to 2015	0 to 60,000(1)	0 to 40,000(1)
– share awards to be delivered from 2014 to 2016	0 to 60,000(2)	0 to 45,000(2)
– share awards to be delivered from 2015 to 2017	0 to 50,000(3)	0 to 50,000(3)
– share awards to be delivered from 2016 to 2018	–	0 to 25,000(4)

(1) The actual number of shares to be delivered will depend on the achievement of set targets over a four-year period from 2012 to 2015.

(2) The actual amount of shares to be delivered will depend on the achievement of set targets over a four-year period from 2013 to 2016.

(3) The actual amount of shares to be delivered will depend on the achievement of set targets over a four-year period from 2014 to 2017.

(4) The actual amount of shares to be delivered will depend on the achievement of set targets over a four-year period from 2015 to 2018.

By virtue of Section 7 of the Act, Wong Sheung Sze is deemed to have interests in the other subsidiaries of the Company, at the beginning and at the end of the financial year.

DIRECTORS' REPORT (cont'd)

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

There were no changes in any of the above mentioned interests in the Company between the end of the financial year end and 21 January 2015.

Except as disclosed under the "Share Options" and "Share Plan" sections of this report, neither at the end of, nor at any time during the financial year, was the Company a party to any arrangement whose objects are, or one of whose objects is, to enable the directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

Except for salaries, bonuses and fees and those benefits that are disclosed in this report and in note 35 to the financial statements, since the end of the last financial year, no director 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 he is a member, or with a company in which he has a substantial financial interest.

Share options

The BIGL Share Option Scheme 2001 (the "Scheme") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 8 November 2001. The Scheme is administered by the Company's Remuneration Committee, comprising four directors, Eu Yee Ming Richard, Lee Chow Soon, Lew Syn Pau and Wong Sheung Sze. The Scheme expired on 7 November 2011.

Other information regarding the Scheme is set out below:

- The options can be exercised 1 year after the grant date for market price options and 2 years after the grant date for incentive options. A further vesting period for the exercise of the options may be set.

- The exercise price of the incentive options can be set at a discount to the market price not exceeding 20% of the market price in respect of options granted at the time of grant.

- All options are settled by physical delivery of shares.

- The options granted expire after 5 years for non-executive directors and 10 years for employees.

DIRECTORS' REPORT (cont'd)

At the end of the financial year, details of the options granted under the Scheme on the unissued ordinary shares of the Company, are as follows:

Date of grant of options	Exercise price per share $	Options outstanding as at 1 January 2014	Options granted	Options exercised	Options forfeited	Options outstanding as at 31 December 2014	Number of option holders as at 31 December 2014	Exercise period
06/03/2009	0.07	16,000	–	–	–	16,000	1	06/03/2010 to 06/03/2019
02/06/2009	0.14	200,000^	–	–	–	200,000	1	02/06/2011 to 02/06/2019
03/03/2010	0.45	880,000	–	–	(160,000)	720,000	13	03/03/2011 to 03/03/2020
03/03/2010	0.45	200,000	–	–	–	200,000	2	03/03/2011 to 03/03/2015
11/05/2010	0.565	200,000	–	–	–	200,000	1	11/05/2011 to 11/05/2020
04/03/2011	0.50	200,000	–	–	–	200,000	2	04/03/2012 to 04/03/2016
10/05/2011	0.51	200,000	–	–	–	200,000	1	10/05/2012 to 10/05/2021
		1,896,000	–	–	(160,000)	1,736,000		

^ These options were granted at a discount of 20%.

Details of options granted to directors and an employee of the Company under the Scheme are as follows:

	Aggregate options granted since commencement of Scheme to 31 December 2014	Aggregate options exercised since commencement of Scheme to 31 December 2014	Aggregate options forfeited since commencement of Scheme to 31 December 2014	Aggregate options outstanding as at 31 December 2014
Name of director				
Lee Chow Soon	500,000	(200,000)	(100,000)	200,000
Eu Yee Ming Richard	365,000	(65,000)	(100,000)	200,000
Lee Po Lo @ Lee Khong Kee	960,000	(810,000)	–	150,000
Ng Ah Hoy	1,010,000	(860,000)	–	150,000
Name of employee				
Lee Wai Leong (Jeremy)	600,000	–	–	600,000

DIRECTORS' REPORT (cont'd)

Except for the above directors and an employee, no options have been granted to the controlling shareholders of the Company or their associates and no participant under the Scheme has been granted 5% or more of the total options available under the Scheme during the financial year ended 31 December 2014.

Since the commencement of the Scheme, no options have been granted to employees of the Company or its related corporations under the Scheme, except for 14 employees of the Company, of which an employee is also a director of the Company, who were granted options to subscribe for a total of 3,633,000 ordinary shares (adjusted for one-for-one bonus share issue in 2011) in the Company.

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company.

Share plan

The BIGL Share Plan (the "Plan") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 28 July 2010. The Plan is administered by the Company's Remuneration Committee, comprising four directors, Eu Yee Ming Richard, Lee Chow Soon, Lew Syn Pau and Wong Sheung Sze.

The Plan is intended to reward, retain and motivate employees to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to outstanding employees of the Group and/or associated companies.

Awards will be released to participants as fully paid shares upon expiry of the prescribed vesting periods or retention periods and subject to conditions prescribed in the Plan.

Employees of the Group and/or associated companies shall be eligible to participate in the Plan subject to the absolute discretion of the Remuneration Committee. Non-executive directors of the Group and associated companies, controlling shareholders and their associates will not be eligible to participate in the Plan.

As at the date of this report, 1,054,000 shares, 910,000 shares, 577,000 shares and 430,000 shares have been granted conditionally under the Plan for the financial years ended 31 December 2011, 31 December 2012, 31 December 2013 and 31 December 2014 respectively. The actual number of shares awarded will depend on the achievement of set targets over a four-year period. This will be determined by the Remuneration Committee at the end of the qualifying performance period and released to the recipient over a four-year vesting period in the ratio of 0%, 25%, 25% and 50% consecutively.

DIRECTORS' REPORT (cont'd)

The details of the awards granted under the Plan are as follows:

Date of grant of share awards	Share awards not released at 1 January 2014	Share awards granted during the financial year ended 31 December 2014	Share awards granted since commencement of Plan to 31 December 2014	Share awards vested since commencement of Plan to 31 December 2014	Share awards forfeited since commencement of Plan to 31 December 2014	Share awards not released at 31 December 2014
4 March 2011	601,500	–	1,054,000	(392,500)	(373,500)	288,000
4 April 2012	100,000	–	165,000	(25,000)	(65,000)	75,000
4 May 2012	235,000	–	310,000	(53,750)	(140,000)	116,250
4 June 2012	370,000	–	405,000	(78,750)	(112,500)	213,750
18 July 2012	30,000	–	30,000	(7,500)	–	22,500
4 April 2013	260,000	–	315,000	–	(95,000)	220,000
4 June 2013	250,000	–	262,000	–	(87,000)	175,000
4 May 2014	–	210,000	210,000	–	(40,000)	170,000
4 June 2014	–	220,000	220,000	–	–	220,000

Details of share awards granted to directors and employees of the Company under the Plan are as follows:

	Share awards granted and not released as at 1 January 2014	Share awards granted during the financial year ended 31 December 2014	Share awards vested during the financial year ended 31 December 2014	Aggregate share awards granted and not released as at 31 December 2014
Name of director				
Lee Po Lo @				
Lee Khong Kee	90,000	–	(25,000)	65,000
Ng Ah Hoy	170,000	25,000	(35,000)	160,000
Name of employees				
Chuah Aik Loon	126,000	25,000	(32,000)	119,000
Lee Wai Leong (Jeremy)	125,000	30,000	(30,000)	125,000

Except for the above directors and employees, no share awards have been granted to the controlling shareholders of the Company or their associates and no participant under the Plan has been granted 5% or more of the total share awards available under the Plan during the financial year ended 31 December 2014.

Since the commencement of the Plan, no share awards have been granted to employees of the Company or its related corporations under the Plan, except for 32 employees of the Company, of which an employee is also a director of the Company, who were granted share awards of a total of 2,971,000 ordinary shares (adjusted for one-for-one bonus share issue in 2011) in the Company.

DIRECTORS' REPORT (cont'd)

Except as disclosed above, there were no unissued shares of the Company or its subsidiaries under options granted and no shares awarded by the Company or its subsidiaries as at the end of the financial year ended 31 December 2014.

The aggregate number of shares available under the Scheme, the Plan and any other applicable share-based schemes shall not exceed 15% of the Company's total issued shares (excluding treasury shares).

Audit Committee

The members of the Audit Committee at the date of this report are:

Lee Chow Soon (Chairman), non-executive director
Eu Yee Ming Richard, non-executive director
Lew Syn Pau, non-executive director
Lee Po Lo @ Lee Khong Kee, non-executive director

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

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

The Audit Committee also reviewed the following:

- assistance provided by the Company's officers to the external auditors;
- quarterly financial information and annual financial statements of the Group and the Company prior to their submission to the directors of the Company for adoption; and
- interested person transactions (as defined in Chapter 9 of the SGX Listing Manual).

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

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

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

DIRECTORS' REPORT (cont'd)

Auditors

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

On behalf of the Board of Directors

Lew Syn Pau
Director

Lee Chow Soon
Director

30 March 2015

STATEMENT BY DIRECTORS

In our opinion:

(a) the financial statements set out on pages 20 to 91 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, changes in equity and cash flows of the Group for the year ended on that date in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards; and

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

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

On behalf of the Board of Directors

Lew Syn Pau
Director

Lee Chow Soon
Director

30 March 2015

INDEPENDENT AUDITORS' REPORT

Members of the Company
Broadway Industrial Group Limited

Report on the financial statements

We have audited the accompanying financial statements of Broadway Industrial Group Limited (the "Company") and its subsidiaries (the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2014, the income statement, statement of comprehensive income, statement of changes in equity and statement of cash flows of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 20 to 91.

Management's responsibility for the financial statements

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

Auditors' responsibility

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

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

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

Opinion

In our opinion, the consolidated financial statements of the Group and the statement of financial position of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards 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 for the year ended on that date.

Report on other legal and regulatory requirements

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

KPMG LLP
Public Accountants and
Chartered Accountants

Singapore
30 March 2015

STATEMENT OF FINANCIAL POSITION

As at 31 December 2014

	Note	Group		Company	
		2014	2013	2014	2013
		$'000	$'000	$'000	$'000
Assets					
Property, plant and equipment	4	197,380	213,316	64	127
Goodwill	5	62,903	60,052	–	–
Subsidiaries	8	–	–	154,501	152,136
Associates	9	1,496	1,368	98	98
Loans to subsidiaries	10	–	–	–	279
Other investments	12	1,024	1,024	852	852
Financial derivatives	13	203	–	–	–
Deferred tax assets	14	13,326	14,283	–	–
Non-current assets		276,332	290,043	155,515	153,492
Loans to investee companies	11	–	757	–	757
Financial derivatives	13	241	365	–	–
Inventories	15	92,468	93,325	–	–
Trade and other receivables	16	158,940	146,481	1,887	3,719
Cash and cash equivalents	17	35,807	36,171	2,327	484
Asset held for sale	18	–	2,170	–	2,170
Current assets		287,456	279,269	4,214	7,130
Total assets		563,788	569,312	159,729	160,622
Equity					
Share capital		113,016	103,448	113,016	103,448
Reserves	19	(16,064)	(23,825)	373	509
Retained earnings		139,929	139,756	38,692	42,457
Equity attributable to owners of the Company		236,881	219,379	152,081	146,414
Non-controlling interests		1,394	1,632	–	–
Total equity	19	238,275	221,011	152,081	146,414
Liabilities					
Financial derivatives	13	2,343	–	–	–
Loans and borrowings	20	50,588	86,627	–	1,260
Deferred tax liabilities	14	226	249	–	–
Non-current liabilities		53,157	86,876	–	1,260
Financial derivatives	13	3,971	–	–	–
Loans and borrowings	20	87,841	90,815	2,000	2,160
Trade and other payables	22	173,717	155,983	5,643	10,769
Current tax liabilities		6,827	14,627	5	19
Current liabilities		272,356	261,425	7,648	12,948
Total liabilities		325,513	348,301	7,648	14,208
Total equity and liabilities		563,788	569,312	159,729	160,622

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

CONSOLIDATED INCOME STATEMENT
Year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Revenue	24	694,528	644,662
Cost of sales		(627,073)	(588,304)
Gross profit		67,455	56,358
Other income		5,575	13,347
Distribution expenses		(16,009)	(16,545)
Administrative expenses		(35,174)	(28,674)
Sales and marketing expenses		(8,720)	(10,091)
Other expenses		(8,901)	(1,948)
Results from operating activities		4,226	12,447
Finance income		768	642
Finance costs		(7,861)	(7,238)
Net finance costs	25	(7,093)	(6,596)
Share of profit of associates (net of tax)		207	273
(Loss)/Profit before tax	26	(2,660)	6,124
Tax credit/(expense)	27	3,010	(4,216)
Profit for the year		350	1,908
Profit attributable to:			
Owners of the Company		173	1,635
Non-controlling interests		177	273
Profit for the year		350	1,908
Earnings per share			
Basic earnings per share (cents)	28	0.0400	0.390
Diluted earnings per share (cents)	28	0.0398	0.388

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2014

	2014 $'000	2013 $'000
Profit for the year	350	1,908
Other comprehensive income		
Items that will or may be reclassified subsequently to profit or loss:		
Foreign currency translation differences for foreign operations	8,305	9,306
Effective portion of changes in fair value of cash flow hedges	(459)	–
Share of foreign currency translation differences of associates	29	(71)
Other comprehensive income for the year, net of tax	7,875	9,235
Total comprehensive income for the year	8,225	11,143
Total comprehensive income attributable to:		
Owners of the Company	8,070	10,765
Non-controlling interests	155	378
Total comprehensive income for the year	8,225	11,143

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

Year ended 31 December 2014

	Share capital $'000	Reserve for own shares $'000	Capital reserve $'000	Share option reserve $'000	Asset revaluation reserve $'000	Translation reserve $'000	Hedging reserve $'000	Retained earnings $'000	Equity attributable to owners of the Company $'000	Non controlling interests $'000	Total equity $'000
At 1 January 2013	103,446	(393)	2,924	705	870	(37,258)	–	138,121	208,415	1,254	209,669
Total comprehensive income for the year											
Profit for the year	–	–	–	–	–	–	–	1,635	1,635	273	1,908
Other comprehensive income											
Foreign currency translation differences for foreign operations	–	–	–	–	–	9,201	–	–	9,201	105	9,306
Share of foreign currency transaction differences of associates	–	–	–	–	–	(71)	–	–	(71)	–	(71)
Total comprehensive income for the year	–	–	–	–	–	9,130	–	1,635	10,765	378	11,143
Transactions with owners of the Company, recognised directly in equity											
Contributions by and distributions to owners of the Company											
Vesting of share awards	2	90	–	(92)	–	–	–	–	–	–	–
Share-based payment transactions	–	–	–	199	–	–	–	–	199	–	199
Total contributions by and distributions to owners of the Company	2	90	–	107	–	–	–	–	199	–	199
At 31 December 2013	103,448	(303)	2,924	812	870	(28,128)	–	139,756	219,379	1,632	221,011

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (cont'd)

Year ended 31 December 2014

	Share capital $'000	Reserve for own shares $'000	Capital reserve $'000	Share option reserve $'000	Asset revaluation reserve $'000	Translation reserve $'000	Hedging reserve $'000	Retained earnings $'000	Equity attributable to owners of the Company $'000	Non controlling interests $'000	Total equity $'000
At 1 January 2014	103,448	(303)	2,924	812	870	(28,128)	–	139,756	219,379	1,632	221,011
Total comprehensive income for the year											
Profit for the year	–	–	–	–	–	–	–	173	173	177	350
Other comprehensive income											
Foreign currency translation differences for foreign operations	–	–	–	–	–	8,327	–	–	8,327	(22)	8,305
Effective portion of changes in fair value of cash flow hedges	–	–	–	–	–	–	(459)	–	(459)	–	(459)
Share of foreign currency transaction differences of associates	–	–	–	–	–	29	–	–	29	–	29
Total comprehensive income for the year	–	–	–	–	–	8,356	(459)	173	8,070	155	8,225
Transactions with owners of the Company, recognised directly in equity											
Contributions by and distributions to owners of the Company											
Own shares acquired	–	(193)	–	–	–	–	–	–	(193)	–	(193)
Vesting of share awards	(4)	139	–	(135)	–	–	–	–	–	–	–
Share-based payment transactions	–	–	–	53	–	–	–	–	53	–	53
Rights issue (Note 19)	9,572	–	–	–	–	–	–	–	9,572	–	9,572
Effect of liquidation of a subsidiary (Note 32)	–	–	–	–	–	–	–	–	–	(393)	(393)
Total contributions by and distributions to owners of the Company	9,568	(54)	–	(82)	–	–	–	–	9,432	(393)	9,039
At 31 December 2014	113,016	(357)	2,924	730	870	(19,772)	(459)	139,929	236,881	1,394	238,275

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

CONSOLIDATED STATEMENT OF CASH FLOWS
Year ended 31 December 2014

	Note	2014 $'000	2013 $'000
Cash flows from operating activities			
(Loss)/Profit before tax		(2,660)	6,124
Adjustments for:			
Depreciation of investment properties	7	–	69
Depreciation of property, plant and equipment	4	40,876	44,060
Equity-settled share-based payment transactions	26	53	199
Fair value loss/(gain) on financial derivatives	26	5,497	(387)
(Gain)/loss on disposal of property, plant and equipment	26	(511)	23
Gain on disposal of an investment property	26	–	(1,457)
Gain on disposal of an asset held for sale	26	(1,939)	–
Impairment loss on loan to investee companies	26	1,134	427
Interest expense	25	7,861	7,238
Interest income	25	(768)	(642)
Share of profit of associates, net of tax		(207)	(273)
		49,336	55,381
Change in inventories		4,460	3,428
Change in trade and other receivables		(8,706)	(12,717)
Change in trade and other payables		16,170	27,825
Cash generated from operating activities		61,260	73,917
Income tax paid		(3,631)	(4,709)
Net cash from operating activities		57,629	69,208
Cash flows from investing activities			
Acquisition of property, plant and equipment		(22,077)	(69,874)
Interest received		566	339
Proceeds from disposal of property, plant and equipment		1,134	683
Proceeds from disposal of an investment property		–	2,562
Proceeds from disposal of the asset held for sale		4,109	–
Effects of liquidation of a subsidiary	32	(171)	–
Net cash used in investing activities		(16,439)	(66,290)
Cash flows from financing activities			
Interest paid		(7,808)	(7,238)
Proceeds from bank borrowings		56,532	150,328
Proceeds from rights issue net of transaction costs		9,572	–
Repayments of bank borrowings		(100,952)	(129,022)
Repurchase of own shares		(193)	–
Net cash (used in)/from financing activities		(42,849)	14,068
Net (decrease)/increase in cash and cash equivalents		(1,659)	16,986
Cash and cash equivalents at 1 January		36,166	17,551
Effect of exchange rate fluctuations on cash held		1,295	1,629
Cash and cash equivalents at 31 December	17	35,802	36,166

$2.7 million (2013: $6.0 million) of property, plant and equipment acquired remain unpaid as at the end of the financial year and was recorded in other payables.

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

NOTES TO THE FINANCIAL STATEMENTS

Year ended 31 December 2014

These notes form an integral part of the financial statements.

The financial statements were authorised for issue by the Board of Directors on 30 March 2015.

1 DOMICILE AND ACTIVITIES

Broadway Industrial Group Limited (the "Company") is a company incorporated in Singapore. The address of the Company's registered office is 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623. The Company's principal place of business is 3 Fusionopolis Way, #13-26/27 Symbiosis Tower, Singapore 138633.

The financial statements of the Company as at and for the year ended 31 December 2014 comprise the Company and its subsidiaries (together referred to as the Group and individually as Group entities) and the Group's interest in associates.

The principal activity of the Company is that of an investment holding company. The principal activities of significant subsidiaries are those relating to the manufacture of foam plastics and packaging products, expanded polystyrene related products and precision machined components and the sub-assembly of actuator arms.

2 BASIS OF PREPARATION

2.1 Statement of compliance

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

2.2 Basis of measurement

The financial statements have been prepared on the historical cost basis except for certain financial assets and financial liabilities, which are measured at fair value.

2.3 Functional and presentation currency

These financial statements are presented in Singapore dollars, which is the Company's functional currency. Other entities within the Group have United States dollars and Chinese Renminbi as functional currencies. All functional information presented in Singapore dollars has been rounded to the nearest thousand, unless otherwise stated.

2.4 Use of estimates and judgements

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

2 BASIS OF PREPARATION (cont'd)

2.4 Use of estimates and judgements (cont'd)

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

- Note 4 – Estimation of useful lives of property, plant and equipment
- Note 6 – Key assumptions used in discounted cash flow projections
- Note 23 – Impairment assessment of trade receivables
- Note 27 – Measurement of provision for income taxes

Measurement of fair values

A number of the Group's accounting policies and disclosures require the measurement of fair values, for both financial and non-financial assets and liabilities.

The Group has an established control framework with respect to the measurement of fair values. This includes a valuation team that has overall responsibility for all significant fair value measurements, including Level 3 fair values, and reports directly to the Chief Financial Officer.

The valuation team regularly reviews significant unobservable inputs and valuation adjustments. If third party information, such as broker quotes or pricing services, is used to measure fair values, then the valuation team assesses and documents the evidence obtained from the third parties to support the conclusion that such valuations meet the requirements of FRS, including the level in the fair value hierarchy in which such valuations should be classified.

Significant valuation issues are reported to the Group Audit Committee.

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

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

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

Further information about the assumptions made in measuring fair values is included in notes 23 and 30.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)
Year ended 31 December 2014

2 BASIS OF PREPARATION (cont'd)

2.5 Changes in accounting policies

Subsidiaries

As a result of FRS 110 *Consolidated Financial Statements*, the Group has changed its accounting policy for determining whether it has control over and consequently whether it consolidates its investees. FRS 110 introduces a new control model that focuses on whether the Group has power over an investee, exposure or rights to variable returns from its involvement with the investee and ability to use its power to affect those returns.

2.6 Accounting policies for new transactions and events

Distributions of non-cash assets to owners of the Company

From 1 January 2014, the Group has applied INT FRS 117 *Distributions of Non-cash Assets to Owners* in accounting for distributions of non-cash assets to owners of the Company. The new accounting policy (see note 3.3) has been applied prospectively.

3 SIGNIFICANT ACCOUNTING POLICIES

The accounting policies set out below have been applied consistently to all periods presented in these consolidated financial statements, and have been applied consistently by the Group entities, except as explained in note 2.5, which addresses changes in accounting policies.

3.1 Basis of consolidation

Business combinations

Business combinations are accounted for using the acquisition method in accordance with FRS 103 *Business Combination* as at the acquisition date, which is the date on which control is transferred to the Group. Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, the Group takes into consideration potential voting rights that are currently exercisable.

The Group measures goodwill at the acquisition date as:

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

over the net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Basis of consolidation (cont'd)

Business combinations (cont'd)

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

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

When share-based payment awards ("replacement awards") are exchanged for awards held by the acquiree's employees ("acquiree's awards") and relate to past services, then all or a portion of the amount of the acquirer's replacement awards is included in measuring the consideration transferred in the business combination. This determination is based on the market-based value of the replacement awards compared with the market-based value of the acquiree's awards and the extent to which the replacement awards relate to past and/or future service.

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

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

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

Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Basis of consolidation (cont'd)

Acquisitions from entities under common control

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Group are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are restated. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Group controlling shareholder's consolidated financial statements. The components of equity of the acquired entities are added to the same components within Group equity and any gain/loss arising is recognised directly in equity.

Loss of control

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

Investments in associates (equity-accounted investees)

Associates are those entities in which the Group has significant influence, but not control, over the financial and operating policies of these entities. Significant influence is presumed to exist when the Group holds 20% or more of the voting power of another entity.

Investments in associates are accounted for using the equity method (equity-accounted investees) and are recognised initially at cost. The cost of the investments includes transaction costs.

The consolidated financial statements include the Group's share of the profit or loss and other comprehensive income of the equity-accounted investees, after adjustments to align the accounting policies of the equity-accounted investees with those of the Group, from the date that significant influence commences until the date that significant influence ceases.

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

Transactions eliminated on consolidation

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.1 Basis of consolidation (cont'd)

Subsidiaries and associates in the separate financial statements

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

3.2 Foreign currency

Foreign currency transactions

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

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

Foreign operations

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.2 Foreign currency (cont'd)

Foreign operations **(cont'd)**

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

3.3 Financial instruments

Non-derivative financial assets

The Group initially recognises loans and receivables on the date that they are originated. All other financial assets are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

The Group derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in transferred financial assets that is created or retained by the Group is recognised as a separate asset or liability.

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

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

Loans and receivables

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

Loans and receivables comprise cash and cash equivalents, and trade and other receivables, excluding prepayments.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and bank deposits. For the purpose of the consolidated statement of cash flows, pledged deposits are excluded in cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Financial instruments (cont'd)

***Non-derivative financial assets* (cont'd)**

Available-for-sale financial assets

Available-for-sale financial assets are non-derivative financial assets that are designated as available-for-sale or are not classified in any of the above categories of financial assets. Available-for-sale financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at fair value and changes therein, other than impairment losses (see note 3.10) are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is classified to profit or loss.

Available-for-sale financial assets comprise equity securities.

Non-derivative financial liabilities

The Group initially recognises debt securities issued and subordinated liabilities on the date that they are originated. Financial liabilities for contingent consideration payable in a business combination are recognised at the acquisition date. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the trade date, which is the date that the Group becomes a party to the contractual provisions of the instrument.

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

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

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

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

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade and other payables.

Share capital

Ordinary shares

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Financial instruments (cont'd)

Share capital (cont'd)

Repurchase, disposal and reissue of share capital (treasury shares)

When share capital recognised as equity is repurchased, the amount of the consideration paid, which includes directly attributable costs, net of any tax effects, is recognised as a deduction from equity. Repurchased shares are classified as treasury shares and are presented in the reserve for own share account. When treasury shares are sold or reissued subsequently, the amount received is recognised as an increase in equity, and the resulting surplus or deficit on the transaction is presented in non-distributable capital reserve.

Distribution of non-cash assets to owners of the Company

The Group measures a liability to distribute non-cash assets as a dividend to the owners of the Company at the fair value of the assets to be distributed. The carrying amount of the dividend is remeasured at each reporting date and at the settlement date, with any changes recognised directly in equity as adjustments to the amount of the distribution. On settlement of the transaction, the Group recognises the difference, if any, between the carrying amount of the assets distributed and the carrying amount of the liability in profit or loss.

Derivative financial instruments, including hedge accounting

The Group holds derivative financial instruments to hedge its foreign currency and interest rate risk exposures. Embedded derivatives are separated from the host contract and accounted for separately if the economic characteristics and risks of the host contract and the embedded derivative are not closely related, a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative, and the combined instrument is not measured at fair value through profit or loss.

On initial designation of the derivative as the hedging instrument, the Group formally documents the relationship between the hedging instrument and the hedged item, including the risk management objectives and strategy in undertaking the hedge transaction and the hedged risk, together with the methods that will be used to assess the effectiveness of the hedging relationship. The Group makes an assessment, both at the inception of the hedge relationship as well as on an ongoing basis, of whether the hedging instruments are expected to be 'highly effective' in offsetting the changes in the fair value or cash flows of the respective hedged items attributable to the hedged risk, and whether the actual results of each hedge are within a range of 80 – 125%. For a cash flow hedge of a forecast transaction, the transaction should be highly probable to occur and should present an exposure to variations in cash flows that could ultimately affect reported profit or loss.

Derivatives are recognised initially at fair value; attributable transaction costs are recognised in profit or loss as incurred. Subsequent to initial recognition, derivatives are measured at fair value, and changes therein are accounted for as described below.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.3 Financial instruments (cont'd)

Share capital (cont'd)

Derivative financial instruments, including hedge accounting **(cont'd)**

Cash flow hedges

When a derivative is designated as the hedging instrument in a hedge of the variability in cash flows attributable to a particular risk associated with a recognised asset or liability or a highly probable forecast transaction that could affect profit or loss, the effective portion of changes in the fair value of the derivative is recognised in OCI and presented in the hedging reserve in equity. Any ineffective portion of changes in the fair value of the derivative is recognised immediately in profit or loss.

When the hedged item is a non-financial asset, the amount accumulated in equity is retained in OCI and reclassified to profit or loss in the same period or periods during which the non-financial item affects profit or loss. In other cases as well, the amount accumulated in equity is reclassified to profit or loss in the same period that the hedged item affects profit or loss. If the hedging instrument no longer meets the criteria for hedge accounting, expires or is sold, terminated or exercised, or the designation is revoked, then hedge accounting is discontinued prospectively. If the forecast transaction is no longer expected to occur, then the balance in equity is reclassified to profit or loss.

Separable embedded derivatives

Changes in the fair value of separated embedded derivatives are recognised immediately in profit or loss.

Intra-group financial guarantees in the separate financial statements

Financial guarantees are financial instruments issued by the Company that require the issuer to make specified payments to reimburse the holder for the loss it incurs because a specified debtor fails to meet payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially at fair value and are classified as financial liabilities. Subsequent to initial measurement, the financial guarantees are stated at the higher of the initial fair value less cumulative amortisation and the amount that would be recognised if they were accounted for as contingent liabilities. When financial guarantees are terminated before their original expiry date, the carrying amount of the financial guarantee is transferred to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Property, plant and equipment

Recognition and measurement

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

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

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

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

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

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

Subsequent costs

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

Depreciation

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

Depreciation is recognised as an expense in profit or loss on a straight-line basis over the estimated useful lives of each component of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Construction-in-progress is not depreciated until it is ready for its intended use.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.4 Property, plant and equipment (cont'd)

Depreciation (cont'd)

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

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

Buildings on freehold land	–	20 years
Leasehold land	–	26 to 50 years (period of lease)
Leasehold buildings	–	16 to 47 years
Leasehold improvements	–	1 to 5 years
Plant and machinery	–	2 to 8 years
Office equipment and furniture	–	3 to 5 years
Motor vehicles	–	5 years

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

3.5 Goodwill

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

3.6 Investment properties

Investment properties are properties held either to earn rental income or for capital appreciation or both, but not for sale in the ordinary course of business, use in production or supply of goods or services or for administrative purposes. Investment property is measured at cost on initial recognition and subsequently at fair value with any change therein recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment properties. Depreciation on investment properties is recognised in the profit or loss on a straight-line basis over the estimated useful life of 50 years.

Any gain or loss on disposal of an investment property (calculated as the difference between the net proceeds from disposal and the carrying amount of the item) is recognised in profit or loss. When an investment property that was previously classified as property, plant and equipment is sold, any related amount included in the revaluation reserve is transferred to retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.7 Assets held for sale

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter, the assets are measured at the lower of their carrying amount and fair value less cost to sell. Impairment losses on initial classification as held for sale and subsequent gains or losses on remeasurement are recognised in profit or loss. Gains are not recognised in excess of any cumulative impairment loss.

3.8 Leased assets

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

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

3.9 Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work-in-progress, cost includes an appropriate share of production overheads based on normal operating capacity.

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

3.10 Impairment

Non-derivative financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Impairment (cont'd)

Non-derivative financial assets (cont'd)

Loans and receivables

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

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

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

Available-for-sale financial assets

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.10 Impairment (cont'd)

Non-financial assets

The carrying amounts of the Group's non-financial assets, other than inventories and deferred tax assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists, then the asset's recoverable amount is estimated. For goodwill, the recoverable amount is estimated each year at the same time. An impairment loss is recognised if the carrying amount of an asset or its related cash-generating unit (CGU) exceeds its estimated recoverable amount.

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.11 Employee benefits

Defined contribution plans

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

Other long-term employee benefits

The Group's net obligation in respect of long-term employee benefits other than pension plans is the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value, and the fair value of any related assets is deducted. The discount rate is the yield at the reporting date on corporate bonds, that have a credit rating of at least AA from rating agencies, that have maturity dates approximating the terms of the Group's obligations and that are denominated in the currency in which the benefits are expected to be paid. The calculation is performed using the projected unit credit method. Any actuarial gains and losses are recognised in profit or loss in the period in which they arise.

Short-term employee benefits

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

Share-based payment transactions

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

3.12 Provisions

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.13 Revenue recognition

Sale of goods

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

The timing of the transfer of risks and rewards varies depending on the individual terms of the sales agreement. Transfers of risks and rewards usually occur upon delivery to the customers; however, for sales under Vendor Management Inventory programmes, transfer occurs upon customers' drawn-down of inventories at the third parties' warehouses.

3.14 Government grants

Grants that compensate the Group for expenses incurred are recognised in profit or loss as other income on a systematic basis in the same periods in which the expenses are recognised.

3.15 Lease payments

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

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

Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

3.16 Finance income and finance costs

Finance income comprises interest income on funds invested that is recognised in profit or loss. Interest income is recognised as it accrues in profit or loss, using the effective interest method.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.17 Tax

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

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

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

- temporary differences on the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit or loss;
- temporary differences related to investments in subsidiaries to the extent that it is probable that they will not reverse in the foreseeable future; and
- taxable temporary differences arising on the initial recognition of goodwill.

The measurement of deferred taxes reflects the tax consequences that would follow the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. Deferred tax is measured at the tax rates that are expected to be applied to temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the reporting date.

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

3 SIGNIFICANT ACCOUNTING POLICIES (cont'd)

3.18 Earnings per share

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

3.19 Segment reporting

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

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

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment.

3.20 New standards and interpretations not adopted

A number of new standards, amendments to standards and interpretations are effective for annual periods beginning after 1 January 2014, and have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company. The Group does not plan to adopt these amendments early.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

4 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold land $'000	Buildings on freehold land $'000	Leasehold land $'000	Leasehold buildings $'000	Leasehold improve-ments $'000	Plant and machinery $'000	Office equipment and furniture $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Cost/Valuation		Cost	Cost	Valuation	Valuation	Cost	Cost	Cost	Cost	Cost	
At 1 January 2013		1,782	6,224	5,347	29,413	62,075	293,945	12,131	2,735	52,845	466,497
Additions		–	–	–	4,453	6,503	10,155	888	69	10,120	32,188
Disposals		–	–	–	–	(85)	(4,233)	(320)	(411)	–	(5,049)
Reclassifications		–	–	–	–	4,670	40,302	70	–	(45,042)	–
Effect of movements in exchange rates		65	225	310	1,441	2,528	12,152	530	140	1,928	19,319
At 31 December 2013		1,847	6,449	5,657	35,307	75,691	352,321	13,299	2,533	19,851	512,955
Additions		–	–	–	10,603	2,219	4,395	1,386	30	32	18,665
Disposals		–	–	–	(5)	(13,738)	(16,012)	(1,013)	(288)	–	(31,056)
Reclassifications		–	–	996	(996)	3,970	6,887	68	–	(10,925)	–
Effect of movements in exchange rates		87	306	135	1,390	3,003	14,579	484	47	158	20,189
Liquidation of a subsidiary	32	–	–	(30)	(586)	(20)	(721)	(17)	(70)	–	(1,444)
At 31 December 2014		1,934	6,755	6,758	45,713	71,125	361,449	14,207	2,252	9,116	519,309

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

4 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Note	Freehold land $'000	Buildings on freehold land $'000	Leasehold land $'000	Leasehold buildings $'000	Leasehold improve-ments $'000	Plant and machinery $'000	Office equipment and furniture $'000	Motor vehicles $'000	Construction-in-progress $'000	Total $'000
Accumulated depreciation and impairment losses											
At 1 January 2013		–	1,588	716	6,047	33,760	196,440	8,627	1,733	–	248,911
Depreciation for the year		–	319	122	1,077	8,900	31,753	1,627	262	–	44,060
Disposals		–	–	–	–	(81)	(3,593)	(297)	(372)	–	(4,343)
Reclassifications		–	–	–	–	(1)	4	(3)	–	–	–
Effect of movements in exchange rates		–	61	44	381	1,411	8,649	381	84	–	11,011
At 31 December 2013		–	1,968	882	7,505	43,989	233,253	10,335	1,707	–	299,639
Depreciation for the year		–	324	142	1,415	9,065	28,240	1,425	265	–	40,876
Disposals		–	–	–	(5)	(13,501)	(15,515)	(1,013)	(256)	–	(31,056)
Reclassifications		–	–	31	(32)	(3)	(2)	6	–	–	–
Effect of movements in exchange rates		–	107	20	185	1,733	10,513	349	41	–	12,948
Liquidation of a subsidiary	32	–	–	(30)	(386)	(20)	(721)	(17)	(70)	–	(1,244)
At 31 December 2014		–	2,399	1,045	8,682	41,263	255,768	11,085	1,687	–	321,929
Carrying amounts											
At 1 January 2013		1,782	4,636	4,631	23,366	28,315	97,505	3,504	1,002	52,845	217,586
At 31 December 2013		1,847	4,481	4,775	27,802	31,702	119,068	2,964	826	19,851	213,316
At 31 December 2014		1,934	4,356	5,713	37,031	29,862	105,681	3,122	565	9,116	197,380

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

4 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Company	Plant and machinery $'000	Office equipment and furniture $'000	Total $'000
Cost			
At 1 January 2013	136	221	357
Additions	–	23	23
Disposal	–	(23)	(23)
At 31 December 2013	136	221	357
Additions	–	30	30
Disposal	(87)	(2)	(89)
At 31 December 2014	49	249	298
Accumulated depreciation and impairment losses			
At 1 January 2013	36	155	191
Depreciation for the year	27	34	61
Disposal	–	(22)	(22)
At 31 December 2013	63	167	230
Depreciation for the year	18	37	55
Disposal	(50)	(1)	(51)
At 31 December 2014	31	203	234
Carrying amounts			
At 1 January 2013	100	66	166
At 31 December 2013	73	54	127
At 31 December 2014	18	46	64

Security

The following property, plant and equipment are pledged as security to secure bank loans (see note 20):

	Group 2014 $'000	Group 2013 $'000
Leasehold land and buildings	3,142	22,149

Estimation of useful lives of property, plant and equipment

The Group reviews the useful lives of property, plant and equipment at each reporting date in accordance with the accounting policy in note 3.4. The estimation of the useful lives involves significant judgement. The net book value of property, plant and equipment at 31 December 2014 was approximately $197 million (2013: $213 million) and the annual depreciation charge for the year ended 31 December 2014 was approximately $41 million (2013: $44 million). If the actual useful lives of the property, plant and equipment were longer or shorter than the management's estimate by one year on average, the Group's annual depreciation charge would reduce by $12.8 million (2013: $12.8 million) or increase by $19.7 million (2013: $19.8 million) respectively.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

4 PROPERTY, PLANT AND EQUIPMENT (cont'd)

Estimation of useful lives of property, plant and equipment **(cont'd)**

During the financial year ended 31 December 2013, the Group conducted an operational efficiency review of its manufacturing facilities, which resulted in changes in the expected usage of certain items of property, plant and equipment. Certain machinery and equipment are now expected to remain in production for 8 years from the date of purchase. As a result, the expected useful lives of these assets increased from 5 years to 8 years. There was no changes to the estimates for useful lives of property, plant and equipment in 2014.

5 GOODWILL

	Group	
	2014	**2013**
	$'000	**$'000**
Cost and carrying amount		
At 31 December	62,903	60,052

Goodwill is allocated to the Group's hard disk drive component ("HDD") business.

6 IMPAIRMENT TESTING FOR CASH-GENERATING UNITS ("CGUS") CONTAINING GOODWILL AND PROPERTY, PLANT AND EQUIPMENT

For the purpose of impairment testing, goodwill is allocated to the Group's HDD business.

The aggregate carrying amounts of goodwill allocated and property, plant and equipment attributed to the Group's HDD CGU are as follows:

	Group	
	2014	**2013**
	$'000	**$'000**
Property, plant and equipment	103,830	123,169
Goodwill	62,903	60,052
	166,733	183,221

The recoverable amount of the HDD CGU was estimated based on its value in use. Value in use was determined by discounting the pre-tax future cash flows to be generated from the continuing use of the CGU. Value in use in 2014 was determined in a similar manner as in 2013.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

6 IMPAIRMENT TESTING FOR CASH-GENERATING UNITS ("CGUS") CONTAINING GOODWILL AND PROPERTY, PLANT AND EQUIPMENT (cont'd)

The key assumptions for the value in use calculations are revenue growth rate, gross profit margin, discount rate, terminal value growth rate and budgeted EBITDA growth rate. The key assumptions were as follows:

	Group	
	2014	2013
	%	%
Revenue growth rate (average of next five years)	0.7	1.4
Gross profit margin (average of next five years)	5.7	6.3
Discount rate (pre-tax)	11.6	12.6
Terminal value growth rate	1.50	1.25
Budgeted EBITDA growth rate (average of next five years)	11.5	11.1

The Group prepares cash flow forecasts for the HDD business unit derived from the most recent financial budget for 2015 (2013: 2014) and financial forecasts for 2016 to 2019 (2013: 2015 to 2018) approved by management.

Revenue growth rate

The revenue growth rates are based on management's assessment of future trends in the HDD industry and are based on both internal sources (historical data) and external sources including industry forecasts and key customers' long range forecasts.

Gross profit margin

The gross profit margins are based on internal sources (historical data). Changes in direct costs are based on past practices and expectation of future changes from the reorganisation of the HDD unit.

Discount rate

The discount rate is a pre-tax measure based on the risk-free rate obtained from the yield on 10- year bonds issued by the government and in the same currency as the cash flows, adjusted for a risk premium to reflect the increased risk of investing in equities and the systemic risk of the HDD unit. The discount rate was determined with the assistance of an independent valuer.

Terminal value growth rate

Five years of cash flows are included in the discounted cash flow model. A long term growth rate into perpetuity has been determined as the lower of the nominal GDP rates for the countries in which the CGU operates and the long-term compound annual growth rate in EBITDA which management believed was consistent with the assumption that a market participant in the HDD industry would make.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

6 IMPAIRMENT TESTING FOR CASH-GENERATING UNITS ("CGUS") CONTAINING GOODWILL AND PROPERTY, PLANT AND EQUIPMENT (cont'd)

Budgeted EBITDA growth

Budgeted EBITDA was based on expectations of future outcomes taking into account past experience.

Sensitivity to changes in assumptions

The estimated recoverable amount of the HDD business unit exceeds its carrying amount by approximately $12.7 million (2013: $0.7 million). Management has identified the revenue growth rate, the gross profit margin and the budgeted EBITDA growth rate as the key assumptions for which there could be a reasonably possible change that could cause the carrying amount to exceed the recoverable amount. Any adverse circumstances contributing to these assumptions individually not achieved would lead to impairment.

	Change required for carrying amount to equal the recoverable amount	
	2014	**2013**
Group	**%**	**%**
Revenue growth rate (average of next five years)	1.52	0.01
Gross profit margin (average of next five years)	0.40	0.02
Budgeted EBITDA growth rate (average of next five years)	4.73	0.06

7 INVESTMENT PROPERTIES

	Group $'000	Company $'000
Cost		
At 1 January 2013	3,638	2,434
Disposals	(1,235)	–
Reclassification to assets held for sale (note 18)	(2,434)	(2,434)
Effect of movements in exchange rates	31	–
At 31 December 2013/31 December 2014	–	–
Accumulated depreciation		
At 1 January 2013	321	215
Depreciation for the year	69	49
Disposals	(130)	–
Reclassification to assets held for sale (note 18)	(264)	(264)
Effect of movements in exchange rates	4	–
At 31 December 2013/31 December 2014	–	–
Carrying amounts		
At 1 January 2013	3,317	2,219
At 31 December 2013/31 December 2014	–	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

8 SUBSIDIARIES

	Company	
	2014	2013
	$'000	$'000
Equity investments, at cost	158,506	156,823
Allowance for impairment	(4,005)	(4,687)
	154,501	152,136

The movement in the allowance for impairment in respect of investments in subsidiaries during the year was as follows:

	Company	
	2014	2013
	$'000	$'000
At 1 January	4,687	4,687
Impairment loss write-off	(682)	–
At 31 December	4,005	4,687

The management reviews the impairment of the Company's investments in subsidiaries whenever there are indications that the carrying amount may exceed the recoverable amount of the investment. Having regard to the financial performance of the subsidiaries, an impairment loss of $4,005,000 (2013: $4,687,000), determined based on estimated recoverable value of the subsidiary, was recognised by the Company in respect of the Company's investment in this subsidiary. The recoverable amount of the investment in subsidiary was determined based on fair value less costs to sell determined by reference to an active market at the reporting date.

During the year, an impairment loss of $682,000 (2013: $nil) was written off due to the liquidation of a subsidiary.

Details of significant subsidiaries are as follows:

Name of subsidiary	Principle place of business	Ownership interest	
		2014	2013
		%	%
Held by the Company:			
Compart Asia Pte Ltd[(a)]	Singapore	100	100
Shanghai Broadway Packaging & Insulation Materials Co., Ltd[(e)]	People's Republic of China	96.47	96.47
Suzhou Broadway Plastic Packaging Co., Ltd[(e)]	People's Republic of China	100	100
Broadway Packaging (HK) Co Ltd[(c)]	Hong Kong	100	100

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

8 SUBSIDIARIES (cont'd)

Name of subsidiary	Principle place of business	Ownership interest 2014 %	Ownership interest 2013 %
Held by subsidiaries:			
Held by Shanghai Broadway Packaging & Insulation Materials Co., Ltd:			
Wujiang Weltop Co., Ltd[e]	People's Republic of China	96.47	96.47
Held by Broadway Packaging (HK) Co., Ltd:			
Shenzhen Broadway Total Packaging Co., Ltd[e]	People's Republic of China	100	100
Held by Compart Asia Pte Ltd:			
Compart Precision (Shenzhen) Co., Ltd[f]	People's Republic of China	100	100
Compart Technologies (Shenzhen) Co., Ltd[f]	People's Republic of China	100	100
Compart Hi-Precision Technologies (Shenzhen) Co., Ltd[f]	People's Republic of China	100	100
Compart Precision Components Manufacturing (Wuxi) Co., Ltd[h]	People's Republic of China	100	100
Compart Engineering, Inc.[d]	United States of America	100	100
Compart Asia Pacific Ltd[b]	Republic of Mauritius	100	100
Compart Precision (Thailand) Co., Ltd[b]	Thailand	99.99	99.99
Compart Technologies (Chongqing) Co., Ltd[i]	People's Republic of China	100	100
Compart Technologies (Huizhou) Co., Ltd[g]	People's Republic of China	100	100

(a) Audited by KPMG LLP, Singapore, Public Accountants and Chartered Accountants.

(b) Audited by other member firms of KPMG International.

(c) Audited by Mazars CPA Ltd.

(d) There is no statutory requirement to prepare audited financial statements in the country of incorporation.

(e) Audited by Shanghai LSC Certified Public Accountants Co., Ltd., People's Republic of China.

Shanghai Broadway Packaging & Insulation Materials Co., Ltd, Suzhou Broadway Plastic Packaging Co., Ltd, Wujiang Weltop Co., Ltd and Shenzhen Broadway Total Packaging Co., Ltd are foreign enterprises established in the People's Republic of China on 9 November 1993, 5 May 1993, 18 April 2001 and 7 July 2006 respectively for a term of 50 years, 30 years, 20 years and 20 years respectively.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

8 SUBSIDIARIES (cont'd)

(f) Audited by Shenzhen Hengda Certified Public Accountants, People's Republic of China.

Compart Hi-Precision Technologies (Shenzhen) Co., Ltd, Compart Precision (Shenzhen) Co., Ltd and Compart Technology (Shenzhen) Co., Ltd are foreign enterprises established in the People's Republic of China on 1 March 2007, 29 September 1995 and 8 September 2004 respectively for a term of 50 years, 30 years and 50 years respectively.

(g) Audited by Asia Pacific GuoBang (Huizhou) Certified Public Accountants, People's Republic of China.

Compart Technologies (Huizhou) Co., Ltd is foreign enterprises established in the People's Republic of China on 28 February 2011 for a term of 50 years.

(h) Audited by Wuxi Xincheng, Certified Public Accountants Co., Ltd, People's Republic of China.

Compart Precision Components Manufacturing (Wuxi) Co., Ltd is a foreign enterprise established in the People's Republic of China on 22 July 2005 for a term of 50 years.

(i) Audited by Chongqing Dahua, Certified Public Accountants, People's Republic of China.

Compart Technologies (Chongqing) Co., Ltd is a foreign enterprise established in the People's Republic of China on 1 November 2010 for a term of 50 years.

The Group does not have subsidiaries with material non-controlling interest.

9 ASSOCIATES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Investment in associates	1,496	1,368	2,198	2,198
Allowance for impairment	–	–	(2,100)	(2,100)
At 31 December	1,496	1,368	98	98

Details of the associates are as follows:

Name of associate	Country of incorporation	Ownership interest	
		2014	2013
Held by the Company:		%	%
Toho Foam (Thailand) Company Limited ^	Thailand	24.22	24.22
Held by subsidiaries:			
Held by Shanghai Broadway Packaging & Insulation Materials Co., Ltd:			
Shanghai Kiddy Children's Products Co., Ltd#	People's Republic of China	38.59	38.59
Held by Wujiang Weltop Co., Ltd:			
Wujiang Dairyu Broadway Plastic Packaging Co., Ltd*	People's Republic of China	47.27	47.27

^ Audited by Briskal CPA Co., Ltd, Thailand.
# Audited by Shanghai Dong Qin Certified Public Accountants Co., Ltd., People's Republic of China
* Audited by Shanghai LSC Certified Public Accountants Co., Ltd., People's Republic of China

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

9 ASSOCIATES (cont'd)

The Group does not have associates that are material to the Group. The summarised financial information of the individually immaterial associates is not disclosed as the amounts are not significant.

10 LOANS TO SUBSIDIARIES

	Company	
	2014	**2013**
	$'000	**$'000**
Loans to subsidiaries	1,971	2,250
Allowance for impairment	(1,971)	(1,971)
	–	279

There was no movement in the allowance for impairment in respect of loans to subsidiaries during the year.

The loans to subsidiaries have no fixed repayment terms and form part of the Company's net investment in the subsidiaries. The loans are unsecured and interest-free, and settlement is neither planned nor likely to occur in the foreseeable future. As the amounts are in substance a part of the Company's net investment in the entities, they are stated at cost less accumulated impairment loss.

11 LOANS TO INVESTEE COMPANIES

	Group and Company	
	2014	**2013**
	$'000	**$'000**
Loans to investee companies	3,817	4,520
Allowance for impairment	(3,817)	(3,763)
	–	757

The loans to investee companies are unsecured, bear interest at 5% to 8% annually.

The movement in the allowance for impairment in respect of loans to investee companies during the year was as follows:

	Group and Company	
	2014	**2013**
	$'000	**$'000**
At 1 January	3,763	3,336
Impairment loss recognised	1,134	427
Impairment loss write-off	(1,080)	–
At 31 December	3,817	3,763

The Group's exposure to credit and currency risks related to loans to investee companies is disclosed in note 23.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

12 OTHER INVESTMENTS

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Available-for-sale unquoted equity securities	910	910	805	805
Transferable club memberships, at cost	114	114	47	47
	1,024	1,024	852	852

The Group's exposure to credit risk and fair value information related to other investments are disclosed in note 23.

13 FINANCIAL DERIVATIVES

	Group Fair value			
	Assets		Liabilities	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Non-current				
Currency forwards and options	–	–	2,310	–
Interest rate swaps used for hedging	203	–	33	–
	203	–	2,343	–
Current				
Currency forwards and options	173	365	3,219	–
Interest rate swaps used for hedging	68	–	728	–
Other interest rate swaps	–	–	24	–
	241	365	3,971	–
	444	365	6,314	–

14 DEFERRED TAX ASSETS AND LIABILITIES

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of tax losses for certain subsidiaries amounting to approximately $22,477,000 (2013: $27,419,000), of which $20,434,000 (2013: $25,376,000) will expire between 2015 and 2034 (2013: 2014 and 2033) as follows:

	Group	
	2014	2013
	$'000	$'000
Within one year	–	5,640
Between one and three years	1,882	1,862
Between three and five years	1,396	1,434
More than five years	17,156	16,440
	20,434	25,376

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

14 DEFERRED TAX ASSETS AND LIABILITIES (cont'd)

Unrecognised deferred tax assets **(cont'd)**

The remaining tax losses do not expire under current tax legislation. These tax losses are subject to agreement by the tax authorities and compliance with tax regulations in the respective countries in which certain subsidiaries operate. Deferred tax assets have not been recognised in respect of these items because it is not probable that future taxable profit will be available in the relevant entities against which the Group can utilise the benefits therefrom.

Recognised deferred tax assets and liabilities

Deferred tax assets and liabilities are attributable to the following:

	Assets		Liabilities	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Group				
Property, plant and equipment	13,326	14,283	(226)	(249)

Movement in temporary differences during the year

	At 1 January 2013	Recognised in profit or loss (note 27)	Exchange differences	At 31 December 2013	Recognised in profit or loss (note 27)	Exchange differences	At 31 December 2014
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Group							
Property, plant and equipment	12,053	1,472	509	14,034	(1,495)	561	13,100

15 INVENTORIES

	Group	
	2014	2013
	$'000	$'000
Raw materials	25,321	24,442
Work-in-progress	20,731	26,193
Finished goods	38,957	34,131
Spare parts and others	7,459	8,559
	92,468	93,325

In 2014, raw materials, spare parts and others and changes in work-in-progress and finished goods recognised as cost of sales amounted to $627,073,000 (2013: $588,304,000).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

15 INVENTORIES (cont'd)

In 2014, the write-back of inventories by the Group amounted to $nil (2013: $1,251,000). The write-back was included in cost of sales.

16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Trade receivables	137,669	126,208	–	–
Deposits	3,017	3,527	107	115
Amounts due from subsidiaries (non-trade)	–	–	1,629	3,310
Amounts due from an associate:				
– trade	3,286	2,144	–	–
– non-trade	4	–	–	–
Other receivables	7,496	7,603	–	–
Loans and receivables	151,472	139,482	1,736	3,425
Prepayments	7,468	6,999	151	294
	158,940	146,481	1,887	3,719

The non-trade amounts due from subsidiaries and associate are unsecured, interest-free and repayable on demand. There is no allowance for doubtful debts arising from the outstanding balances.

The Group's and the Company's exposure to credit and currency risks, and impairment losses related to trade and other receivables is disclosed in note 23.

17 CASH AND CASH EQUIVALENTS

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Cash at bank and in hand	31,799	32,328	2,322	479
Fixed deposits with financial institutions	4,008	3,843	5	5
Cash and cash equivalents in the statement of financial position	35,807	36,171	2,327	484
Fixed deposits pledged	(5)	(5)		
Cash and cash equivalents in the consolidated statement of cash flows	35,802	36,166		

The weighted average effective interest rates per annum relating to cash and cash equivalents, at the reporting date for the Group and Company are 1.49% (2013: 1.48%) and 0.0001% (2013: 0.0001%) respectively.

Fixed deposits with financial institutions have an average maturity of 12 months (2013: 12 months) from the end of the financial year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

17 CASH AND CASH EQUIVALENTS (cont'd)

Fixed deposits pledged represent bank balances of certain subsidiaries pledged as security to obtain credit facilities.

The use of certain subsidiaries' cash and cash equivalent of $4,003,000 (2013: $3,838,000) is restricted to working capital purposes in accordance with the terms stipulated in the fixed deposits agreements entered by the subsidiaries with the bankers.

18 ASSETS HELD FOR SALE

	Group and Company 2014 $'000	Group and Company 2013 $'000
Reclassification from investment properties	–	2,170

Based on the valuation report on 17 July 2013, the fair value of the property was $4,100,000. The fair value was determined by Asian Appraisal Company Pte Ltd, a firm of independent professional valuers. The fair value was based on market value, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

The investment property held by the Company has been reclassified from investment properties at 31 December 2013. Efforts to sell the property had commenced, and the sale was completed on 25 March 2014.

19 CAPITAL AND RESERVES

	Group and Company	
	No. of shares 2014	No. of shares 2013
Share capital	'000	'000
Ordinary shares		
On issue at 1 January	416,442	416,442
Issuances of shares	55,472	–
On issue at 31 December	471,914	416,442

On 1 August 2014, the Group announced that the Company proposed a renounceable non-underwritten rights issue of up to 55,472,483 rights shares, at an issue price of $0.18 for each share, on the basis of two rights shares for every fifteen ordinary shares in the capital of the Company held by the shareholders. Subsequently on 30 September 2014, 55,472,483 shares ($9,985,000) were subscribed. Incremental cost directly attributable to the issue of the shares of $413,000 was recognised as a deduction from equity.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

19 CAPITAL AND RESERVES (cont'd)

The holders of ordinary shares are entitled to receive dividends as declared from time to time, and are entitled to one vote per share at meetings of the Company. In respect of the Company's shares that are held by the Group, all rights are suspended until those shares are reissued. All shares rank equally with regard to the Company's residual assets.

All issued shares are fully paid, with no par value.

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Reserves				
Reserve for own shares	(357)	(303)	(357)	(303)
Capital reserve	2,924	2,924	–	–
Share option reserve	730	812	730	812
Asset revaluation reserve	870	870	–	–
Translation reserve	(19,772)	(28,128)	–	–
Hedging reserve	(459)	–	–	–
	(16,064)	(23,825)	373	509

Reserve for own shares

The reserve for the Company's own shares comprises the cost of the Company's shares held by the Group. At 31 December 2014, the Group held 1,349,500 (2013: 736,500) of the Company's shares.

Capital reserve

Capital reserve mainly arises from the restructuring of Compart Asia Pte Ltd and its subsidiaries (the "Compart Group") in 2004.

Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When options are exercised, the cumulative amount in the share option reserve which relates to the valuable consideration received in the form of employee services is transferred to share capital.

Asset revaluation reserve

The asset revaluation reserve relates to the revaluation of leasehold land and buildings. There are no restrictions on the distribution of the balance to shareholders.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

19 CAPITAL AND RESERVES (cont'd)

Translation reserve

The translation reserve comprises foreign currency differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from the functional currency of the Company.

Hedging reserve

The hedging reserve comprises the effective portion of the cumulative change in the fair value of hedging instruments used in cash flow hedges pending subsequent recognition in profit or loss as the hedged cash flows affect profit or loss.

Retained earnings

The retained earnings of the Group include an accumulated loss amounting to $603,000 (2013: $702,000) attributable to associates.

Included in the Group's retained earnings is an amount of $14,619,000 (2013: $14,069,000) relating to statutory surplus reserve and $431,000 (2013: $431,000) relating to legal reserve.

According to the relevant People's Republic of China ("PRC") regulations, the subsidiaries in the PRC are required to transfer 10% of profit after taxation, as determined under Generally Accepted Accounting Principles of the PRC, to the statutory surplus reserve until the reserve balance reaches 50% of the entity's registered capital. The transfer to this reserve must be made before the distribution of dividends to equity owners. The statutory surplus reserve can be used to make good previous years' losses, if any, and may be converted into paid-in capital in proportion to the existing interests of equity owners.

According to Thailand's Civil and Commercial Code, the subsidiary in Thailand is required to allocate not less than 5% of its net profit to the legal reserve upon each dividend distribution, until the reserve balance reaches an amount not less than 10% of the subsidiary's registered share capital.

20 LOANS AND BORROWINGS

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Non-current liabilities				
Secured bank loans	50,588	86,627	–	1,260
Current liabilities				
Secured bank loans	67,303	77,601	–	160
Unsecured bank loans	20,538	13,214	2,000	2,000
	87,841	90,815	2,000	2,160
	138,429	177,442	2,000	3,420

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

20 LOANS AND BORROWINGS (cont'd)

Terms and debt repayment schedule

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

	Nominal Interest rate	Year of maturity	2014 Face value $'000	2014 Carrying amount $'000	2013 Face value $'000	2013 Carrying amount $'000
Group						
Secured bank loans (SGD)	–	–	–	–	1,420	1,420
Secured bank loans (RMB)	6.44%	2015	2,024	2,024	2,530	2,530
Secured bank loans (USD)	2.67% – 4.5%	2015 – 2018	115,867	115,867	160,279	160,279
Unsecured bank loans (SGD)	3.08%	2015	2,000	2,000	2,000	2,000
Unsecured bank loans (RMB)	–	–	–	–	2,108	2,108
Unsecured bank loans (USD)	2.34% – 3.53%	2015	18,538	18,538	9,105	9,105
			138,429	138,429	177,442	177,442
Company						
Bank loans	3.08%	2015	2,000	2,000	3,420	3,420

Secured bank loans of the Group amounting to $117,891,000 (2013: $164,229,000) are secured by legal charges over the Group's leasehold land and buildings with a carrying amount of $3,142,000 (2013: $22,149,000) (see note 4), assets held for sale with a carrying amount of $nil (2013: $2,170,000) (see note 18) and guarantees issued by certain subsidiaries.

Breach of loan covenants

The Group has secured bank loans of $93 million at 31 December 2014 of which, in accordance to the terms of the loan agreements, these loans are repayable in tranches over the next 3 years. However, these loans contain debt covenants requiring the Group to maintain the ratio of EBITDA to total debt service not to be less than 1.25, 1.50 and 1.75 to 1.

As at 31 December 2014, the ratio of EBITDA to total debt service was less than 1.25 to 1. As at 31 December 2014, management had obtained waivers on the breach of these covenants from the respective banks.

Subsequent to 31 December 2014, one of the banks has revised the loan covenants relating to the ratio of EBITDA to total debt service and capital expenditure to EBITDA. The Group will continue to monitor the compliance with the revised loan covenants.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

20 LOANS AND BORROWINGS (cont'd)

Intra-group financial guarantees

As at 31 December 2014, intra-group financial guarantees comprise corporate guarantees granted by the Company to banks in respect of banking facilities amounting to $201,500,000 (2013: $225,754,000) used by its subsidiaries. The corporate guarantees are valid as long as the banking facilities are provided to the subsidiaries. At the reporting date, the Company does not consider it probable that a claim will be made against the Company under the guarantees.

21 SHARE-BASED PAYMENT ARRANGEMENTS

Description of the share-based payment arrangements

At 31 December 2014, the Group has the following share-based payment arrangements:

Share option programme (equity-settled)

The BIGL Share Option Scheme 2001 (the "Scheme") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 8 November 2001. In accordance with the programme, market price options are exercisable at the average market price of the shares three days preceding the date of grant and incentive options are exercisable at a discount not exceeding 20% of the market price at the time of grant. The Scheme expired on 7 November 2011.

Terms and conditions of share option programme

The terms and conditions relating to the grants of the share option programme are as tabled below. All options are to be settled by physical delivery of shares.

Grant date	Number of instruments	Vesting conditions	Contractual life of options
Option grant to employees on 6 March 2009	16,000	1 year's service	10 years
Option grant to employees on 2 June 2009	200,000	2 years' service	10 years
Option grant to employees on 3 March 2010	720,000	1 year's service	10 years
Option grant to non-executive directors on 3 March 2010	200,000	1 year's service	5 years
Option grant to employees on 11 May 2010	200,000	1 year's service	10 years
Option grant to non-executive directors on 4 March 2011	200,000	1 year's service	5 years
Option grant to employees on 10 May 2011	200,000	1 year's service	10 years
Total share options	1,736,000		

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

21 SHARE-BASED PAYMENT ARRANGEMENTS (cont'd)

Description of the share-based payment arrangements (cont'd)

Share option programme (equity-settled) (cont'd)

Disclosure of share option programme

The number and weighted average exercise prices of share options are as follows:

	Weighted average exercise price 2014 $	Number of options 2014	Weighted average exercise price 2013 $	Number of options 2013
Outstanding at 1 January	0.44	1,896,000	0.43	2,276,000
Forfeited during the year	0.45	(160,000)	0.40	(380,000)
Outstanding at 31 December	0.44	1,736,000	0.44	1,896,000
Exercisable at 31 December	0.44	1,736,000	0.44	1,896,000

The options outstanding at 31 December 2014 have an exercise price in the range of \$0.07 to \$0.565 (2013: \$0.07 to \$0.565) and a weighted average remaining contractual life of 4.27 years (2013: 4.35 years).

No options were exercised in 2014 and 2013.

Inputs for measurement of grant date fair values

The grant date fair value of the share-based payment plan was measured based on the Trinomial Option Pricing model. Expected volatility is estimated by considering historic average share price volatility. The inputs used in the measurement of the fair values at grant date of the share-based payment plan are as follows:

	06 March 2009	02 June 2009	03 March 2010	11 May 2010	04 March 2011	10 May 2011
Fair value of share options and assumptions						
Fair value at grant date	\$0.08	\$0.25	\$0.29	\$0.44	\$0.19	\$0.19
Share price at grant date	\$0.15	\$0.35	\$0.86	\$1.13	\$0.99	\$1.01
Exercise price*	\$0.14	\$0.28	\$0.90	\$1.13	\$1.00	\$1.02
Expected volatility (weighted average volatility)	113%	126%	54%	57%	31%	29%
Option life (expected weighted average life)	5 years	5 years	5 years	5 years	5 years	5 years
Expected dividends	3%	3%	3%	3%	4%	4%
Risk-free interest rate (based on government bonds)	1.05%	1.35%	1.30%	1.05%	1.14%	1.10%

* Not adjusted for one-for-one bonus share issue.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

21 SHARE-BASED PAYMENT ARRANGEMENTS (cont'd)

Description of the share-based payment arrangements (cont'd)

Share Plan

The BIGL Share Plan (the "Plan") of the Company was approved and adopted by its members at an Extraordinary General Meeting held on 28 July 2010. The Plan is administered by the Remuneration Committee, comprising four directors, Eu Yee Ming Richard, Lee Chow Soon, Lew Syn Pau and Wong Sheung Sze.

The Plan is intended to reward, retain and motivate employees to higher standards of performance and encourage greater dedication and loyalty by enabling the Company to give recognition to outstanding employees of the Group and/or associated companies.

Awards will be released to participants as fully paid shares upon expiry of the prescribed vesting periods or retention periods and subject to conditions prescribed in the Plan.

Employees of the Group and/or associated companies shall be eligible to participate in the Plan subject to the absolute discretion of the Remuneration Committee. Non-executive directors of the Group and associated companies, controlling shareholders and their associates will not be eligible to participate in the Plan.

430,000 share awards were granted conditionally under the Plan during 2014 (2013: 577,000). The actual number of shares awarded will depend on the achievement of set targets over a four-year period. This will be determined by the Remuneration Committee at the end of the qualifying performance period and released to the recipient over a four-year vesting period in the ratio of 0%, 25%, 25% and 50% consecutively.

The details of the awards granted under the Plan are as follows:

Date of grant of share awards	Share awards granted and not released at 1 January 2014	Share awards granted during the financial year ended 31 December 2014	Share awards vested during the financial year ended 31 December 2014	Share awards forfeited during the financial year ended 31 December 2014	Share awards granted and not released at 31 December 2014
04 March 2011	601,500	–	(173,000)	(140,500)	288,000
04 April 2012	100,000	–	(25,000)	–	75,000
04 May 2012	235,000	–	(53,750)	(65,000)	116,250
04 June 2012	370,000	–	(78,750)	(77,500)	213,750
18 July 2012	30,000	–	(7,500)	–	22,500
04 April 2013	260,000	–	–	(40,000)	220,000
04 June 2013	250,000	–	–	(75,000)	175,000
04 May 2014	–	210,000	–	(40,000)	170,000
04 June 2014	–	220,000	–	–	220,000
	1,846,500	430,000	(338,000)	(438,000)	1,500,500

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

21 SHARE-BASED PAYMENT ARRANGEMENTS (cont'd)

Description of the share-based payment arrangements (cont'd)

Share Plan (cont'd)

Inputs for measurement of grant date fair values

The inputs used in the measurement of the fair values at grant date of the share plan are as follows:

	4 March 2011	4 April 2012	4 May 2012	4 June 2012	18 July 2012	4 April 2013	4 June 2013	4 May 2014	4 June 2014
Fair value of share awards and assumptions									
Fair value at grant date	$0.421	$0.445	$0.415	$0.330	$0.350	$0.330	$0.305	$0.270	$0.275
Share price at grant date	$0.493	$0.445	$0.415	$0.330	$0.350	$0.330	$0.305	$0.270	$0.275

The aggregate number of shares available under the Scheme, the Plan and any other applicable share-based schemes shall not exceed 15% of the Company's total issued shares (excluding treasury shares).

The weighted average share price at the date of grant of share awards vested in 2014 was $0.275 (2013: $0.32).

Employee expenses

	Group 2014 $'000	Group 2013 $'000
Equity-settled share-based payment:		
Share awards	53	199

22 TRADE AND OTHER PAYABLES

	Group 2014 $'000	Group 2013 $'000	Company 2014 $'000	Company 2013 $'000
Trade payables	136,439	117,576	–	–
Fees payable to directors of the Company	420	363	420	363
Other payables	10,709	13,778	166	1,134
Amount due to a subsidiary (non-trade)	–	–	4,244	8,700
Payables for purchase of property, plant and equipment	2,684	5,962	–	–
Accrued expenses	23,465	18,304	813	572
	173,717	155,983	5,643	10,769

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

22 TRADE AND OTHER PAYABLES (cont'd)

The amount due to a subsidiary is unsecured, interest-free and repayable on demand.

The Group's and the Company's exposure to currency and liquidity risk related to trade and other payables is disclosed in note 23.

23 FINANCIAL INSTRUMENTS

Overview

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

- credit risk
- liquidity risk
- market risk

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

Risk management framework

The Board of Directors has overall responsibility for the establishment and oversight of the Group's risk management framework.

The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls, and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Group's activities.

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

Credit risk

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

The carrying amount of financial assets in the statement of financial position represents the Group's and the Company's respective maximum exposure to credit risk, before taking into account any collateral held. The Group and the Company do not hold any collateral in respect of its financial assets.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

23 FINANCIAL INSTRUMENTS (cont'd)

Credit risk (cont'd)

Guarantees

The Group's policy is to provide financial guarantees only to subsidiaries.

Except for the intra-group financial guarantees given by the Company as set out in note 20, the Group and the Company do not provide any guarantees which would expose the Group or the Company to credit risk. The maximum exposure of the Company in respect of the intra-group financial guarantee at the end of the reporting period is, if the facilities are drawn down by the subsidiaries, in the amount of $201,500,000 (2013: $225,754,000).

Trade and other receivables

The Group's exposure to credit risk is influenced mainly by the individual characteristics of each customer. However, management also considers the demographics of the Group's customer base, including the default risk of the industry and country in which customers operate, as these factors may have an influence on credit risk. The Group's business is highly reliant on a few major customers and their affiliated companies. Sales to these customers account for a majority of the Group's total revenue. Approximately 55% (2013: 56%) of the Group's revenue is attributable to sale transactions with three major customers.

The Group has policies in place to ensure sales of products are made to customers with an appropriate credit history and monitors their balances on an ongoing basis. The Group does not require collateral in respect of trade and other receivables.

Exposure to credit risk

The maximum exposure to credit risk for trade and other receivables (excluding prepayments) at the reporting date by type of counterparty was:

	Group Carrying amount		Company Carrying amount	
	2014 $'000	**2013 $'000**	**2014 $'000**	**2013 $'000**
Foam plastics	74,377	71,361	–	–
Components*	76,987	68,005	–	–
Others	108	116	1,736	3,425
	151,472	139,482	1,736	3,425

* Components comprise Hard disk drive and Precision engineering solutions (formerly known as Non-Hard disk drive).

The Group's three most significant customers, components manufacturers, account for $41,902,000 (2013: $44,887,000) of the consolidated trade and other receivables balance (excluding prepayments) at 31 December 2014.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

23 FINANCIAL INSTRUMENTS (cont'd)

Credit risk (cont'd)

Trade and other receivables (cont'd)

Exposure to credit risk (cont'd)

The aging of loans and receivables at the reporting date was:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Gross				
Not past due	129,537	119,464	581	376
Past due 0 – 30 days	9,543	10,909	–	2
Past due 31 – 120 days	5,109	6,556	911	–
More than 120 days past due	10,178	3,243	244	3,047
	154,367	140,172	1,736	3,425
Impairment losses				
Not past due	742	171	–	–
Past due 0 – 30 days	20	15	–	–
Past due 31 – 120 days	18	22	–	–
More than 120 days past due	2,115	482	–	–
	2,895	690	–	–

Impairment losses

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

A considerable amount of estimation is required in assessing the ultimate realisation of these receivables, including the current creditworthiness and the past collection history of each customer. If the financial conditions of customers of the Group were to deteriorate, resulting in an impairment of their ability to make payments, additional provision may be required.

The movement in the allowance for impairment in respect of trade and other receivables during the year was as follows:

	Group		Company	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
At 1 January	690	378	–	–
Impairment loss recognised	2,551	501	–	–
Impairment loss written off	(346)	(189)	–	–
At 31 December	2,895	690	–	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

23 FINANCIAL INSTRUMENTS (cont'd)

Credit risk (cont'd)

Trade and other receivables (cont'd)

Impairment losses (cont'd)

The Group and the Company believes that the unimpaired amounts that are past due are still collectible, based on historic payment behaviour.

Based on the Group's monitoring of customer credit risk, the Group believes that, apart from the above, no impairment allowance is necessary in respect of trade receivables not past due.

The allowance account in respect of trade and other receivables is used to record impairment losses unless the Group is satisfied that no recovery of the amount owing is possible; at that point, the amounts are considered irrecoverable and are written off against the financial asset directly. At 31 December 2014, the Group and the Company does not have any collective impairment on its loans and receivables (2013: $nil).

Cash and cash equivalents

The Group held cash and cash equivalents of $35,807,000 at 31 December 2014 (2013: $36,171,000), which represents its maximum credit exposure on these assets. The cash and cash equivalents are held with bank and financial institution counterparties, which are rated Aa1 to Baa3, based on Moody's ratings.

Liquidity risk

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

Typically the Group ensures that it has sufficient cash on demand to meet expected operational expenses, including the servicing of financial obligations; this excludes the potential impact of extreme circumstances that cannot reasonably be predicted, such as natural disasters.

As at 31 December 2014, the Group maintains $55.7 million (2013: $79.7 million) of uncommitted credit facilities that can be drawn down to meet short-term financing needs.

The Group has contractual commitments to purchase property, plant and equipment (see note 33).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

23 FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk (cont'd)

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

		Cash flows			
	Carrying amount $'000	Contractual cash flows $'000	Within 1 year $'000	Between 1 to 5 years $'000	More than 5 years $'000
Group					
2014					
Non-derivative financial liabilities					
Variable interest rate loans	79,850	(88,426)	(30,308)	(58,118)	–
Fixed interest rate loans	58,579	(59,001)	(59,001)	–	–
Trade and other payables	173,717	(173,717)	(173,717)	–	–
	312,146	(321,144)	(263,026)	(58,118)	–
Derivative financial liabilities					
Forward exchange contracts:					
– Outflow	(5,529)	5,529	3,219	2,310	–
– Inflow	173	(173)	(173)	–	–
Interest rate Swap used for hedging:					
– Outflow	(785)	785	752	33	–
– Inflow	271	(271)	(68)	(203)	–
	(5,870)	5,870	3,730	2,140	–
	306,276	(315,274)	(259,296)	(55,978)	–
2013					
Non-derivative financial liabilities					
Variable interest rate loans	122,506	(125,988)	(36,642)	(89,346)	–
Fixed interest rate loans	54,936	(55,901)	(55,901)	–	–
Trade and other payables	155,983	(155,983)	(155,983)	–	–
	333,425	(337,872)	(248,526)	(89,346)	–
Derivative financial liabilities					
Forward exchange contracts:					
– Inflow	(365)	365	365	–	–
	(365)	365	365	–	–
	333,060	(337,507)	(248,161)	(89,346)	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

23 FINANCIAL INSTRUMENTS (cont'd)

Liquidity risk (cont'd)

	Carrying amount $'000	Cash flows: Contractual cash flows $'000	Within 1 year $'000	Between 1 to 5 years $'000	More than 5 years $'000
Company					
Non-derivative financial liabilities					
2014					
Fixed interest rate loans	2,000	(2,005)	(2,005)	–	–
Trade and other payables	5,643	(5,643)	(5,643)	–	–
	7,643	(7,648)	(7,648)	–	–
2013					
Variable interest rate loans	1,420	(1,450)	(164)	(1,286)	–
Fixed interest rate loans	2,000	(2,005)	(2,005)	–	–
Trade and other payables	10,769	(10,769)	(10,769)	–	–
	14,189	(14,224)	(12,938)	(1,286)	–

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

For derivative financial instruments, the cash inflows/(outflows) represent the contractual undiscounted cash flows relating to these instruments. The amounts are compiled on a net basis for derivatives that are net-settled. Gross inflows and outflows are included for derivatives that are gross-settled on a simultaneous basis. Net-settled derivative financial assets are included in the maturity analyses as they are held to manage the cash flow variability.

The derivative cash flow hedges are expected to impact profit or loss in the same periods as their expected cash inflows/(outflows).

It is not expected that the cash flows included in the maturity analysis of the Group and the Company could occur significantly earlier, or at significantly different amounts.

Market risk

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

The Group buys and sells derivatives, and also incurs financial liabilities, in order to manage market risks. All such transactions are carried out within the guidelines approved by the Board of Directors.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

23 FINANCIAL INSTRUMENTS (cont'd)

Market risk (cont'd)

Currency risk

The Group is exposed to currency risk on sales, purchases and borrowings that are denominated in a currency other than the respective functional currencies of Group entities. The currencies in which these transactions primarily are denominated are Singapore dollar, US dollar, Chinese Renminbi and Thai Baht.

The Group uses forward exchange contracts to manage its currency risk, with a maximum tenor of 24 months.

Interest on borrowings is denominated in the currency of the borrowing. Generally borrowings are denominated in currencies that match the cash flows generated by the underlying operations of the Group, primarily US dollar and Chinese Renminbi. This provides an economic hedge without derivatives being entered into and therefore hedge accounting is not applied in these circumstances.

Exposure to currency risk

The summary of quantitative data about the Group's exposure to foreign currency risk as provided to the management of the Group based on its risk management policy was as follows:

	Singapore dollar $'000	US dollar $'000	Chinese Renminbi $'000	Thai Baht $'000
Group				
31 December 2014				
Trade and other receivables	–	29,256	19,411	33,546
Cash and cash equivalents	432	8,889	4,419	1,618
Loans and borrowings	–	(21,586)	–	–
Trade and other payables	(2)	(11,108)	(46,190)	(36,045)
Net statement of financial position exposure	430	5,451	(22,360)	(881)
Forward exchange contracts	–	–	69,000	–
Net exposure	430	5,451	46,640	(881)
31 December 2013				
Loans to investee companies	–	757	–	–
Trade and other receivables	–	27,784	12,868	23,601
Cash and cash equivalents	191	7,720	3,024	1,646
Loans and borrowings	–	(24,165)	–	–
Trade and other payables	(24)	(10,372)	(43,727)	(26,592)
Net statement of financial position exposure	167	1,724	(27,835)	(1,345)
Company				
31 December 2014				
Loan to investee companies	–	–	–	–
31 December 2013				
Loan to investee companies	–	757	–	–

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

23 FINANCIAL INSTRUMENTS (cont'd)

Market risk (cont'd)

Currency risk (cont'd)

Sensitivity analysis

A 10% strengthening of the functional currencies of the Company and its subsidiaries against the Singapore dollar, US dollar, Chinese Renminbi and Thai Baht at 31 December would have increased/(decreased) profit before tax by the amounts shown below. This analysis is based on foreign currency exchange rate variances that the Group considered to be reasonably possible at the end of the reporting period. The analysis assumes that all other variables, in particular interest rates, remain constant. The analysis is performed on the same basis for 2013, as indicated below:

	Group Profit before tax $'000	Company Profit before tax $'000
31 December 2014		
Singapore dollar	(43)	–
US dollar	(545)	–
Chinese Renminbi	(4,664)	–
Thai Baht	88	–
31 December 2013		
Singapore dollar	(17)	–
US dollar	(172)	(76)
Chinese Renminbi	2,784	–
Thai Baht	135	–

A 10% weakening of the functional currencies of the Company and its subsidiaries against the above currencies at 31 December would have had the equal but opposite effect on the above currencies to the amounts shown above, on the basis that all other variables remain constant.

Interest rate risk

The Group adopts a policy of ensuring that between 20% and 60% of its exposure to changes in interest rates on borrowings is on a fixed-rate basis, taking into account assets with exposure to changes in interest rates. This is achieved by entering into interest rate swaps. The company enters into and designates interest rate swaps as hedges of the variability in cash flows attributable to interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

23 FINANCIAL INSTRUMENTS (cont'd)

Market risk (cont'd)

Interest rate risk (cont'd)

Profile

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

	Group		Company	
	Carrying amount		Carrying amount	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Fixed rate instruments				
Financial assets	4,008	4,600	5	762
Financial liabilities	(58,579)	(54,936)	(2,000)	(2,000)
	(54,571)	(50,336)	(1,995)	(1,238)

	Group		Company	
	Carrying amount		Carrying amount	
	2014	2013	2014	2013
	$'000	$'000	$'000	$'000
Variable rate instruments				
Financial assets	31,799	32,328	2,321	479
Financial liabilities	(79,850)	(122,506)	–	(1,420)
Interest rate swaps	105,626	–	–	–
	57,575	(90,178)	2,321	(941)

Fair value sensitivity analysis for fixed rate instruments

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

Cash flow sensitivity analysis for variable rate instrument

A change of 100 basis points in interest rates at the reporting date would have increased/(decreased) equity and profit before tax by the amounts shown below. This analysis assumes that all other variables, in particular foreign currency rates, remain constant. The analysis is performed on the same basis for 2013.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

23 FINANCIAL INSTRUMENTS (cont'd)

Market risk (cont'd)

Interest rate risk (cont'd)

Cash flow sensitivity analysis for variable rate instrument (cont'd)

	Profit before tax		Equity	
	100 bp increase $'000	100 bp decrease $'000	100 bp increase $'000	100 bp decrease $'000
Group				
31 December 2014				
Variable rate instruments	(481)	481	–	–
Interest rate swaps	492	(420)	866	(78)
Cash flow sensitivity (net)	11	61	866	(78)
31 December 2013				
Variable rate instruments	(902)	902	–	–
Cash flow sensitivity (net)	(902)	902	–	–
Company				
31 December 2014				
Variable rate instruments	23	(23)	–	–
Cash flow sensitivity (net)	23	(23)	–	–
31 December 2013				
Variable rate instruments	(9)	9	–	–
Cash flow sensitivity (net)	(9)	9	–	–

Capital management

The Board's policy is to maintain a sound capital base so as to maintain investor, creditor and market confidence and to sustain future development of the business. Capital consists of share capital, reserves, retained earnings and non-controlling interests of the Group. The Board of Directors monitors the average return on capital, which the Group defines as net operating income divided by total average shareholders' equity excluding non-controlling interests. The Board of Directors also monitors the level of dividends to ordinary shareholders.

The Company has a mandate to issue shares to employees of the Group of up to 15% of the Company's ordinary shares (excluding treasury shares held). At present, employees hold 1.5% of ordinary shares, or just under 2.1% assuming that all outstanding share options and share awards vest and/or are exercised.

The Board seeks to maintain a balance between the higher returns that might be possible with higher levels of borrowings and the advantages and security afforded by a sound capital position. In 2014, the return on average shareholders' equity was 0.7% (2013: 0.8%). In comparison, the weighted average interest expense on interest-bearing borrowings (excluding liabilities with imputed interest) was 3.49% (2013: 3.36%).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

23 FINANCIAL INSTRUMENTS (cont'd)

Capital management (cont'd)

The Group's net debt to equity ratio at the balance sheet date was as follows:

	2014 $'000	2013 $'000
Total liabilities	325,513	348,301
Less: Cash and cash equivalents	(35,807)	(36,171)
Net debt	289,706	312,130
Total equity	238,275	221,011
Net debt to equity ratio at 31 December	1.22	1.41

From time to time, the Group purchases its own shares on the market; the timing of these purchases depends on market prices. The shares are primarily intended to be used for issuing shares under the Group's share option and share award programme.

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

The Group is not subject to externally imposed capital requirements, other than as disclosed in note 19.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

23 FINANCIAL INSTRUMENTS (cont'd)

Accounting classifications and fair values

Fair values versus carrying amounts

The fair values of financial assets and liabilities, together with the carrying amounts shown in the statement of financial position, are as follows:

Group	Note	Loans and receivables $'000	Asset held for sale $'000	Available for-sale $'000	Fair value – hedging instruments $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
31 December 2014								
Cash and cash equivalents	17	35,807	–	–	–	–	35,807	35,807
Trade and other receivables	16	151,472	–	–	–	–	151,472	151,472
Financial derivative assets	13	–	–	–	444	–	444	444
Available-for-sale equity securities	12	–	–	910	–	–	910	910
		188,829	–	910	444	–	188,633	188,633
Financial derivative liabilities	13	–	–	–	(6,314)	–	(6,314)	(6,314)
Bank loans	20	–	–	–	–	(138,429)	(138,429)	(136,651)
Trade and other payables	22	–	–	–	–	(173,717)	(173,717)	(173,717)
		–	–	–	(6,314)	(312,146)	(318,460)	(316,682)
31 December 2013								
Cash and cash equivalents	17	36,171	–	–	–	–	36,171	36,171
Trade and other receivables	16	139,482	–	–	–	–	139,482	139,482
Financial derivative assets	13	–	–	–	365	–	365	365
Loans to investee companies	11	757	–	–	–	–	757	701
Available-for-sale equity securities	12	–	–	910	–	–	910	910
Assets held for sale	18	–	2,170	–	–	–	2,170	4,100
		176,410	2,170	910	365	–	179,855	181,729
Bank loans	20	–	–	–	–	(177,442)	(177,442)	(175,398)
Trade and other payables	22	–	–	–	–	(155,983)	(155,983)	(155,983)
		–	–	–	–	(333,425)	(333,425)	(331,381)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

23 FINANCIAL INSTRUMENTS (cont'd)

Accounting classifications and fair values (cont'd)

Fair values versus carrying amounts (cont'd)

Company	Note	Loans and receivables $'000	Asset held for sale $'000	Available for-sale $'000	Other financial liabilities within the scope of FRS 39 $'000	Total carrying amount $'000	Fair value $'000
31 December 2014							
Cash and cash equivalents	17	2,327	–	–	–	2,327	2,327
Trade and other receivables	16	1,736	–	–	–	1,736	1,736
Available-for-sale equity securities	12	–	–	805	–	805	805
		4,063	–	805	–	4,868	4,868
Bank loans	20	–	–	–	(2,000)	(2,000)	(1,940)
Trade and other payables	22	–	–	–	(5,643)	(5,643)	(5,643)
		–	–	–	(7,643)	(7,643)	(7,583)
31 December 2013							
Cash and cash equivalents	17	484	–	–	–	484	484
Trade and other receivables	16	3,425	–	–	–	3,425	3,425
Loans to investee companies	11	757	–	–	–	757	701
Available-for-sale equity securities	12	–	–	805	–	805	805
Asset held for sale	18	–	2,170	–	–	2,170	4,100
		4,666	2,170	805	–	7,641	9,515
Bank loans	20	–	–	–	(3,420)	(3,420)	(3,363)
Trade and other payables	22	–	–	–	(10,769)	(10,769)	(10,769)
		–	–	–	(14,189)	(14,189)	(14,132)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

23 FINANCIAL INSTRUMENTS (cont'd)

Accounting classifications and fair values (cont'd)

Interest rates used for determining fair value

The interest rates used to discount estimated cash flows, when applicable, are based on the prevailing market borrowing rates which are available to the Group at the reporting date, and were as follows:

	Group	
	2014	**2013**
	%	**%**
Bank loans	2.34 – 6.44	1.85 – 6.44

Fair value hierarchy

The tables below analyse fair value measurements for financial assets and financial liabilities, by the levels in the fair value hierarchy based on the inputs to valuation techniques. The different levels are defined 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 (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 : unobservable inputs for the asset or liability.

	Level 1 $'000	**Level 2 $'000**	**Level 3 $'000**	**Total $'000**
Group				
31 December 2014				
Available-for-sale unquoted equity securities	–	910	–	910
Forward exchange contracts	–	173	–	173
Interest rate swaps	–	271	–	271
Total assets	–	1,354	–	1,354
Forward exchange contracts	–	(5,529)	–	(5,529)
Interest rate swaps	–	(785)	–	(785)
Total liabilities	–	(6,314)	–	(6,314)
31 December 2013				
Available-for-sale unquoted equity securities	–	910	–	910
Forward exchange contracts				
– Derivative financial assets	–	365	–	365
Total assets	–	1,275	–	1,275
Company				
31 December 2014				
Available-for-sale unquoted equity securities	–	805	–	805
31 December 2013				
Available-for-sale unquoted equity securities	–	805	–	805

There has been no transfer of the Group's and the Company's financial assets and financial liabilities to/from other levels during the year.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

24 REVENUE

	Group 2014 $'000	Group 2013 $'000
Sale of goods	694,528	644,662

25 FINANCE INCOME AND COSTS

	Group 2014 $'000	Group 2013 $'000
Interest income:		
– fixed deposits	113	106
– loans to investee companies	202	303
– loan to an associate	53	32
– banks	400	201
Finance income	768	642
Interest expense:		
– bank loans	(5,971)	(5,686)
– discounting charges/service fees paid/payable to banks	(858)	(1,154)
– others	(1,032)	(398)
Finance costs	(7,861)	(7,238)
Net finance costs recognised in profit or loss	(7,093)	(6,596)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

26 (LOSS)/PROFIT BEFORE TAX

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

	Note	Group 2014 $'000	Group 2013 $'000
Audit fees paid to:			
– auditors of the Company		641	621
– other auditors		238	327
(Gain)/loss on disposal of property, plant and equipment		(511)	23
Impairment loss on loan to investee companies		1,134	427
Fair value loss/(gain) on financial derivatives		5,497	(387)
Foreign exchange loss/(gain)		1,436	(6,254)
Operating lease expense		12,662	12,847
Depreciation expense	4,7	40,876	44,129
Employee benefits expense (see below)		159,208	138,389
Directors' fees		420	404
Rental income from investment property leases		(35)	(228)
Gain on disposal of an investment property		–	(1,457)
Gain on disposal of an asset held for sale		(1,939)	–
Employee benefits expense			
Salaries, bonuses and other costs		144,932	125,494
Contributions to defined contribution plans		14,223	12,696
Equity-settled share-based payment transactions		53	199
		159,208	138,389

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

27 TAX EXPENSE/(CREDIT)

	Note	Group 2014 $'000	Group 2013 $'000
Current tax expense			
Current year		3,746	4,325
(Over)/Under provision in prior years		(8,251)	1,363
		(4,505)	5,688
Deferred tax expense			
Origination and reversal of temporary differences	14	1,495	(1,472)
Total tax (credit)/expense		(3,010)	4,216
Reconciliation of effective tax rate			
(Loss)/Profit before tax		(2,660)	6,124
Income tax using Singapore tax rate of 17%		(452)	1,041
Effect of different tax rates in foreign jurisdictions		703	49
Non-deductible expenses		8,547	5,703
Income not subject to tax		(2,290)	(3,347)
Income taxed at preferential tax rate outside Singapore		(592)	(563)
Recognition of tax effect of previously unrecognised tax losses		(840)	(540)
(Over)/Under provision in prior years		(8,251)	1,363
Others		165	510
		(3,010)	4,216

Details of the Group's tax incentives are as follows:

Previously, certain subsidiaries in the People's Republic of China were entitled to tax concessions whereby the profit for the first two financial years beginning with the first profit-making year was exempted from income tax in the People's Republic of China and the profit of the subsequent three financial years was taxed at 50% of the prevailing tax rate set by the local authority. A new Corporate Income Tax Law which took effect on 1 January 2008 states that subsidiaries in the People's Republic of China which have not utilised their five-years tax concessions under the old tax law will be required to utilise their first-year of tax concession commencing from 2008.

As at 31 December 2014, all subsidiaries have utilised their five-years tax concession.

Tax sparing credits are available to a Mauritius subsidiary, Compart Asia Pacific Ltd, whereby the subsidiary is entitled to a deemed credit of 80% of the tax on its foreign source income.

A subsidiary in Thailand, Compart Precision (Thailand) Co., Ltd is under tax holiday in accordance with the provisions of the Industrial Investment Promotion Act of B.E. 2520 that grants exemption from payment of corporate income tax for a period of seven years from the date on which the income is first derived from the promoted business. The exemption was subsequently renewed in 2009. The tax holiday expires in 2017.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

27 TAX EXPENSE/(CREDIT) (cont'd)

Measurement of provision for income taxes

The Group derives a substantial amount of its profit from manufacturing and trading activities across several countries before the sale of final products to ultimate customers and is therefore subject to income taxes in several jurisdictions. Significant judgement is required in determining the taxable profit in each of the tax jurisdictions during the estimation of the provision for income taxes.

There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Therefore, the Group recognises tax liabilities based on its assessment of whether it is probable, that additional taxes and interests will be due. These tax liabilities are recognised when the Group believes that certain positions may not be fully sustained upon review by tax authorities, despite the Group's belief that its tax return positions are supportable.

The Group believes that its accruals for tax liabilities are adequate for all open tax years based on its assessment of many factors including interpretations of tax law and prior experience. This assessment relies on estimates and assumptions and may involve a series of multi-faceted judgements about future events. New information may become available that causes the Group to change its judgement regarding the adequacy of existing tax liabilities. Such changes to tax liabilities will impact tax expense in the period that such a determination is made.

As at 31 December 2014, the portion of the Group's provision for income taxes subject to significant judgement and uncertainty amounted to $4.0 million (2013: $12.2 million). If the actual final outcome differs by 10% from management's estimates, the Group's income tax liability taken up in the financial statements would reduce or increase by $400,000 (2013: $1,220,000).

28 EARNINGS PER SHARE

Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2014 was based on the profit attributable to ordinary shareholders of $173,000 (2013: $1,635,000), and a weighted average number of ordinary shares outstanding of 432,655,000 (2013: 419,222,000), calculated as follows:

Weighted average number of ordinary shares

		Group	
	Note	2014 No. of shares '000	2013 No. of shares '000
Issued ordinary shares at 1 January	19	416,442	416,442
Effect of own shares held		(590)	(779)
Effect of rights issue		16,803	3,559
Weighted average number of ordinary shares at 31 December		432,655	419,222

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

28 EARNINGS PER SHARE (cont'd)

Diluted earnings per share

The calculation of diluted earnings per share for the year ended 31 December 2014 was based on profit attributable to ordinary shareholders of $173,000 (2013: $1,635,000), and a weighted average number of ordinary shares outstanding after adjustment for the effects of all dilutive potential ordinary shares of 434,283,000 (2013: 421,102,000), calculated as follows:

Weighted average number of ordinary shares (diluted)

	Group	
	2014	**2013**
	No. of shares	**No. of shares**
	'000	**'000**
Weighted average number of ordinary shares (basic)	432,655	419,222
Effect of share options on issue	11	21
Effect of share awards not released	1,617	1,859
Weighted average number of ordinary shares (diluted) at 31 December	434,283	421,102

At 31 December 2014, 1,720,000 (2013: 1,680,000) share options were excluded from the diluted weighted average number of ordinary shares calculation as their effect would have been anti-dilutive.

The average market value of the Company's shares for purposes of calculating the dilutive effect of share options was based on quoted market prices for the period during which the options were outstanding.

29 OPERATING SEGMENTS

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

- Foam plastics: Manufacture and sale of expandable foam plastics for packaging, insulation and other applications.

- Hard disk drive: Manufacture and distribution of actuator arms and related assembly for the Hard disk drive industry.

- Precision engineering solutions (formerly known as Non-Hard disk drive): Manufacture and distribution of precision machined components for industrial products used mainly in automotive, customer devices and semi-conductor sectors.

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

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

29 OPERATING SEGMENTS (cont'd)

Information about reportable segments

	Foam plastics		Hard disk drive		Precision engineering solutions (formerly known as Non-Hard disk drive)		Total	
	2014	2013	2014	2013	2014	2013	2014	2013
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
External revenue, representing consolidated revenue	198,044	196,452	396,169	370,284	100,315	77,926	694,528	644,662
Finance income	437	466	171	129	45	9	653	604
Finance costs	(1,041)	(1,196)	(5,304)	(5,809)	(1,469)	(298)	(7,814)	(7,303)
Depreciation	(7,307)	(7,607)	(24,387)	(26,114)	(9,108)	(10,273)	(40,802)	(43,994)
Share of profit of associates	207	273	–	–	–	–	207	273
Reportable segment profit/(loss) before tax	8,438	14,430	(7,639)	(9,204)	4,618	3,570	5,417	8,796
Reportable segment assets	161,241	155,064	287,166	317,290	101,257	75,619	549,664	547,973
Investment in associates	1,496	1,368	–	–	–	–	1,496	1,368
Capital expenditure	9,394	12,404	7,359	(41,838)	1,883	61,549	18,636	32,115
Reportable segment liabilities	75,788	80,307	191,671	242,716	24,395	14,387	291,854	337,410

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

29 OPERATING SEGMENTS (cont'd)

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

	2014 $'000	2013 $'000
Profit or loss		
Total profit for reportable segments	5,417	8,796
Unallocated amounts:		
– Fair value (loss)/gain on financial derivatives	(5,497)	387
– Other corporate expenses	(2,787)	(3,332)
Share of profit of associates	207	273
Consolidated (loss)/profit before tax	(2,660)	6,124
Assets		
Total assets for reportable segments	549,664	547,973
Investment in associates	1,496	1,368
Other unallocated amounts*	12,628	19,971
Consolidated total assets	563,788	569,312
Liabilities		
Total liabilities for reportable segments	291,854	337,410
Other unallocated amounts ^	33,659	10,891
Consolidated total liabilities	325,513	348,301

* As at 31 December 2014, the unallocated assets mainly relate to cash and cash equivalents amounting to $10,958,000 (2013: $15,201,000), financial derivative assets amounting to $444,000 (2013: $365,000), and assets held for sale of $nil (2013: $2,170,000) that are unallocated to the segments.

^ As at 31 December 2014, the unallocated liabilities mainly relate to financial derivative liabilities amounting to $6,314,000 (2013: $nil) and corporate bank loans of $20,500,000 (2013: $8,466,000) that are unallocated to the segments.

	Reportable segment totals $'000	Adjustments $'000	Consolidated totals $'000
2014			
Other material items			
Finance income	653	115	768
Finance costs	(7,814)	(47)	(7,861)
Capital expenditure	18,636	29	18,665
Depreciation	(40,802)	(74)	(40,876)
Impairment loss on loan to investee companies	–	(1,134)	(1,134)
Fair value loss on financial derivatives	–	(5,497)	(5,497)

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

29 OPERATING SEGMENTS (cont'd)

Reconciliations of reportable segment profit or loss, assets and liabilities and other material items (cont'd)

	Reportable segment totals $'000	Adjustments $'000	Consolidated totals $'000
2013			
Other material items			
Finance income	604	38	642
Finance costs	(7,303)	65	(7,238)
Capital expenditure	32,115	73	32,188
Depreciation	(43,994)	(135)	(44,129)
Impairment loss on loan to investee companies	–	(427)	(427)
Fair value gain on financial derivatives	–	387	387

Geographical information

Singapore is the country of domicile of the Company. The principal activity of the Company is that of an investment holding company. Subsidiaries of the Company in the three reportable segments are located in People's Republic of China, Singapore, Thailand and United States of America.

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

	Revenue $'000	Non-current assets* $'000
31 December 2014		
People's Republic of China	430,576	171,187
Singapore	12,903	64,269
Thailand	158,710	23,661
United States of America	47,075	2,776
Other countries	45,264	–
	694,528	261,893
31 December 2013		
People's Republic of China	422,944	189,555
Singapore	11,178	61,495
Thailand	123,114	20,952
United States of America	39,754	2,848
Other countries	47,672	–
	644,662	274,850

* Non-current assets presented consist of property, plant and equipment, goodwill, associates and club memberships.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

29 OPERATING SEGMENTS (cont'd)

Major customers

Revenue from three major customers of the Group's HDD segment represents approximately $382,830,000 (2013: $362,738,000) of the Group's total revenue.

30 DETERMINATION OF FAIR VALUES

A number of the Group's accounting policies and disclosures require the determination of fair value, for both financial and non-financial assets and liabilities. Fair values have been determined for measurement and/or disclosure purposes based on the following methods. When applicable, further information about the assumptions made in determining fair values is disclosed in the notes specific to that asset or liability.

Property, plant and equipment

External, independent valuation companies, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued, values the Group's leasehold land and buildings on a triennial basis.

The fair values of leasehold land and buildings and property, plant and equipment recognised as a result of a business combination are the estimated amounts for which a property could be exchanged on the date of valuation and acquisition respectively between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably and willingly.

The fair values of leasehold land and buildings and plant and machinery are based on the market approach and cost approaches using quoted market prices for similar items when available and replacement cost when appropriate. Depreciated replacement cost estimates reflect adjustments for physical deterioration as well as functional and economic obsolescence.

Equity securities

The fair values of investment in equity securities are determined by reference to their quoted closing bid price in an active market at the measurement dates or where such information is unavailable, determined using a valuation technique. Valuation techniques employed include market multiples and discounted cash flow analysis using contractual or expected future cash flows as applicable, a market-related discount rate.

Derivatives

The fair values of interest rate swaps and forward exchange contracts (Level 2 fair values) are based on price quotations. These quotes are tested for reasonableness by discounting estimated future cash flows based on terms and maturity of each contract and using market interest rates for a similar instrument at the measurement date. Fair values reflect the credit risk of the instrument and include adjustments to take into account the credit risk of the Group entity and counterparty when appropriate.

Non-derivative financial liabilities

Fair value, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

31 OPERATING LEASES

Leases as lessee

Non-cancellable operating lease rentals are payable as follows:

	Group		Company	
	2014	**2013**	**2014**	**2013**
	$'000	**$'000**	**$'000**	**$'000**
Within one year	6,327	6,836	237	237
Between one and five years	4,675	6,378	187	424
	11,002	13,214	424	661

The Group and Company leases a number of warehouses, factory facilities and offices under operating leases. The leases typically run for a period of one to five years, with an option to renew the lease after that date. Lease payments are usually increased upon renewal to reflect market rentals.

32 EFFECTS OF LIQUIDATION OF A SUBSIDIARY

		Group
		2014
	Note	**$'000**
Property, plant and equipment	4	200
Inventories		160
Trade and other receivables		1,048
Cash and cash equivalents		171
Trade and other payables		(1,216)
Provision for taxation		30
Net assets and liabilities		393
Non-controlling interest		(393)
Group's share of net assets and liabilities		–
Cash and cash equivalents disposed of		(171)
Net cash outflow		(171)

On 29 March 2014, the Group has passed a resolution to liquidate all the shares in its subsidiary, Xinjiang Broadway Advanced Materials Co., Ltd. The subsidiary contributed to a net profit of $nil to the consolidated net profit for the year ended 31 December 2014 and 31 December 2013.

33 CAPITAL COMMITMENTS

As at 31 December 2014, the Group had entered into contracts to purchase property, plant and equipment for $1,235,000 (2013: $373,000).

As at 31 December 2014, the Company had an uncalled capital commitment to subscribe for additional investment in a subsidiary amounting to $9,514,000 (2013: $1,892,000).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

34 CONTINGENCIES

Intra-group financial guarantees comprise corporate guarantees granted by the Company to banks in respect of banking facilities amounting to $201,500,000 (2013: $225,754,000) provided to its subsidiaries. The financial guarantees will expire when the loans have been paid and discharged and/or when the banking facilities are no longer available to the subsidiaries. These financial guarantee contracts are accounted for as insurance contracts.

The principal risk to which the Company is exposed is the credit risk in connection with the guarantee contract it has issued. The credit risk represents the loss that would be recognised upon a default by the subsidiary to which the guarantee was given for the benefit of.

There are no terms and conditions attached to the guarantee contract that would have a material effect on the amount, timing and uncertainty of the Company's future cash flows.

Estimates of the Company's obligation arising from the financial guarantee contracts may be affected by future events, which cannot be predicted with certainty. The assumptions made may well vary from actual experience so that the actual liability may vary considerably from the best estimates. As of reporting date, there is no provision made in respect of the obligation.

35 RELATED PARTIES

Transactions with key management personnel

Key management personnel compensation

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

Key management personnel compensation comprised:

	Group	
	2014	2013
	$'000	$'000
Short-term employee benefits	3,357	2,970
Post-employment benefits (including CPF)	43	11
Share-based payments	24	32
	3,424	3,013

Included in the above, total compensation to directors of the Company amounted to $1,508,000 (2013: $1,797,000).

NOTES TO THE FINANCIAL STATEMENTS (cont'd)

Year ended 31 December 2014

35 RELATED PARTIES (cont'd)

Transactions with key management personnel (cont'd)

Key management personnel compensation (cont'd)

Directors also participate in the Broadway Industrial Group Limited Share Option Scheme 2001 and the BIGL Share Plan. 25,000 (2013: 50,000) share awards were granted to the directors of the Company during the year. The share awards that were granted in 2014 were on the terms and conditions as described in note 21. At the reporting date, 700,000 (2013: 700,000) of those share options and 225,000 (2013: 260,000) of those share awards were outstanding.

Other related party transactions

	Group	
	2014	**2013**
	$'000	**$'000**
Sales of goods to associates	6,995	3,097

CORPORATE GOVERNANCE REPORT

Broadway Industrial Group Limited (the "Company") continues to uphold a high standard of corporate governance within the Group. In its support of the Code of Corporate Governance 2012 (the "Code"), as annexed to the Listing Manual of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Board of Directors (the "Board") has established, as far as practicable, various self-regulating and monitoring mechanisms for the Company and its subsidiaries (the "Group") to ensure that effective corporate governance is practiced in line with the principles of the Code. This report outlines the Group's corporate governance practices with specific references to the Code.

Other than deviations explained below, the Group has complied with the principles and guidelines of the Code. There are other sections in the Group's Annual Report that are relevant to the discussion of corporate governance, hence this report should be read together with those sections.

Principle 1
Board's Conduct of Its Affairs

The Board supervises the management of the business and affairs of the Group. Key functions of the Board include the setting of the Group's strategic plans, key operational initiatives, major investments and funding decisions. The Board also identifies principal risks of the Group's business, ensures the implementation of appropriate systems to manage these risks and reviews the financial performance of the Group regularly.

The Board is supported in its tasks by Board Committees that have been established to assist in the execution of its responsibilities, namely the Audit Committee, Remuneration Committee and Nomination Committee. The composition and terms of reference of each Committee are described in this report.

When new Directors are appointed to the Board, they will be provided a formal letter setting out the Director's duties, obligations and responsibilities. Newly appointed Directors attend orientation programmes where they are briefed on the Group's business activities, its strategic direction and regulatory environment in which the Group operates. In addition, newly appointed Directors are also introduced to the senior management team and invited to tour the Group's manufacturing facilities.

On an ongoing basis, the Board is updated on new laws that may affect the Group's business and changes in regulatory requirements and financial reporting standards. Directors and senior executives are encouraged to undergo relevant training to enhance their skills and knowledge, particularly on new laws and regulations affecting the Group's operations and governance practices. Details of seminars offered by third party institutions are regularly sent to the Board, and the Company is responsible for arranging and funding of such training if any Director elects to attend such seminars.

Transactions which are specifically referred to the Board for approval are those involving material acquisitions and disposal of assets, banking facilities and the provision of security, significant capital expenditure, conflicts of interest, joint venture arrangements, share issuances, interim dividends, the annual budget, and financial results.

CORPORATE GOVERNANCE REPORT (cont'd)

The Company's Articles of Association permit Board meetings to be held by way of telephone or video conference or any other electronic means of communication by which all persons participating in the meeting are able, contemporaneously, to hear and be heard buy all other participants.

All Directors have separate and independent access to the Company's senior management and the Company Secretary and/or the Corporate Legal Counsel. The Company Secretary and/or the Corporate Legal Counsel attend the Board and Board Committee meetings and are responsible for ensuring that Board procedures are followed. The agenda for the meetings of the Board and its Committees, together with the appropriate supporting documents, are circulated to the Board prior to the meetings.

Directors' Attendances at Board, Audit, Remuneration and Nomination Committees Meetings

The Board meets at least four times a year. Ad hoc meetings are convened if there are matters requiring the Board's decision at the relevant times.

The number of Board meetings and Board Committee meetings held in the financial year ended 31 December 2014 and the attendance of Directors at these meetings are as follows:

Meetings of:	**Board**	**Audit**	**Remuneration**	**Nomination**
Total held in FY ended 31 December 2014	**7**	**4**	**2**	**2**
Lew Syn Pau	7	4	2	2
Wong Sheung Sze(1) (Alternate – Wong Yi Jia)	6	N.A.	2	2
Lee Chow Soon	7	4	2	2
Eu Yee Ming Richard	7	4	2	2
Lee Po Lo @ Lee Khong Kee	7	4	N.A.	N.A.
Ng Ah Hoy	7	N.A.	N.A.	N.A.
Tsiang An Kai Richard(2)	1	N.A.	N.A.	N.A.

Notes:

(1) Mr Wong Sheung Sze passed away on 10 March 2015.

(2) Mr Tsiang An Kai Richard ceased as Director on 23 April 2014.

CORPORATE GOVERNANCE REPORT (cont'd)

Principles 2, 3 & 4
Board Composition, Balance and Membership

Principle 2
Board Composition

The Board currently comprises seven Directors. There are three independent Directors, two non-executive and non-independent Directors and two executive Directors. Mr Wong Sheung Sze, non-executive and non-independent Director passed away on 10 March 2015.

As at the date of this report, the composition of the Board and Board Committees are tabled as follows:

Name of director and role in Board	Board	Audit committee	Remuneration committee	Nomination committee
Lew Syn Pau[(1)] Independent Director	Non-Executive Chairman	Member	Member	Member
Ng Ah Hoy Executive Director	Member			
Lee Wai Leong (Jeremy)[(2)] Executive Director and Chief Executive Officer	Member			
Lee Po Lo @ Lee Khong Kee Non-Executive Director	Member	Member		
Lee Chow Soon Independent Director	Member	Chairman	Member	Member
Eu Yee Ming Richard Independent Director	Member	Member	Chairman	Chairman
Wong Yi Jia[(3)] Non-Executive Director	Member			

Notes:

(1) Mr Lew Syn Pau was appointed as the Non-Executive Chairman of the Board on 31 January 2014.

(2) Mr Lee Wai Leong (Jeremy) was appointed as an Executive Director on 14 January 2015.

(3) Ms Wong Yi Jia was appointed as a Non-Executive Director on 30 March 2015.

As a group, the Directors bring with them a broad range of expertise and experience in areas such as accounting, finance, law, business and management, strategic planning and customer service. The diversity of the Directors' experience allows for the useful exchange of ideas and views. The profile of each Board member, including details of their academic and professional qualifications and date of last election, is set out in the section entitled "Board of Directors" on page 6.

CORPORATE GOVERNANCE REPORT (cont'd)

Principle 3
Chairman and Chief Executive Officer

The roles of the Chairman and Chief Executive Officer are held by two separate individuals. Mr Lew Syn Pau is the Non-Executive Chairman of the Board of Directors, and Mr Lee Wai Leong (Jeremy) is the Executive Director and Chief Executive Officer ("CEO"). The Chairman and the CEO are not related to each other.

There is an appropriate division of responsibilities between the Chairman and the CEO, which ensures a balance of power and authority within the Company. The Chairman leads the Board and manages its workings and proceedings. He plays a crucial role in fostering constructive dialogue with shareholders at the Company's Annual and Extraordinary General meetings, as well as between the Board and management. The CEO heads the management of the Group and oversees the execution of the Company's corporate and business strategies and policies, and the conduct of its business, as approved by the Board.

Principles 4 & 5
Board Membership and Board Performance

Nomination Committee

The Nomination Committee ("NC") comprises the following members, the majority of whom (including the Chairman) are Independent Directors:

Eu Yee Ming Richard	(Chairman)
Lee Chow Soon	
Lew Syn Pau	

The NC is regulated by a set of written terms of reference endorsed by the Board, setting out their duties and responsibilities. The principal functions of the NC are as follows:

(a) to review the structure, size and composition of the Board;
(b) to make recommendations to the Board on all Board appointments, re-appointments and re-nomination;
(c) to assess the independence of the Directors;
(d) to evaluate the effectiveness of the Board, Board Committees and individual directors; and
(e) to oversee succession planning for the Directors and the CEO.

Board Membership

The NC has reviewed the independence of the Directors for FY2014 in accordance with the Code's definition of independence and is of the view that Mr Eu Yee Ming Richard, Mr Lee Chow Soon, and Mr Lew Syn Pau are independent. The NC has conducted a formal assessment of the Board's performance as a whole, and the contribution by each individual Director to the effectiveness of the Board for FY2014.

CORPORATE GOVERNANCE REPORT (cont'd)

The Company's Articles of Association requires that in each year, one-third of the Directors will have to retire from office. Accordingly, the Directors submit themselves for re-nomination and re-election at regular intervals at least once every three years. It is also provided in the Company's Articles of Association that new Directors appointed during the year shall only hold office until the next Annual General Meeting and are subject to re-election by the shareholders. The NC has recommended the re-election of Mr Ng Ah Hoy, Mr Lee Wai Leong (Jeremy) and Ms Wong Yi Jia at the upcoming Annual General Meeting ("AGM").

Pursuant to Section 153(6) of the Companies Act, Mr Lee Chow Soon who is over the age of 70 is subject to re-appointment as Director of the Company at the upcoming AGM to hold office until the next AGM. As Mr Lee Chow Soon has been an Independent Director of the Board for more than 9 years, the NC had rigorously examined Mr Lee as to his continuing independence where he is to be re-appointed as an Independent Director. The NC found no reason to understand that the length has in any way dimmed Mr Lee's independence. Having considered Mr Lee's in-depth knowledge of the Group's business operations, past and continuous contribution at the Board level and professionalism in carrying out his duties, the NC had found Mr Lee suitable to continue to act as an Independent director. The Board has accepted the NC's recommendation that Mr Lee be re-appointed at the forthcoming AGM.

The NC and the Board note that each Director who holds multiple listed board representations are assessed on an individual basis, taking into account various factors including their contributions and commitment to the Board and the extent of their external obligations. Accordingly, the NC and the Board have not set a maximum number of listed board representations but assess each Director on a case by case basis. Notwithstanding that some of the Directors have multiple listed board representations, the NC is satisfied that each Director is able to and has been adequately carrying out his duties as a Director of the Company.

The NC evaluates the Board's performance as a whole on an annual basis. Each Director is required to complete a Board Evaluation Questionnaire to assess the overall effectiveness of the Board. The areas under evaluation include board composition, board information, board process, internal control and risk management, board accountability, CEO and top management, and standards of conduct.

New Directors

The search and nomination process for new Directors, if any, are through contacts and recommendations. The NC will review and assess candidates before making recommendations to the Board. In recommending new directors to the Board, the NC takes into consideration the skills and experience required to support the Group's business activities or strategies and the current composition and size of the Board, and strives to ensure that the Board has an appropriate balance of Independent Directors as well as Directors with the right profile to expertise, skills and attributes.

New Directors are appointed by the Board, after taking into consideration the recommendations of the NC. Such new Directors are required to submit themselves for re-election at the next AGM of the Company following their appointment.

CORPORATE GOVERNANCE REPORT (cont'd)

Principle 6
Access to Information

The Board is furnished with relevant information and analysis by management pertaining to matters for the Board's discussion and decision. Management also ensures that the Board receives regular reports on the Group's financial performance and operations. The Board has separate and independent access to the management and the Company Secretary and/or the Corporate Legal Counsel at all times. The Company Secretary and/or the Corporate Legal Counsel attends to all corporate secretariat and compliance matters and is responsible for ensuring that legal and regulatory requirements as well as Board procedures are complied with. The Company Secretary and/or the Corporate Legal Counsel attends all Board meetings. The appointment and removal of the Company Secretary are subject to the approval of the Board.

Each Director has the right to seek independent legal and other professional advice, at the Company's expense, concerning any aspect of the Group's operations or undertakings in order to fulfil their duties and responsibilities as Directors.

Principles 7, 8 & 9
Remuneration Matters

Remuneration Committee

The Remuneration Committee ("RC") performs critical roles in support of sound Corporate Governance principle in the areas of Board's compensation and executives rewards management. As at the date of this report, the RC comprises of the following members, a majority of whom (including the Chairman) are Independent Directors:

Eu Yee Ming Richard	(Chairman)
Lee Chow Soon	
Lew Syn Pau	

The RC has adopted written terms of reference endorsed by the Board, setting out their duties and responsibilities. The RC's function is in attracting, retaining and rewarding well-qualified persons to serve the Group by pegging remuneration and benefits at competitive market rates. Directors' fees and the base salaries of staff are reviewed to ensure they are at sufficiently competitive levels. A compensation system is in place to reward staff based on their merit and performance through annual merit service increments and profit sharing. The Company adopts a remuneration policy that comprises a base salary and benefits, along with a variable performance bonus and grant of shares under the Company's share option scheme and share plan. The Company's share option scheme for Directors, senior management and executives serves as a long-term incentive plan. The share option scheme expired on 7 November 2011. In addition, the Company has in place a share plan, which was approved by the shareholders of the Company at an Extraordinary General Meeting held on 28 July 2010. The share plan is to reward, retain and motivate employees of the Group and/or associated companies who excel in their performance and encourages greater dedication, loyalty and higher standards of performance. The share option scheme and share plan are administrated by the RC.

The RC has the right to seek expert and independent professional advice in the field of executive compensation where required, at the Company's expense. No Director decides his own remuneration. Directors' fees are paid only after approval by shareholders at the Company's AGM.

CORPORATE GOVERNANCE REPORT (cont'd)

Disclosure on remuneration of Directors and CEO

A breakdown showing the level and mix of each individual Director's remuneration in percentage terms is set out below. For competitive reasons, the Board is of the view that disclosure on remuneration of the Directors and CEO will not benefit the Company.

Remuneration band and Name of directors	Salary	Bonus	Directors' fees	Directors' profit sharing	Advisory Services	Consultancy services	Benefits-in-kind	Share award[1]
	%	%	%	%	%	%	%	%
S$400,000 to S$549,999								
Wong Sheung Sze[2]	24	10	11	–	29	–	26	–
Ng Ah Hoy	75	15	4	–	–	–	4	2
Lee Wai Leong (Jeremy)[3]	77	18	3	–	–	–	–	2
S$0 to S$249,999								
Lee Po Lo @ Lee Khong Kee	34	2	27	–	29	–	8	–
Lee Chow Soon	–	–	100	–	–	–	–	–
Eu Yee Ming Richard	–	–	100	–	–	–	–	–
Lew Syn Pau	–	–	100	–	–	–	–	–

Notes:

(1) Refer to share awards granted under the BIGL Share Plan to executive Directors during the financial year. The fair value of stock awards granted is estimated using Trinomial Option Pricing model. The details of the BIGL Share Plan were provided in the Directors' Report.

(2) Mr Wong Sheung Sze passed away on 10 March 2015.

(3) Mr Lee Wai Leong (Jeremy) was appointed Chief Executive Officer on 1 August 2014 and Executive Director on 14 January 2015.

Disclosure on remuneration of the top five key executives (who are not directors)

For competitive reasons, the Board is of the view that disclosure on remuneration of key executives will not benefit the Company. For FY2014, the aggregate total remuneration paid to the relevant key management personnel (who are not Directors or the CEO) amounted to $1,301,583 (2013: $1,239,767).

The Company had one employee, Ms Wong Yi Jia who is the daughter of the late Mr Wong Sheung Sze. Ms Wong Yi Jia was the Corporate Legal Counsel and Joint Company Secretary but resigned from both positions on 30 March 2015. She was appointed as alternate director to the late Mr Wong Sheung Sze on 1 August 2014 and as a director on 30 March 2015. For FY2014, the aggregate total remuneration paid to Ms Wong Yi Jia was in the remuneration band of $150,000 to $200,000.

CORPORATE GOVERNANCE REPORT (cont'd)

Principles 10, 11, 12 & 13
Accountability, Risk Management and Internal Control, Audit & Internal Audit

Audit Committee

The Audit Committee ("AC") comprises three Independent Directors and one non-executive Director, all of whom have the requisite qualifications to discharge their responsibilities:

Lee Chow Soon	(Chairman)
Eu Yee Ming Richard	
Lee Po Lo @ Lee Khong Kee	
Lew Syn Pau	

The composition of the AC is in compliance with Section 201B of the Companies Act, which prescribes that a majority of the AC Members must not be executive Directors of the Company or any related corporations. With the majority of the AC Members including the Chairman being independent, the AC is able to perform its roles and functions independently.

The AC is authorised by the Board to investigate any activity within its terms of reference, having unrestricted access to information relating to the Group, to both internal and external auditors, and to the Management and staff. It has full discretion to invite any director or executive officer to attend its meetings. It has adequate resources to enable it to discharge its functions properly. The AC, having reviewed for any non-audit services provided by the external auditors to the Group, has confirmed that there were no such services provided during the year which would affect the independence of the external auditors.

The AC meets at least four times a year. Ad hoc meetings are also convened when circumstances require. The attendances at AC meetings are disclosed on page 93 of this report.

The AC performs the following key functions:

(a) recommending the nomination or re-nomination of the external auditors and approving the remuneration and terms of engagement of the external auditors;

(b) reviewing the audit plan, scope and findings of the external auditors as well as meeting with the external auditors at least once a year without the presence of the management;

(c) reviewing all non-audit services provided by the external auditors and confirming that these non-audit services would not affect the independence of the external auditors;

(d) reviewing the quarterly, half-year and full year results announcements and financial statements of the Company and the consolidated financial statements of the Group, monitoring their integrity and reviewing significant reporting issues and judgements contained therein, before submission to the Board for approval for the release of the results announcements to the SGX-ST;

(e) evaluating the adequacy and effectiveness of internal control systems, including financial, operational, compliance and information technology controls of the Company;

CORPORATE GOVERNANCE REPORT (cont'd)

(f) to meet with the external auditors and the internal auditors without the presence of management at least once annually;

(g) to review interested person transactions; and

(h) to review arrangements by which staff of the Company may in confidence raise concerns about possible improprieties in matters of financial reporting or other matters. The Group has in place a whistle blowing policy which provides the mechanism for which staff of the Group may in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters.

The AC is regularly updated and briefed by Management and the external auditors on any changes to accounting standards and issues which have a direct impact on the financial statements of the Company.

Internal Controls

The AC has reviewed the Group's system of internal controls, including financial, operational, compliance and information technology controls and risk management systems established by the management. This ensured that such controls are sound and adequate to provide reasonable assurance of the integrity, effectiveness and efficiency of the Company in safeguarding Shareholders' interests and the Company's assets. Additionally, in performing their audit of the financial statements, the external auditors perform tests over operating effectiveness of certain controls that the auditors intend to rely on that are relevant to the Group's preparation of its financial statements. The external auditors also report any significant deficiencies in such internal controls to the Directors and the AC.

The Board notes that it has received assurance from the CEO and the Chief Financial Officer ("CFO"):

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

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

Based on the internal controls established and maintained by the Group, work performed by the internal and external auditors and reviews performed by the Management, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls including financial, operational, compliance, information technology controls and risk management systems, are adequate and effective as at 31 December 2014. The Board regularly reviews the effectiveness of the risk management and all internal controls, including operational controls of the Group.

The Board notes that no system of internal control could provide absolute assurance against material financial misstatements, poor judgment in decision-making, human error, losses, fraud or other irregularities. The system of internal control includes safeguarding of assets, the maintenance of proper accounting records, the reliability of financial information, compliance with appropriate legislation, regulations and best practices, and the identification and containment of financial, business and compliance risks.

Any material internal control matters noted by the external auditors in the course of their statutory audit have been discussed with the AC.

CORPORATE GOVERNANCE REPORT (cont'd)

Internal Audit

During FY2014, the Group did not have in place an internal audit function as the Board was of the view that this was not necessary under the current circumstances, considering the operations of the Group. The AC was satisfied that the effectiveness of the existing internal control systems put in place by the Management with the assistance of the external auditors was adequate in meeting the needs of the Group for FY2014.

However, the Board has since established an internal audit function and hired an internal audit manager in March 2015. The internal audit manager is qualified professional who will report directly to the Chairman of the AC on internal audit matters. The primary objective of the internal audit function is to provide reasonable, independent and objective assurance that the existing system of internal controls are adequate and operating effectively to safeguard shareholders' investments and the Group's assets. The internal auditor is expected to meet the standards set by nationally or internationally recognized professional bodies.

Risk Management Policies and Processes

The main risks arising from the Group's financial operations are liquidity risk, foreign currency risk, credit risk and interest rate risk. The Board reviews and agrees on policies for managing each of these risks.

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the directors to finance the Group's operations and mitigate the effects of fluctuations in cash flow. To ensure that the Group has adequate overall liquidity to finance its operations and investment requirements, the Group maintains a significant amount of available banking facilities with a number of banks.

The Group's main currency exposures are in Singapore dollar, United States Dollar, Thailand Baht and Chinese Renminbi. The Group uses a combination of natural hedges of matching assets and liabilities and forward contracts and derivatives as a hedging tool to manage its exposure to fluctuating foreign currency values.

As for credit risk, the Group places its cash and cash equivalents with creditworthy institutions. The Group performs ongoing credit evaluation of its customers' financial conditions.

The Group manages its interest rate risk by maintaining a prudent mix of fixed and floating interest rate borrowings. In managing the interest rate profile, the Group takes into account the interest rate outlook and the expected cash flow generated from its business operations.

Various measures are implemented to manage Group's operational risks. These include safety and security, internal control procedures and appropriate insurance coverage.

Fees Paid to External Auditors

The external auditors of the Group, KPMG LLP, were paid an aggregate amount of $641,000 in fees in FY2014. There were no non-audit services provided by the external auditors.

CORPORATE GOVERNANCE REPORT (cont'd)

Principles 14, 15 & 16
Shareholder Rights, Communication with Shareholders and Conduct of Shareholder Meetings

The Group believes in upholding a strong culture of continuous disclosure and transparent communication with all stakeholders and does not practice selective disclosure. All material and price-sensitive information relating to the Group are released timely and equally to the general public and shareholders by way of public releases or announcements through SGXNET at first instance and then posted on the Group's website.

The management ensures that all shareholders will receive the annual report, circulars and notices of the shareholders' meetings within the mandatory period. Shareholders are encouraged to attend and participate at the Company's AGM to ensure that they have a better understanding of the Group's plans and developments for the future.

The AGM and Extraordinary General Meeting ("EGM"), if applicable, are attended by the Directors, external auditors, the Company Secretary and Management. The Group welcomes shareholders' feedback and encourages their participation in sharing ideas and asking questions during such sessions.

The Company prepare minutes of general meetings that include substantial and relevant comments or queries from shareholders relating to the agenda of the meeting, and responses from the Board and Management, and to make these minutes available to shareholders upon their request.

To have greater transparency in the voting process, the Company has adopted the system of voting by poll at its AGM and EGM. Results of each resolution put to vote at the AGM are announced immediately at the meeting. Separate resolutions at general meetings are on substantially separate issues. All the resolutions at the general meetings are single item resolution. Shareholders may also appoint up to two proxies to attend and vote in his/her stead.

Shareholders can visit Broadway's website at www.bw-grp.com for the latest update as well as more information on the Group.

Internal Code on Dealing with Securities

An internal code, which complies with Rule 1207(19) of the Listing Manual of the SGX-ST, with respect to dealings in securities of the Company, has been issued to Directors and officers. The Company's Directors and officers are not allowed to deal in the Company's shares within two weeks before the announcement of its result for each of the first three quarters of the financial year and one month before the announcement of its full year results.

Directors and officers are reminded not to deal in the Company's securities on consideration of a short-term nature.

Directors and officers are required to observe insider trading provisions under the Securities and Future Act at all times even when dealing in the Company's securities within the permitted periods. Directors and officers of the Company are required to report all dealings to the Company.

CORPORATE GOVERNANCE REPORT (cont'd)

Interested Party Transactions

During the financial year ended 31 December 2014, there were no interested party transactions ("IPT") entered with the Group that amounted to more than $100,000. The Company has also put in place an internal procedure to track IPTs of the Group.

Material Contracts

There were no material contracts of the Company or its subsidiaries involving the interests of Directors or controlling shareholders.

Dividend

Given the financial position of the Group and the Board and Management's cautious view on the Group's prospects for FY2015, no dividend has been declared or recommended in respect of FY2014.

30 March 2015

STATISTICS OF SHAREHOLDINGS AS AT 27 MARCH 2015

Number of Equity Securities	:	470,228,211
Class of Equity Securities	:	Ordinary shares
Voting Rights	:	One vote per share
Number of Treasury Shares	:	1,686,400*

* Inclusive of 15,600 shares purchased by the Company on 26 March 2015.

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholdings	No. of shareholders	%	No. of shares	%
1 – 99	12	0.51	140	0.00
100 – 1,000	16	0.68	13,866	0.00
1,001 – 10,000	901	38.14	4,871,226	1.04
10,001 – 1,000,000	1,404	59.44	84,543,642	17.98
1,000,001 AND ABOVE	29	1.23	380,799,337	80.98
TOTAL	**2,362**	**100.00**	**470,228,211**	**100.00**

SUBSTANTIAL SHAREHOLDERS AS RECORDED IN THE REGISTER OF SUBSTANTIAL SHAREHOLDERS AS AT 27 MARCH 2015

	Direct interest		Deemed interest	
Name of Shareholder	No. of shares	%	No. of shares	%
Wong Sheung Sze (Deceased)(1)	79,851,142	16.98	90,317,468	19.21
Lew Syn Pau	92,640	0.02	44,479,999	9.46
Delta Lloyd Asset Management NV(2)	–	–	37,610,000	8.00

Notes:

(1) The late Mr Wong Sheung Sze was the beneficial owner of the 90,317,468 ordinary shares held by Citibank Nominees Singapore Pte Ltd.

(2) Delta Lloyd Asset Management NV is deemed to be interested in the 37,610,000 ordinary shares held by Delta Lloyd Azie Deelnemingen Fonds N.V. (custodian being KAS Bank K.V.) and Delta Lloyd L Asian Participation Fund (custodian being Banque de Luxembourg S.A.).

STATISTICS OF SHAREHOLDINGS AS AT 27 MARCH 2015

TWENTY LARGEST SHAREHOLDERS

No.	Name	No. of shares	%
1	CITIBANK NOMINEES SINGAPORE PTE LTD	97,277,915	20.69
2	WONG SHEUNG SZE (Deceased)	79,851,142	16.98
3	RAFFLES NOMINEES (PTE) LIMITED	33,500,557	7.12
4	HSBC (SINGAPORE) NOMINEES PTE LTD	28,601,328	6.08
5	UNITED OVERSEAS BANK NOMINEES (PRIVATE) LIMITED	24,650,842	5.24
6	DBS NOMINEES (PRIVATE) LIMITED	19,319,886	4.11
7	LAM SENG HANG LTD	15,600,000	3.32
8	CIMB SECURITIES (SINGAPORE) PTE. LTD.	13,572,633	2.89
9	MAYBANK KIM ENG SECURITIES PTE. LTD.	9,425,615	2.00
10	HONG LEONG FINANCE NOMINEES PTE LTD	9,272,200	1.97
11	OCBC SECURITIES PRIVATE LIMITED	6,537,026	1.39
12	UOB KAY HIAN PRIVATE LIMITED	6,508,649	1.38
13	CHUA KENG LOY	6,018,600	1.28
14	PHILLIP SECURITIES PTE LTD	4,939,338	1.05
15	LIM & TAN SECURITIES PTE LTD	3,719,733	0.79
16	BANK OF SINGAPORE NOMINEES PTE. LTD.	2,308,233	0.49
17	DBS VICKERS SECURITIES (SINGAPORE) PTE LTD	2,144,666	0.46
18	DBSN SERVICES PTE. LTD.	2,096,000	0.45
19	LEE PO LO @ LEE KHONG KEE	1,881,962	0.40
20	MAYBANK NOMINEES (SINGAPORE) PRIVATE LIMITED	1,809,000	0.38
	TOTAL	**369,035,325**	**78.47**

PUBLIC SHAREHOLDING

Based on the information available to the Company as at 27 March 2015, approximately 45.2% of the issued ordinary shares of the Company is held by the public and, therefore, Rule 723 of the Listing Manual issued by the SGX-ST is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of Broadway Industrial Group Limited (the "**Company**") will be held at Seminar Room 6-7, Level 5, Symbiosis Tower, 3 Fusionopolis Way, Singapore 138633 on Wednesday, 29 April 2015 at 4.00 p.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Report and the Audited Accounts of the Company for the year ended 31 December 2014 together with the Auditors' Report thereon. **(Resolution 1)**

2. To re-elect the following Directors of the Company retiring pursuant to Articles 109 and 119 of the Company's Articles of Association:

Mr Ng Ah Hoy	[Retiring under Article 109]	**(Resolution 2)**
Mr Lee Wai Leong (Jeremy)	[Retiring under Article 119]	**(Resolution 3)**
Ms Wong Yi Jia	[Retiring under Article 119]	**(Resolution 4)**

3. To re-appoint Mr Lee Chow Soon, a Director of the Company retiring under Section 153(6) of the Companies Act, Chapter 50 of Singapore (the "**Act**"), to hold office from the date of this Annual General Meeting until the next Annual General Meeting of the Company.

   Mr Lee will, upon re-appointment as a Director of the Company, remain as Chairman of the Audit Committee and a member of the Nomination and Remuneration Committees and will be considered independent.

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

4. To approve the payment of Directors' fees of S$462,500 for the year ended 31 December 2014 (2013: S$362,917). **(Resolution 6)**

5. To approve the payment of Director's fees of S$12,500 to the late Mr Wong Sheung Sze for the period from 1 January 2015 to 10 March 2015. **(Resolution 7)**

6. To re-appoint Messrs KPMG LLP as Auditors of the Company and to authorise the Directors of the Company to fix their remuneration. **(Resolution 8)**

7. To transact any other ordinary business which may properly be transacted at an Annual General Meeting.

AS SPECIAL BUSINESS

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

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

8. **Authority to issue shares**

That pursuant to Section 161 of the Act, and the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), approval be and is hereby given to the Directors, to:

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

(ii) make or grant offers, agreements or options that might or would require Shares to be issued or other transferable rights to subscribe for or purchase Shares (collectively, "**Instruments**") including but not limited to the creation and issue of warrants, debentures or other instruments convertible into Shares; and

(iii) issue additional Instruments arising from adjustments made to the number of Instruments previously issued in the event of rights, bonus or capitalisation issues,

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

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while the authority was in force,

provided always that the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) does not exceed fifty per centum (50%) of the Company's total number of issued Shares excluding treasury shares, of which the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a pro rata basis to shareholders of the Company does not exceed twenty per centum (20%) of the total number of issued Shares excluding treasury shares of the Company, and for the purpose of this Resolution, the total number of issued Shares excluding treasury shares shall be the Company's total number of issued Shares excluding treasury shares at the time this Resolution is passed, after adjusting for:

(i) new Shares arising from the conversion or exercise of convertible securities,

(ii) new Shares arising from exercising share options or vesting of share awards outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST, and

(iii) any subsequent bonus issue, consolidation or subdivision of the Company's Shares, and

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

[See Explanatory Note (ii)] **(Resolution 9)**

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

9. Authority to issue shares under the BIGL Share Option Scheme 2001

That pursuant to Section 161 of the Act, the Directors be authorised and empowered to issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the exercise of options granted by the Company under the BIGL Share Option Scheme 2001 (the "**Scheme**") before the expiry of the Scheme on 7 November 2011, provided always that the aggregate number of Shares to be issued pursuant to the Scheme, the BIGL Share Plan and any other applicable share based schemes which the Company may have in place, shall not exceed fifteen per centum (15%) of the total number of Shares, excluding treasury shares, from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iii)] **(Resolution 10)**

10. Authority to issue shares under the BIGL Share Plan

That pursuant to Section 161 of the Act, the Directors be authorised and empowered to offer and grant awards under the BIGL Share Plan (the "**Plan**") and to issue from time to time such number of fully-paid Shares as may be required to be issued pursuant to the vesting of the awards under the Plan, provided always that the aggregate number of new Shares to be issued pursuant to the Plan, the BIGL Share Option Scheme 2001 and any other applicable share based schemes which the Company may have in place, shall not exceed fifteen per centum (15%) of the total number of Shares, excluding treasury shares, from time to time and that such authority shall, unless revoked or varied by the Company in a general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (iv)] **(Resolution 11)**

By Order of the Board

Chang Ai Ling
Cho Form Po
Secretaries

Singapore

14 April 2015

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Explanatory Notes:

(i) The effect of the Ordinary Resolution 5 proposed in item 3 above, is to re-appoint a Director of the Company who is over 70 years of age and if passed, he will hold office until the next Annual General Meeting. Such re-appointment of a director will no longer be subject to shareholders' approval under Section 153(6) of the Companies Act, Cap. 50 as repealed when the Companies (Amendment) Act 2014 comes into force. The director will then be subject to retirement by rotation under the Company's Articles of Association.

(ii) The Ordinary Resolution 9 in item 8 above, if passed, will authorise and empower the Directors from the date of the above Annual General Meeting until the next Annual General Meeting to issue Shares and convertible securities in the Company up to an amount not exceeding in aggregate fifty per centum (50%) of the total number of issued Shares excluding treasury shares of the Company of which the total number of Shares and convertible securities issued other than on a pro rata basis to existing shareholders shall not exceed twenty per centum (20%) of the total number of issued Shares excluding treasury shares of the Company at the time the resolution is passed, for such purposes as they consider would be in the interests of the Company. Rule 806(3) of the Listing Manual of the SGX-ST currently provides that the total number of issued shares excluding treasury shares of the Company for this purpose shall be the total number of issued Shares excluding treasury shares at the time this Resolution is passed (after adjusting for new Shares arising from the conversion or exercise of convertible securities or share options in issue at the time this Resolution is passed and any subsequent bonus issue, consolidation or subdivision of the Company's shares). This authority will, unless revoked or varied at a general meeting, expire at the next Annual General Meeting of the Company.

(iii) The Ordinary Resolution 10 in item 9 above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to issue Shares pursuant to the exercise of options granted under the Scheme, provided always that the aggregate number of new Shares to be issued pursuant to the Scheme, the BIGL Share Plan and any other applicable share based schemes, shall not exceed fifteen per centum (15%) of the total number of issued Shares, excluding treasury shares, from time to time. Although the Scheme had expired on 7 November 2011, options previously granted will remain valid until the expiry, cancellation or exercise of the options.

(iv) The Ordinary Resolution 11 in item 10 above, if passed, will empower the Directors of the Company, from the date of the above Annual General Meeting until the conclusion of the next Annual General Meeting, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earlier, to offer and grant awards under the Plan in accordance with the provisions of the Plan and to issue from time to time such number of Shares as may be required to be issued pursuant to the vesting of the awards under the Plan subject to the maximum number of shares prescribed under the terms and conditions of the Plan, provided always that the aggregate number of new Shares to be issued pursuant to the BIGL Share Option Scheme 2001, the Plan and any other applicable share based schemes, shall not exceed fifteen per centum (15%) of the total number of issued Shares, excluding treasury shares, from time to time. Resolution 11 is independent from Resolution 10 and the passing of Resolution 11 is not contingent on the passing of Resolution 10.

NOTICE OF ANNUAL GENERAL MEETING (cont'd)

Notes:

1. A Member entitled to attend and vote at the Annual General Meeting (the "**Meeting**") is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a Member of the Company.

2. The instrument appointing a proxy must be deposited at the Registered Office of the Company at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than forty-eight (48) hours before the time appointed for holding the Meeting.

Personal data privacy:

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

BROADWAY
INDUSTRIAL GROUP LIMITED
(Company Registration No.: 199405266K)
(Incorporated in the Republic of Singapore)

(PLEASE SEE NOTES OVERLEAF BEFORE COMPLETING THIS FORM)

PROXY FORM

IMPORTANT:

1. For investors who have used their CPF monies to buy Broadway Industrial Group Limited's shares, this Report is forwarded to them at the request of the CPF Approved Nominees and is sent solely FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.
3. CPF investors who wish to attend the Meeting as an observer must submit their requests through their CPF Approved Nominees within the time frame specified. If they also wish to vote, they must submit their voting instructions to the CPF Approved Nominees within the time frame specified to enable them to vote on their behalf.

I/We, ______________________________ (name of shareholder)

of ______________________________ (address of shareholder)

being a member/members of Broadway Industrial Group Limited (the "**Company**"), hereby appoint:

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

and/or (delete as appropriate)

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

or failing the person, or either or both of the persons, referred to above, the Chairman of the Meeting as *my/our *proxy/proxies to vote for *me/us on *my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held at Seminar Room 6-7, Level 5, Symbiosis Tower, 3 Fusionopolis Way, Singapore 138633 on Wednesday, 29 April 2015 at 4.00 p.m. and at any adjournment thereof. *I/We direct *my/our *proxy/proxies to vote for or against the Resolutions proposed at the Meeting as indicated hereunder. If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the *proxy/proxies will vote or abstain from voting at *his/her discretion.

The Chairman of the Meeting will be exercising his right under Article 82 of the Articles of Association of the Company to demand a poll in respect of the resolutions to be put to the vote of members at the Meeting and at any adjournment thereof. Accordingly, each resolution at the Meeting will be voted on by way of poll.

No.	Resolutions relating to:	For**	Against**
1	Directors' Report and Audited Accounts for the year ended 31 December 2014		
2	Re-election of Mr Ng Ah Hoy as a Director		
3	Re-election of Mr Lee Wai Leong (Jeremy) as a Director		
4	Re-election of Ms Wong Yi Jia as a Director		
5	Re-appointment of Mr Lee Chow Soon as a Director		
6	Approval of Directors' fees for FY2014 amounting to S$462,500		
7	Approval of Director's fees to the late Mr Wong for FY2015 amounting to S$12,500		
8	Re-appointment of Messrs KPMG LLP as Auditors		
9	Authority to issue new shares		
10	Authority to issue shares under the BIGL Share Option Scheme 2001		
11	Authority to issue shares under the BIGL Share Plan		

* Delete where inapplicable

** If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick [√] within the relevant box provided. Alternatively, if you wish to exercise all your votes for both "For" or "Against" the relevant resolution, please indicate the number of votes as appropriate in the boxes provided.

Dated this ______ day of April 2015

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

Signature(s) of Shareholder(s)
or Common Seal of Corporate Shareholder

Notes:

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Chapter 50 of Singapore), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy or proxies shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at a meeting of the Company is entitled to appoint one or two proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

3. Where a member appoints two proxies, the appointments shall be invalid unless he/she specifies the proportion of his/her shareholding (expressed as a percentage of the whole) to be represented by each proxy.

4. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the Meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the Meeting.

5. The instrument appointing a proxy or proxies must be deposited at the registered office of the Company at 50 Raffles Place #32-01 Singapore Land Tower Singapore 048623 not less than 48 hours before the time appointed for the Meeting.

6. The instrument appointing a proxy or proxies must be under the hand of the appointor or of his attorney duly authorised in writing. Where the instrument appointing a proxy or proxies is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised. Where the instrument appointing a proxy or proxies is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument.

7. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the Meeting, in accordance with Section 179 of the Companies Act, Chapter 50 of Singapore.

Personal Data Privacy:

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 14 April 2015.

General:

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

Designed and produced by
TOPPAN
TOPPAN VITE PTE. LTD.
(65) 6578 6522

BROADWAY
INDUSTRIAL GROUP LIMITED

Company Registration No.: 199405266K

Broadway Industrial Group Limited
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