ILLUSTRATIVE FINANCIAL STATEMENTS 2016

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Preface

Scope

This publication, Illustrative Financial Statements 2016, provides a set of sample financial statements of a fictitious group of companies for the financial year ended 31 December 2016. ABC Singapore Limited is a public company incorporated in Singapore and its shares are listed on the Main Board of the Singapore Exchange Securities Trading Limited ("SGX-ST").

The names of people and entities included in this publication are fictitious. Any resemblance to a person or entity is purely coincidental.

Effective date

This set of illustrative financial statements includes sample disclosures under the requirements of the Singapore Companies Act, Singapore Exchange Securities Trading Limited (SGX-ST) Listing Manual and Singapore Financial Reporting Standards (including its Interpretations) that are effective for financial years commencing on 1 January 2016.

Illustrative in nature

The sample disclosures in this set of illustrative financial statements should not be considered to be the only acceptable form of presentation. The form and content of each reporting entity's financial statements are the responsibility of the entity's directors/management and other forms of presentation which are equally acceptable may be preferred and adopted, provided they include the specific disclosures prescribed in the Singapore Companies Act, SGX-ST Listing Manual and Singapore Financial Reporting Standards.

The illustrative financial statements are not substitutes for reading the legislation or standards themselves, or for professional judgement as to fairness of presentation. They do not cover all possible disclosures required by the Singapore Companies Act, Singapore Exchange Securities Trading Limited (SGX-ST) Listing Manual and Singapore Financial Reporting Standards. Depending on the circumstances, further specific information may be required in order to ensure fair presentation and compliance with laws, accounting standards and stock exchange regulations in Singapore.

Guidance notes

Direct references to the source of disclosure requirements are included in the reference column on each page of the model financial statements. Commentaries are provided where additional matters may need to be considered in relation to a particular disclosure. These commentaries are inserted within the relevant section or note.

Further guidance

Readers may also refer to the BDO IFRS Illustrative Financial Statements 2016 for further guidance and illustrative disclosures prepared under International Financial Reporting Standards, including on certain areas not covered by this publication. These can be downloaded from www.bdo.global.com.

Disclaimer

Abbreviations used

References are made in this publication to the Singapore Companies Act, Singapore accounting pronouncements, guidelines and SGX listing rules that require a particular disclosure or accounting treatment.

The abbreviations used to identify the source of authority are as follows:

CA	Singapore Companies Act
FRS	Singapore Financial Reporting Standards
INT FRS	Interpretation of Singapore Financial Reporting Standards
FRS AG	FRS Application Guidance
FRS IG	FRS Implementation Guidance
SGX	Singapore Exchange Securities Trading Limited (SGX-ST) Listing Manual
SSA	Singapore Standards on Auditing
AGS	Audit Guidance Statements
DV	Disclosure is voluntary

ABC SINGAPORE LIMITED
(Registration Number: 123456789A)
AND ITS SUBSIDIARIES

DIRECTORS' STATEMENT
AND
FINANCIAL STATEMENTS

31 DECEMBER 2016

C O N T E N T S

CA 201: 16

The Directors of ABC Singapore Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended 31 December 2016 and the statement of financial position of the Company as at 31 December 2016.

1. Opinion of the Directors

In the opinion of the Board of Directors,

CA 12th Schedule: 1(a)

(a) the consolidated financial statements of the Group and the statement of financial position of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of the financial performance, changes in equity and cash flows of the Group for the financial year then ended; and

CA 12th Schedule: 1(b)

(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.

2. Directors

CA 12th Schedule: 7

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

Aaron Chan
Bradley Toh
Cathy Ng (Appointed on xxxxxxxx)
Divya D/O Thinupathy
Eng Lee Ming
Foo Tien Kuang

3. Arrangements to enable Directors to acquire shares or debentures

CA 12th Schedule: 8
CA 164: 1(d)

Neither at the end of nor at any time during the financial year was the Company a party to any arrangement whose object was 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 as disclosed in paragraph 5 below].

4. Directors' interests in shares or debentures

CA 12th Schedule: 9
CA 164: 1(a), (b)

The Directors of the Company holding office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Singapore Companies Act, Chapter 50 (the "Act"), except as follows:

Name of Directors and companies in which interests are held	Shareholdings registered in name of Director or nominee		Shareholdings in which Director is deemed to have an interest	
	At beginning of year or date of appointment, if later	At end of year	At beginning of year or date of appointment, if later	At end of year
Company:				
ABC Singapore Limited				
(No. of ordinary shares)				
Aaron Chan				
Cathy Ng				
Holding Company:				
ABC Holding Pte. Ltd.				
(No. of ordinary shares)				
Aaron Chan				
Bradley Toh				

CA7: 4A
SGX 1207: 7

By virtue of Section 7 of the Act, XXX is deemed to have an interest in all related corporations of the Company. In accordance with the continuing listing requirements of the Singapore Exchange Securities Trading Limited ("SGX-ST"), the Directors of the Company state that, according to the Register of the Directors' Shareholdings, the Directors' interests as at 21 January 2017 in the shares or debentures of the Company have not changed from those disclosed as at 31 December 2016.

SGX 852
SGX 1207: 16
CA 12th Schedule: 2, 4, 5, 6

5. Share options

There were no share options granted by the Company or its subsidiary corporations during the financial year.

There were no shares issued during the financial year by virtue of the exercise of options to take up unissued shares of the Company or its subsidiary corporations.

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

CA 201B: 9

6. Audit committee

The audit committee of the Company is chaired by Foo Tien Kuan, an independent Director, and includes Eng Lee Ming and Divya D/O Thinupathy, who are both independent Directors. The audit committee has met four times since the last Annual General Meeting (AGM) and has carried out its functions in accordance with section 201B(5), including reviewing the following, where relevant, with the executive Directors and external and internal auditors of the Company:

CA 201B: 5(a)(i), (ii) & (v)

(a) the audit plans of the internal and external auditors and the results of the auditors' examination and evaluation of the Group's systems of internal accounting controls;

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

CA 201B: 5(a)(iii) & (vi)

(c) the statement of financial position of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;

CA 201B: 5(a)(vi)

(d) the quarterly, half-yearly and full-year announcements as well as the related press releases on the results and financial position of the Company and the Group;

CA 201B: 5(a)(iv)

(e) the co-operation and assistance given by the management to the Company's internal and external auditor; and

CA 201B: 5(b)

(f) the re-appointment of the external auditor of the Company.

CA 201B: 9

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

The audit committee has recommended to the Directors the nomination of BDO LLP for re-appointment as external auditor of the Company at the forthcoming AGM of the Company.

DV

7. Independent auditor

The independent auditor, BDO LLP, has expressed its willingness to accept re-appointment.

CA 201: 16

On behalf of the Board of Directors

Aaron Chan	**Bradley Toh**
Director	Director

[Date]

Commentary

Inclusion of the Company's statement of changes in equity

Where the statement of changes in equity of the Company is also presented in the financial statements, the following illustrative disclosure may be considered.

The introduction paragraph in the Directors' statement can be replaced with the following:

*The Directors of ABC Singapore Limited (the "Company") present their statement to the members together with the audited financial statements of the Company and its subsidiaries (the "Group") for the financial year ended [**31 December 2016**], the statement of financial position of the Company as at [**31 December 2016**] and the statement of changes in equity of the Company for the financial year then ended.*

Opinion of the Directors

Paragraph 1(a) in the Directors' statement can be replaced with the following:

*(a) The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company together with the notes thereon are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at [**31 December 2016**], and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended on that date; and*

Audit Committee

Paragraph 6(c) in the Directors' statement can be replaced with the following:

(c) the statement of financial position and statement of changes in equity of the Company and the consolidated financial statements of the Group and external auditor's report on those financial statements before their submission to the Directors of the Company;

SGX 853

Commentary (Continued)

Share Options

Where options are granted by the Company or its subsidiary corporations, certain disclosures are required under Section 201(16) of the Companies Act.

For options granted by the Company or its subsidiary corporations during the financial year, the following disclosures have to be made:

CA 12th Schedule: 2(a)
CA 12th Schedule: 2(b)
CA 12th Schedule: 2(c)
CA 12th Schedule: 2(d)

(a) The number and class of shares in respect of which the option has been granted;
(b) The date of expiration of the option;
(c) The basis upon which the option may be exercised; and
(d) Whether the person to whom the option has been granted has any right to participate by virtue of the option in any share issue of any other company.

Please refer to the following as an illustrative guide:

CA 12th Schedule: 5 & 6
SGX 852: 1(a)

At the end of the financial year, there were [ ] ordinary shares of ABC Singapore Limited under option relating to the [name of option scheme] Share Option Scheme [Please describe the terms of the options.] which was approved by the members of the Company at an Extraordinary General Meeting on [insert date].

SGX 852: 1(b)(i)

(a) Options granted to Directors of the Company under the [name of option scheme] Share Option Scheme are as follows:

Name	*Options granted during 2016*	*Aggregate options granted since commencement of the Scheme or date of appointment, if later, to 31 December 2016*	*Aggregate options exercised since commencement of the Scheme or date of appointment, if later, to 31 December 2016*	*Aggregate options lapsed since commencement of the Scheme or date of appointment, if later, to 31 December 2016*	*Aggregate options outstanding at 31 December 2016*
Aaron Chan					
Bradley Toh					
Cathy Ng					

SGX 852: 1(b)(ii)

(b) The options granted to the controlling shareholder, Aaron Chan, are as described in paragraph (a) above. There were no options granted to associates of the controlling shareholder during the financial year.

SGX 852: 1(b)(iii)

(c) During the financial year, no employee has received 5% or more of the total number of options available under the [name of option scheme] Share Option Scheme.

SGX 852: 1(c)(ii)

(d) No options have been granted to directors and employees of the holding company and its subsidiary corporations.

SGX 852: 1(d)

(e) No options were granted at a discount to market price during the financial year.

SGX 853

Commentary (Continued)

Share Options (Continued)

CA 12th Schedule: 2(b), 4 & 6

(f) Under the [name of option scheme] Share Option Scheme, share options granted, exercised and lapsed during the financial year and outstanding as at 31 December 2016 were as follows:

Date granted	*At date of grant*	*Balance at 31 December 2015*	*Lapsed*	*Exercised*	*Balance at 31 December 2016*	*Exercise price $*	*Exercise period*
5 February 2015							
5 February 2015							
5 February 2015							
29 May 2015							
13 May 2016							
21 July 2016							
21 July 2016							
21 July 2016							

Other regulatory requirements

CA 203: 1
SGX 707: 2
CA 201: 16

The Directors' statement shall be made out and sent to all persons entitled to receive notice of general meetings of the Company not less than 14 days before the date of the Annual General Meeting ("AGM"). The Directors' statement shall be made in accordance with a resolution of the Directors specifying the day on which it was made out and be signed by at least two Directors.

CA 201: 1(a), (b)
SGX 707: 1
CA 201: 5(a)(i), (ii)

AGMs shall be held within four months and six months after the end of their financial years for listed and non-listed companies respectively.

CA 207: 1

INDEPENDENT AUDITOR'S REPORT

SSA 700: 21, 22

To the Members of ABC Singapore Limited

SSA 700: 44, 45

Report on the Audit of the Financial Statements

SSA 700: 23
SSA 700: 24, 25
CA 207: 2(a)

Opinion

We have audited the financial statements of ABC Singapore Limited (the "Company") and its subsidiaries (the "Group"), which comprise:

- the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 20X1;
- the consolidated statement of comprehensive income, consolidated statement of changes in equity, and consolidated statement of cash flows of the Group for the year then ended; and
- notes to the financial statements, including a summary of significant accounting policies.

In our opinion the accompanying 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 Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 20X1, and of its consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year then ended on that date.

SSA 700: 28

Basis for Opinion

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority ("ACRA") Code of Professional Conduct and Ethics for Public Accountants and Accounting Entities ("ACRA Code") together with the ethical requirements that are relevant to our audit of the financial statements in Singapore, and we have fulfilled our other ethical responsibilities in accordance with these requirements and the ACRA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

SSA 700: 30, 31
SSA 701: 11

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

KEY AUDIT MATTER	AUDIT RESPONSE
1 [Title]	
SSA 701: 13 [Description of Key Audit Matter] Refer to note [XX] of the accompanying financial statements.	[Description of audit response]

KEY AUDIT MATTER	AUDIT RESPONSE
2 [Title]	
[Description of Key Audit Matter] Refer to note [XX] of the accompanying financial statements.	[Description of audit response]

KEY AUDIT MATTER	AUDIT RESPONSE
3 [Title]	
[Description of Key Audit Matter] Refer to note [XX] of the accompanying financial statements.	[Description of audit response]

SSA 700: 32
SSA 720: 21(a), 22

Other Information

Management is responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Please refer to Illustrations 1-7 in Appendix 2 of SSA 720 (Revised) for reporting applicable in various scenarios.

SSA 700: 33
SSA 700: 34(a)
SSA 700: 36

Responsibilities of Management and Directors 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 Act and FRSs, and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

SSA 700: 34(b) In preparing the financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless management either intends to liquidate the Group or to cease operations, or has no realistic alternative but to do so.

SSA 700: 35 The director's responsibilities include overseeing the Group's financial reporting process.

SSA 700: 37
SSA 700: 38

Auditor’s Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor’s report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with SSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

SSA 700: 39

As part of an audit in accordance with SSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit 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 Group’s internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management’s use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group’s ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor’s report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor’s report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

SSA 700: 40(a)

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

SSA 700: 40(b)

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

SSA 700: 40(c)

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor’s report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

SSA 700: 43
CA 207: 2(b)

Report on Other Legal and Regulatory Requirements

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

SSA 700: 46

The engagement partner on the audit resulting in this independent auditor's report is **[name].**

SSA 700: 47

BDO LLP
Public Accountants and
Chartered Accountants

SSA 700: 48

Singapore

SSA 700: 49

[Date]

Commentary

This illustrative auditor's report is applicable for a Singapore-incorporated listed group. For other types of entities, a different auditor's report may be applicable. Sections of the auditor's report that are subject to different reporting requirements and would be tailored to each entity's specific facts and circumstances include Key Audit Matters, Other Information and Auditor's Responsibilities.

Inclusion of the Company's statement of changes in equity

Where the statement of changes in equity of the Company is also presented in the financial statements, the following may be considered to replace the Opinion paragraphs in the Auditor's report:

*We have audited the financial statements of ABC Singapore Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at **[31 December 2016]**, and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies.*

*In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Financial Reporting Standards in Singapore ("FRSs") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at **[31 December 2016]** and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and the changes in equity of the Company for the financial year ended on that date.*

First year of appointment as auditor

In the event that the prior year financial statements were audited by another auditor, the following paragraph is included.

Other matters

*The financial statements of the Group and the Company for the financial year ended **[date]** were audited by another firm of auditors who expressed an unmodified opinion on those statements on **[insert the date of auditor's report issued by another firm]**.*

ABC SINGAPORE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

FRS 1: 88
FRS 1: 99

Format 1 - By Function

		Note	Group 2016 $'000	Group 2015 $'000
FRS 1: 82(a), 103	Revenue	4		
FRS 1: 103	Cost of sales			
FRS 1: 103	**Gross profit**			
	Other items of income			
	Interest income	5		
FRS 1: 103	Other income	5		
	Other items of expense			
FRS 1: 103	Marketing and distribution expenses			
FRS 1: 103	Administrative expenses			
FRS 1: 103	Other expenses			
FRS 1: 82(b)	Finance costs	6		
FRS 1: 82(c)	Share of profit of associates	17		
FRS 1: 82(c)	Share of profit of joint venture	18		
	Profit before tax from continuing operations	7		
FRS 1: 82(d)	Income tax expense	8		
	Profit from continuing operations			
FRS 1: 82(ea); FRS 105: 33(a)	Profit from discontinued operation	9		
FRS 1: 81A(a)	**PROFIT**			
FRS 1: 82A	**Other comprehensive income:**			
FRS 1: 82A(a)(ii)	**Items that may be reclassified subsequently to profit or loss:**			
	Exchange differences			
	On translation of foreign operations			
FRS 1: 92,94	Reclassification adjustments			
	Available-for-sale financial assets			
	Fair value gains			
FRS 1: 92, 94	Reclassification adjustments			
FRS 1: 82A (b)(ii)	Share of other comprehensive income of associates	17		
	Share of other comprehensive income of joint venture	18		
FRS 1: 82A(a)(i)	**Items that will not be reclassified subsequently to profit or loss:**			
	Gain on revaluation of property			
FRS 1: 81A(b)	**Other comprehensive income, net of tax**	10		
FRS 1: 81A(c)	**TOTAL COMPREHENSIVE INCOME**			

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

FRS 1: 88
FRS 1: 99

Format 1 - By Function

		Note	Group 2016 $'000	Group 2015 $'000
	Profit attributable to:			
FRS 1: 81B(a)(ii)	Owners of the parent			
FRS 1: 81B(a)(i)	Non-controlling interests			
	Total comprehensive income attributable to:			
FRS 1: 81B(b)(ii)	Owners of the parent			
FRS 1: 81B(b)(i)	Non-controlling interests			
	Earnings per share from continuing operations attributable to owners of the parent (cents)			
FRS 33: 66	Basic	11		
FRS 33: 66	Diluted	11		
	Earnings per share from discontinued operation attributable to owners of the parent (cents)			
FRS 33: 68	Basic	11		
FRS 33: 68	Diluted	11		

Commentary

In the application of FRS 1 *Presentation of Financial Statements,* the Group has elected to present:

- a single statement of comprehensive income (FRS 1: 81A);
- the components of other comprehensive income net of related tax effects (FRS 1: 91(a) with the income tax effects of the individual components disclosed in Note 10); and
- to present the reclassification adjustments relating to components of other comprehensive income in the statement of comprehensive income (FRS 1: 94).

Please refer to the Format 2 consolidated statement of comprehensive income for an analysis by nature of expense. If expenses are analysed by function, disclosures on the nature of expenses are also required, as illustrated in Note 7 in these financial statements.

Please refer to Appendix A for an illustrative example of the alternative presentation format consisting of a consolidated income statement and a consolidated statement of comprehensive income.

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

ABC SINGAPORE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

FRS 1: 88
FRS 1: 99

Format 2 - By Nature

		Note	Group 2016 $'000	Group 2015 $'000
FRS 1: 82(a), 102	Revenue	4		
	Other items of income			
	Interest income	5		
FRS 1: 102	Other income	5		
	Items of expense			
FRS 1: 102	Changes in inventories of finished goods and work-in-progress			
FRS 1: 102	Raw material and consumables used			
FRS 1: 102	Employee benefits expense			
FRS 1: 102	Depreciation and amortisation expense			
FRS 1: 85	Impairment of property, plant and equipment			
FRS 1: 102	Other expenses			
FRS 1: 82(b)	Finance costs	6		
FRS 1: 82(c)	Share of profit of associates	17		
FRS 1: 82(c)	Share of profit of joint venture	18		
FRS 1: 82(d)	**Profit before tax from continuing operations**	7		
	Income tax expense	8		
	Profit from continuing operations			
FRS 1: 82(ea); FRS 105: 33(a)	Profit from discontinued operation	9		
FRS 1: 81A(a)	**PROFIT**			
FRS 1: 82A	**Other comprehensive income:**			
FRS 1: 82A(a)(ii)	**Items that may be reclassified subsequently to profit or loss:**			
	Exchange differences			
	On translation of foreign operations			
FRS 1: 92, 94	Reclassification adjustments			
	Available-for-sale financial assets			
	Fair value gains			
FRS 1: 92, 94	Reclassification adjustments			
FRS 1: 82A(b)(ii)	Share of other comprehensive income of associates	17		
	Share of other comprehensive income of joint venture	18		
FRS 1: 91(b)	Income tax relating to items that may be reclassified	10		
FRS 1: 82A(a)(i)	**Items that will not be reclassified subsequently to profit or loss**			
	Gain on revaluation of property			
FRS 1: 91(b)	Income tax relating to items that will not be reclassified	10		
FRS 1: 81A(b)	**Other comprehensive income, net of tax**	10		
FRS 1: 81A(c)	**TOTAL COMPREHENSIVE INCOME**			

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

FRS 1: 88
FRS 1: 99

Format 2 - By Nature

		Note	Group 2016 $'000	Group 2015 $'000
	Profit attributable to:			
FRS 1: 81B(a)(ii)	Owners of the parent			
FRS 1: 81B(a)(i)	Non-controlling interests			
	Total comprehensive income attributable to:			
FRS 1: 81B(b)(ii)	Owners of the parent			
FRS 1: 81B(b)(i)	Non-controlling interests			
	Earnings per share from continuing operations attributable to owners of the parent (cents)			
FRS 33: 66	Basic	11		
FRS 33: 66	Diluted	11		
	Earnings per share from discontinued operation attributable to owners of the parent (cents)			
FRS 33: 68	Basic	11		
FRS 33: 68	Diluted	11		

Commentary

In the application of FRS 1 *Presentation of Financial Statements*, the Group has elected to present:

- a single statement of comprehensive income (FRS 1: 81A);
- the components of other comprehensive income before related tax effects with one amount shown for the aggregate amount of income tax relating to those components (FRS 1: 91(b)) with the income tax effects of the individual components disclosed in Note 10; and
- the reclassification adjustments relating to components of other comprehensive income in the statement of comprehensive income (FRS 1: 94).

Please refer to the Format 1 consolidated statement of comprehensive income for an analysis by nature of expense.

Please refer to Appendix B for an illustrative example of the alternative presentation format consisting of a consolidated income statement and a consolidated statement of comprehensive income.

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

ABC SINGAPORE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Note	Group 31 December 2016 $'000	31 December 2015 $'000
FRS 1: 54, 77 SGX 1207: 5(a)				
	ASSETS			
FRS 1: 60, 61	**Non-current assets**			
FRS 1: 54(a)	Property, plant and equipment	12		
FRS 1: 54(b)	Investment properties	13		
FRS 1: 54(c)	Goodwill	14		
FRS 1: 54(c)	Other intangible assets	15		
FRS 1: 54(e)	Investments in associates	17		
FRS 1: 54(e)	Investment in joint venture	18		
FRS 1: 54(o)	Deferred tax assets	19		
FRS 1: 54(d)	Held-to-maturity financial assets	20		
FRS 1: 54(d)	Available-for-sale financial assets	21		
	Total non-current assets			
FRS 1: 66	**Current assets**			
FRS 1: 54(g)	Inventories	22		
FRS 1: 54(h)	Trade and other receivables	23		
	Amounts due from contract customers	24		
FRS 1: 54(d)	Held-for-trading financial assets	25		
FRS 1: 54(d)	Derivative financial instruments	26		
	Prepayments			
FRS 1: 54(i)	Cash and bank balances	27		
	Total current assets			
FRS 1: 54(j); FRS 105: 38	Assets of a disposal group classified as held for sale	9		
	Total assets			
	EQUITY AND LIABILITIES			
	Equity			
FRS 1: 78(e)	Share capital	28		
FRS 1: 78(e)	Treasury shares	29		
FRS 1: 78(e)	Retained earnings			
FRS 1: 78(e)	Other reserves	30		
FRS 1: 54(r)	**Equity attributable to owners of the parent**			
FRS 1: 54(q)	**Non-controlling interests**			
	Total equity			

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

			Group	
		Note	**31 December 2016**	**31 December 2015**
			$'000	**$'000**
	Non-current liabilities			
FRS 1: 54(l)	Provisions	31		
FRS 1: 54(o)	Deferred tax liabilities	19		
FRS 1: 54(m)	Finance lease payables	32		
FRS 1: 54(m)	Bank borrowings	33		
	Total non-current liabilities			
	Current liabilities			
FRS 1: 54(l)	Provisions	31		
FRS 1: 54(n)	Income tax payables			
FRS 1: 54(k)	Trade and other payables	34		
	Amounts due to contract customers	24		
FRS 1: 54(m)	Finance lease payables	32		
FRS 1: 54(m)	Derivative financial instruments	26		
FRS 1: 54(m)	Bank borrowings	33		
	Total current liabilities			
FRS 1: 54(j) FRS 105: 38	Liabilities of a disposal group classified as held for sale	9		
	Total liabilities			
	Total equity and liabilities			

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

FRS 1: 54, 77
SGX 1207: 5(b)

		Note	Company 31 December 2016 $'000	Company 31 December 2015 $'000
	ASSETS			
FRS 1: 60, 61	**Non-current assets**			
FRS 1: 54(a)	Property, plant and equipment	12		
FRS 1: 55	Investments in subsidiaries	16		
FRS 1: 54(e)	Investments in associates	17		
FRS 1: 54(e)	Investment in joint venture	18		
FRS 1: 54(o)	Deferred tax assets	19		
FRS 1: 54(d)	Held-to-maturity financial assets	20		
FRS 1: 54(d)	Available-for-sale financial assets	21		
	Total non-current assets			
FRS 1: 66	**Current assets**			
FRS 1: 54(h)	Trade and other receivables	23		
FRS 1: 54(d)	Held-for-trading financial assets	25		
FRS 1: 54(d)	Derivative financial instruments	26		
	Prepayments			
FRS 1: 54(i)	Cash and bank balances	27		
	Non-current asset classified as held for sale	9		
	Total current assets			
	Total assets			
	EQUITY AND LIABILITIES			
	Equity			
FRS 1: 78(e)	Share capital	28		
FRS 1: 78(e)	Treasury shares	29		
FRS 1: 78(e)	Retained earnings			
FRS 1: 78(e)	Other reserves	30		
	Total equity			

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

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2016

		Note	Company 31 December 2016 $'000	Company 31 December 2015 $'000
	Non-current liabilities			
FRS 1: 54(o)	Deferred tax liabilities	19		
FRS 1: 54(m)	Bank borrowings	33		
	Total non-current liabilities			
	Current liabilities			
FRS 1: 54(n)	Income tax payables			
FRS 1: 54(k)	Trade and other payables	34		
FRS 1: 54(m)	Derivative financial instruments	26		
FRS 1: 54(m)	Bank borrowings	33		
	Total current liabilities			
	Total liabilities			
	Total equity and liabilities			

Commentary

FRS 1: 40A, 40B

A third statement of financial position is required to be presented in addition to the minimum comparatives as at beginning of the preceding period if:

(a) It applies an accounting policy retrospectively, makes a retrospective restatement or reclassifies items in its financial statements; and

(b) The retrospective application, restatement or reclassification has a material effect on the statement of financial position at the beginning of the preceding period.

FRS 1: 40C

When an entity is required to present an additional statement of financial position in accordance with FRS 1: 40A, it must disclose the information required by FRS 1: 41 - 44 and FRS 8. However, it need not present the related notes to the opening statement of financial position as at the beginning of the preceding period.

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

ABC SINGAPORE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group	Note	Share capital	Treasury shares	Retained earnings	Available-for-sale reserve	Revaluation reserve	Statutory reserve fund	Foreign exchange reserve	Equity, attributable to owners of the parent	Non-controlling interests	Total equity
FRS 1: 10(c) FRS 1: 106(d)			$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	Balance at 1 January 2016											
	Changes in equity for 2016											
FRS 1: 106(a)	**Total comprehensive income for the year:**											
FRS 1: 106(d)(i)	**Profit for the year**											
FRS 1: 106(d)(ii)	**Other comprehensive income:**											
	Exchange differences:											
	On translation of foreign operations											
	Reclassification adjustments											
	Available-for-sale financial assets:											
	Fair value gains											
	Reclassification adjustments											
	Share of other comprehensive income of associates and joint venture											
	Gain on revaluation of property											
	Total other comprehensive income, net of tax											
FRS 1: 106(a)	**Total comprehensive income**											

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

ABC SINGAPORE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

FRS 1: 10(c)
FRS 1: 106(d)

	Group	Note	Share capital	Treasury shares	Retained earnings	Available-for-sale reserve	Revaluation reserve	Statutory reserve fund	Foreign exchange reserve	Equity, attributable to owners of the parent	Non-controlling interests	Total equity
			$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	Contributions by and distributions to owners											
FRS 1: 106(d)(iii)	Issue of share capital	28										
FRS 32: 33	Purchase of treasury shares	29										
FRS 1: 107	Dividends	35										
	Changes in ownership interests in subsidiaries											
FRS 1: 106(d)(iii)	Acquisition of a subsidiary	16										
FRS 1: 106(d)(iii)	Acquisition of non-controlling interests without a change in control	16										
	Others											
	Transfer to statutory reserve fund	30										
	Balance at 31 December 2016											

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

ABC SINGAPORE LIMITED AND ITS SUBSIDIARIES

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Group	Note	Share capital	Treasury shares	Retained earnings	Available-for-sale reserve	Revaluation reserve	Statutory reserve fund	Foreign exchange reserve	Equity, attributable to owners of the parent	Non-controlling interests	Total equity
FRS 1: 10(c) FRS 1: 106(d)			$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	Balance at 1 January 2015											
	Changes in equity for 2015											
FRS 1: 106(a)	**Total comprehensive income for the year:**											
FRS 1: 106(d)(i)	**Profit for the year**											
FRS 1: 106(d)(ii)	**Other comprehensive income:**											
	Exchange differences											
	On translation of foreign operations											
	Reclassification adjustments											
	Available-for-sale financial assets:											
	Fair value gains											
	Reclassification adjustments											
	Share of other comprehensive income of associates and joint venture											
	Gain on revaluation of property											
	Total other comprehensive income, net of tax											
FRS 1: 106(a)	**Total comprehensive income**											

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

FRS 1: 10(c)
FRS 1: 106(d)

	Group	Note	Share capital	Treasury shares	Retained earnings	Available-for-sale reserve	Revaluation reserve	Statutory reserve fund	Foreign exchange reserve	Equity, attributable to owners of the parent	Non-controlling interests	Total equity
			$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	Contributions by and distributions to owners											
FRS 1: 106(d)(iii)	Issue of share capital	28										
FRS 32: 33	Purchase of treasury shares	29										
FRS 1: 107	Dividends	35										
	Others											
	Transfer to statutory reserve fund	30										
	Balance at 31 December 2015											

Commentary

Separate Statement of Changes in Equity of the Company

The Group has not included a statement of changes in equity for the Company. If there are any changes in the Company's equity components during the current or preceding financial year, other than that resulting from profit or loss, or otherwise, a separate statement of comprehensive income and/or a separate statement of changes in equity for the Company could (as an option) be included and the necessary changes to the notes must be made accordingly.

FRS 1:106 requires an entity to disclose the following information in the statement of changes in equity:
- total comprehensive income for the period, showing separately the total amounts attributable to owners of the parent and to non-controlling interests;
- for each component of equity, the effects of retrospective application or retrospective restatement recognised in accordance with FRS 8; and
- for each component of equity, a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing changes resulting from:
  (i) profit or loss;
  (ii) other comprehensive income; and
  (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in a loss of control.

Under FRS 1:106A there is a choice to present, either in the statement of changes in equity or in the notes, an analysis of other comprehensive income by item. In the application of this standard, the Group has elected to disclose the information in the statement of changes in equity.

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

FRS 7: 1
SGX 1207: 5(c)

		Note	Group 2016 $'000	Group 2015 $'000
	Operating activities			
FRS 7: 18(b)	Profit before income tax from continuing operations			
FRS 7: 10	Profit before income tax from discontinued operation	9		
	Profit before income tax, total			
	Adjustments for:			
FRS 7: 20(b), (c)	Impairment of goodwill			
	Impairment on available-for-sale financial assets			
	Amortisation expense			
	Depreciation expense			
	Gain on disposal of subsidiary			
	Gain on disposal of property, plant and equipment			
	Fair value gain on investment properties			
	Fair value gain arising from derivative financial instruments			
	Fair value loss arising from held-for-trading financial assets			
	Increase/(decrease) in provisions			
	Interest expense			
FRS 7: 31	Interest income			
FRS 7: 31	Dividend income			
FRS 7: 31	Unrealised exchange difference			
	Share of profit of associates			
	Share of profit of joint venture			
	Operating cash flows before movements in working capital			
FRS 7: 20(a)	Inventories			
	Trade and other receivables			
	Prepayments			
	Amounts due from/to customers for construction work-in-progress			
	Trade and other payables			
	Cash generated from operations			
	Income taxes paid			
FRS 7: 35	**Net cash from/(used in) operating activities**			

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

CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

			Group	
		Note	2016	2015
FRS 7: 10			$'000	$'000
FRS 7: 21	**Investing activities**			
FRS 7: 16(b)	Proceeds from disposal of property, plant and equipment			
FRS 7: 16(a)	Purchase of property, plant and equipment	12		
FRS 7: 39, 42	Acquisition of subsidiary, net of cash acquired	16		
FRS 7: 39, 42	Disposal of subsidiary, net of cash disposed	16		
FRS 7: 16(a)	Additions to intangible assets	15		
	Additions to investment properties	13		
FRS 7: 16(c)	Purchases of available-for-sale financial assets	21		
	Proceeds from disposal of available-for-sale financial assets			
FRS 7: 31	Interest received			
FRS 7: 31	Dividends received			
	Net cash from/(used in) investing activities			
FRS 7: 10 FRS 7: 21	**Financing activities**			
FRS 7: 17(a)	Proceeds from issue of shares	28		
FRS 7: 17(b)	Purchase of treasury shares	29		
FRS 7: 17(c)	Proceeds from borrowings			
FRS 7: 17(d)	Repayment of borrowings			
FRS 7: 17(e)	Repayment of obligations under finance leases			
FRS 7: 16(d)	Increase in short-term deposits pledged			
FRS 7: 31	Dividends paid to owners of the parent			
FRS 7: 31	Dividends paid to non-controlling interests			
FRS 7: 31	Interest paid			
	Net cash from/(used in) financing activities			
	Net (decrease)/increase in cash and cash equivalents			
FRS 7: 28	Cash and cash equivalents at beginning of year			
	Effect of foreign exchange rate changes on cash and cash equivalents			
FRS 7: 45	**Cash and cash equivalents at end of year**	27		

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

Commentary

(i) Direct/Indirect method

FRS 7: 18 allows entities to report cash flows from operating activities using either the direct method or the indirect method.

The Group presents its cash flows using the indirect method.

(ii) Investing and financing transactions that do not require the use of cash or cash equivalents

Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from the statement of cash flows. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities. An example will be property, plant and equipment acquired under finance leases.

FRS 7: 42A

(iii) Changes in ownership interests

Cash flows arising from changes in ownership interests in a subsidiary that do not result in a loss of control are to be classified as cash flows from financing activities.

FRS 7: 39

Cash flows from obtaining or losing control of subsidiaries or other businesses are classified as investing activities.

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

These notes form an integral part of and should be read in conjunction with the accompanying financial statements.

1. General

FRS 1: 138(a) ABC Singapore Limited (the "Company") (Registration Number 123456789A) is a limited liability company incorporated and domiciled in Singapore with its principal place of business and registered office at 600 North Bridge Road #23-01, Singapore 188778. The Company is listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

FRS 1:138(b) The principal activity of the Company is that of investment holding.

The principal activities of the subsidiaries are disclosed in Note 16 to the financial statements.

FRS 1: 138(c)
FRS 24: 13
CA 201:11 The Company's immediate and ultimate holding company is ABC Holding Pte. Ltd., incorporated in Singapore. Related companies in these financial statements refer to members of the ABC Holding Pte. Ltd. group.

Commentary

FRS 1: 51(a) If the Company changes its name during the financial year, the change shall be disclosed.

Please refer to the illustrative guide below:

"With effect from (effective date), the name of the Company was changed from (former name) to (current name)."

Disclosure of name of ultimate controlling party

FRS 24: 13 FRS 24 requires the Company to disclose the name of the Company's parent and, if different, the ultimate controlling party. The ultimate controlling party can be either an entity or a person. If neither the entity's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed.

FRS 1: 112, 117

2. Significant accounting policies

Commentary

Notes to the financial statements – general requirements

In the notes to the financial statements entities are required to present:

- Information about the basis of preparation of the financial statements and the specific accounting policies used
- Disclosures required by FRS not presented elsewhere in the financial statements
- Information that is not presented elsewhere in the financial statements, but is relevant to an understanding of the financial statements and the impact of particular transactions, other events and conditions on financial position and performance.

Disclosure of significant accounting policies

As a general rule accounting policies must be disclosed where they are relevant to understanding the financial statements. This means accounting policies are required to be disclosed for all material items in the financial statements. Materiality depends on both the size and nature of the item.

Some FRSs specifically require the disclosure of accounting policies for specific items. These have been illustrated in these illustrative financial statements where applicable. All other accounting policies are disclosed under the general requirement of FRS 1.117(b).

Accounting policies disclosed should be the specific accounting policies of the reporting entity and therefore the illustrative disclosures applicable to ABC Singapore Limited must be customised to the particular facts and circumstances of the reporting entity.

FRS 1 (Amendments) - *Disclosure Initiative*

The amendments to FRS 1 effective from 1 January 2016 clarify that:

- Materiality applies to each of the primary financial statements, the notes and each specific disclosure required by FRSs. Disclosures required by FRSs do not need to be made if the information is not material.
- FRS 1: 30A — All relevant facts and circumstances should be taken into consideration in making decisions about aggregation.
- The understandability of financial statements shall not be reduced by obscuring material information with immaterial information or by aggregating material items of different nature or function.
- There is flexibility in the way the notes to the financial statements are presented.

FRS 1: 113

As far as practicable, notes should be presented in a systematic manner. The determination of the order of the notes should include consideration of the effect on the understandability and comparability of the financial statements.

Examples of systematic ordering or grouping of the notes include:

FRS 1: 114

(a) giving prominence to the areas of its activities that the entity considers to be most relevant to an understanding of its financial performance and financial position, such as grouping together information about particular operating activities;
(b) grouping together information about items measured similarly such as assets measured at fair value; or
(c) following the order of line items in the statement of comprehensive income and the statement of financial position.

The notes in these Illustrative Financial Statements for ABC Singapore Limited are ordered in accordance with the approach described in paragraph (c) above for illustrative purposes only. Entities may alternatively consider a different ordering, including those in (a) and (b) above.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.1 Basis of preparation

FRS 1: 16
SGX 1207: 5(d)
FRS 1: 117(a)

The financial statements have been drawn up in accordance with the provisions of the Singapore Companies Act, Chapter 50 and Singapore Financial Reporting Standards ("FRS") including related Interpretations of FRS ("INT FRS") and are prepared under the historical cost convention, except as disclosed in the accounting policies below.

Singapore-incorporated companies listed on SGX-ST will be required to apply a new financial reporting framework identical to the International Financial Reporting Standards (IFRS) for annual periods beginning on or after 1 January 2018. The Group will adopt the new framework on 1 January 2018.

FRS 1: 51(d)

The individual financial statements of each Group entity are measured and presented in the currency of the primary economic environment in which the entity operates (its functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar ("$") which is the functional currency of the Company and the presentation currency for the

FRS 1: 51(e)

consolidated financial statements and all values presented are rounded to the nearest thousand ("$'000") as indicated.

FRS 1: 122,125

The preparation of financial statements in compliance with FRS requires management to make judgements, estimates and assumptions that affect the Group's application of accounting policies and reported amounts of assets, liabilities, revenue and expenses. Although these estimates are based on management's best knowledge of current events and actions, actual results may differ from those estimates. The areas where such judgements or estimates have significant effect on the financial statements are disclosed in Note 3.

Commentary

Going concern assumption

FRS 1: 25

When preparing financial statements, management shall make an assessment of the entity's ability to continue as a going concern. Financial statements shall be prepared on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so.

When the financial statements are not prepared on a going concern basis, the entity shall disclose this fact, together with the basis on which the financial statements are prepared and the reason why the entity is not considered a going concern.

Please refer to the illustrative disclosure below:

"These financial statements are prepared on a realisation basis because management intends to liquidate the Company within the next 12 months from the end of the financial year".

When management is aware of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

Commentary (Continued)

Going concern assumption (Continued)

Illustrative disclosure of a material uncertainty related to going concern is as follows:

The Group incurred a net loss of $ZZZ (2015: $_______) during the year ended 31 December 2016 and, as of that date, the Group's current liabilities exceeded its current assets by $YYY (2015: $______). These conditions indicate the existence of a material uncertainty that may cast significant doubt about the Group's ability to continue as a going concern. The financial statements have been prepared on a going concern basis as the holding company has agreed to provide continuing financial support and not to recall amounts due to them of $YYY until all creditors have been paid.

If the Group is unable to continue in operational existence for the foreseeable future, the Group may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the balance sheet/statement of financial position. In addition, the Group may have to reclassify non-current assets and liabilities. No such adjustments have been made to these financial statements.

FRS 1: 122

In a situation where events or conditions have been identified that may cast significant doubt on the entity's ability to continue as a going concern but management has concluded that no material uncertainty exists, the entity should disclose the judgements made in arriving at that conclusion. Such disclosures may include:

- the events or conditions that may cast significant doubt on the entity's ability to continue as a going concern
- management's evaluation of the significance of those events or conditions in relation to the entity's ability to meet its obligations
- management's plans that mitigate the effect of these events or conditions
- significant judgements made by management as part of its assessment of the entity's ability to continue as a going concern.

2. Significant accounting policies (Continued)

FRS 1: 112, 117

2.1 Basis of preparation (Continued)

FRS 8: 28(a) – (h)

In the current financial year, the Group has adopted all the new and revised FRS that are relevant to its operations and effective for the current financial year. The adoption of these new/revised FRS did not result in changes to the Group's accounting policies and had no material effect on the amounts reported for the current or prior years, [except as detailed below].

Commentary

FRS effective for annual periods beginning on or after 1 January 2016

If a new or amended Standard has been early adopted in a previous financial period, the disclosures on adoption should not be repeated.

Disclosures should be made on the material effect on the financial statements in the current or prior periods or any expected material impact on future periods arising from the changes in the accounting policies as a result of the adoption of any of the following amended Standards:

		Effective date (annual periods beginning on or after)
FRS 1 (Amendments)	: *Disclosure Initiative*	1 January 2016
FRS 16 and FRS 38 (Amendments)	: *Clarification of Acceptable Methods of Depreciation and Amortisation*	1 January 2016
FRS 16 and FRS 41 (Amendments)	: *Agriculture: Bearer Plants*	1 January 2016
FRS 27 (Amendments)	: *Equity Method in Separate Financial Statements*	1 January 2016
FRS 110, 112 and 28	: *Investment Entities: Applying the Consolidation Exception (Editorial corrections in June 2015)*	1 January 2016
FRS 111 (Amendments)	: *Accounting for Acquisitions of Interests in Joint Operations*	1 January 2016
FRS 114	: *Regulatory Deferral Accounts*	1 January 2016
Improvements to FRSs (November 2014)		
- FRS 105 (Amendments)	: *Non-current Assets Held for Sale and Discontinued Operations*	1 January 2016
- FRS 107 (Amendments)	: *Financial Instruments: Disclosures*	1 January 2016
- FRS 19 (Amendments)	: *Employee Benefits*	1 January 2016
- FRS 34 (Amendments)	: *Interim Financial Reporting*	1 January 2016

Such disclosures should be specific to the entity as to the effects and reasons.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 8: 28(a) – (h)

Commentary (Continued)

FRS effective for annual periods beginning on or after 1 January 2016 (Continued)

The following are additional illustrative disclosures, not applicable to ABC Singapore Limited, on the adoption of some of these amended Standards.

FRS 1 (Amendments) - ***Disclosure Initiative***

The amendments clarify a number of aspects of FRS 1 in relation to:
- materiality
- line items in primary financial statements
- notes to the financial statements
- accounting policies

It has also been clarified that an entity's share of other comprehensive income of equity-accounted associates and joint ventures would be split between those items that will and will not be reclassified to profit or loss, and presented in aggregate as single line items within those two groups.

[The Group adopted these amendments on **[1 January 2016]** and in accordance with the clarified guidance has re-ordered the structure of the notes to the financial statements including the accounting policies, with the more significant notes presented first. The Group has also removed certain accounting policies notes for items which are determined not to be significant.]

FRS 16 and FRS 38 (Amendments) - ***Clarification of Acceptable Methods of Depreciation and Amortisation***

The amendments clarify that revenue-based methods of depreciation and amortisation are not appropriate, as they do not reflect the pattern of economic benefits consumed from the use of the asset by the Group. Therefore, revenue-based methods are prohibited to be used to depreciate property, plant and equipment and may only be used in very limited circumstances to amortise intangible assets.

[The Group has previously used a revenue-based method to amortise its licences. On adoption of these amendments on **[1 January 2016]**, the Group has amortised these intangible assets using the straight-line method over their estimated remaining useful lives. The change in amortisation method has been applied prospectively, and resulted in a change in the pattern of amortisation with a decrease in the amortisation expense for the financial year ended 31 December 2016 of S$___ and an expected increase of S$____ in the amortisation expense for the remaining useful life in the following two financial years.]

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 8: 28(a) – (h)

Commentary (Continued)

<u>FRS effective for annual periods beginning on or after 1 January 2016</u> (Continued)

FRS 27 (Amendments) - *Equity Method in Separate Financial Statements*

The amendments provide the option for the Company to account for its investments in subsidiaries, joint ventures, and associates using the equity method in its separate financial statements. The accounting approach that is selected is required to be applied for each category of investment.

[The Company adopted these amendments on **[1 January 2016]** with retrospective effect and has elected the option to account for its investments in subsidiaries, joint ventures, and associates using the equity method in its separate financial statements, instead of accounting for its investments in subsidiaries, joint ventures or associates at cost. This has resulted in an increase in these investments and retained earnings. The effects on the statement of financial position, statement of comprehensive income, statement of changes in equity and statement of cash flows are set out below:

[*set out impact in accordance with FRS 8.28*]]

Improvements to FRSs (November 2014)

FRS 19 *Employee Benefits - Discount rates: regional market issue*

This amendment requires that high quality corporate bonds used to determine the discount rate for the accounting of employee benefits need to be denominated in the same currency as the related benefits that will be paid to the employee. The Group adopted the amendment on **[1 January 2016].**

[This amendment did not result in any adjustments on initial adoption as the discount rates applied by the Group have been determined in accordance with the clarified requirements].

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 8: 30, 31

FRS issued but not yet effective

At the date of authorisation of these financial statements, the following FRS that are relevant to the Group were issued but not yet effective, and have not been adopted early in these financial statements:

		Effective date (annual periods beginning on or after)
FRS 7 (Amendments)	: *Disclosure Initiative*	1 January 2017
FRS 109	: *Financial Instruments*	1 January 2018
FRS 115	: *Revenue from Contracts with Customers*	1 January 2018
FRS 115 (Amendments)	: *Clarifications to FRS 115 Revenue from Contracts with Customers*	1 January 2018
FRS 116	: *Leases*	1 January 2019

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

[Except as disclosed below], management anticipates that the adoption of the above FRS in future periods will not have a material impact on the financial statements of the Group in the period of their initial adoption.

FRS 7 (Amendments) ***Disclosure Initiative***

The amendments require additional disclosures to enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes.

The Group will adopt these amendments in the financial year beginning on **[1 January 2017]** and will include the additional disclosures in its financial statements for that financial year.

FRS 109 ***Financial Instruments***

FRS 109 supersedes FRS 39 *Financial Instruments: Recognition and Measurement* with new requirements for the classification and measurement of financial assets and liabilities, impairment of financial assets and hedge accounting.

Classification and measurement
Under FRS 109, financial assets are classified into financial assets measured at fair value or at amortised cost depending on the Group's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets. Fair value gains or losses will be recognised in profit or loss except for certain equity investments, for which the Group can elect to recognise the gains and losses in other comprehensive income. Debt instruments that meet the Solely Payments of Principal and Interest contractual cash flow characteristics test and where the Group is holding the debt instrument to both collect the contractual cash flows and to sell the financial assets can also be measured at fair value through other comprehensive income.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 8: 30, 31

FRS issued but not yet effective (Continued)

FRS 109 *Financial Instruments* (Continued)

FRS 109 carries forward the recognition, classification and measurement requirements for financial liabilities from FRS 39, except for financial liabilities that are designated at fair value through profit or loss, where the amount of change in fair value attributable to change in credit risk of that liability is recognised in other comprehensive income unless that would create or enlarge an accounting mismatch. In addition, FRS 109 retains the requirements in FRS 39 for de-recognition of financial assets and financial liabilities.

[The Group has completed its preliminary assessment of the classification and measurement of its financial assets, and expects that financial assets currently classified as available for sale (AFS) will qualify to be accounted for at fair value through other comprehensive income (OCI) on adoption of FRS 109. Subsequently all fair value changes will be recognised in OCI and will not be reclassified to profit or loss, even on disposal.

The Group currently accounts for its AFS investment in unquoted equity securities at cost less impairment loss, if any, as disclosed in Note 21 to the financial statements. On adoption of FRS 109, the Group will be required to measure such investment in unquoted equity securities at fair value, with the difference between the previous carrying value and the fair value recognised in the opening balance of retained earnings at the date of initial application.]

Impairment
FRS 109 introduces a new forward-looking impairment model based on expected credit losses to replace the incurred loss model in FRS 39. This determines the recognition of impairment loss allowances as well as interest revenue. For financial assets at amortised cost or debt instruments at fair value through other comprehensive income, the Group will recognise (at a minimum) 12 months of expected losses in profit or loss. Lifetime expected losses will be recognised on these assets when there is a significant increase in credit risk after initial recognition under the three-stage model or from initial recognition if the simplified model is applied.

[The new impairment requirements are expected to result in changes to and likely increases in impairment loss allowances on trade receivables and other receivables, due to earlier recognition of credit losses. The Group expects to adopt the simplified model for its trade receivables and will record an allowance for lifetime expected losses from initial recognition. For other receivables due from related parties, the Group will initially provide for 12 months expected losses under the three-stage model. The Group is still in the process of determining how it will estimate expected credit losses and the sources of forward-looking data.]

Transition
[The Group plans to adopt FRS 109 in the financial year beginning on **[1 January 2018]** with retrospective effect in accordance with the transitional provisions and intends to elect not to restate comparatives for the previous financial year.

FRS 109 also requires additional financial statements disclosures which the Group will include in its financial statements in the financial year when FRS 109 is adopted.]

FRS 1: 112, 117 **2. Significant accounting policies** (Continued)

2.1 Basis of preparation (Continued)

FRS 8: 30, 31 *FRS issued but not yet effective* (Continued)

FRS 115 *Revenue from Contracts with Customers*

FRS 115 introduces a comprehensive model that applies to revenue from contracts with customers and supersedes all existing revenue recognition requirements under FRS. The model features a five-step analysis to determine whether, how much and when revenue is recognised, and two approaches for recognising revenue: at a point in time or over time. The core principle is that an entity recognises revenue when control over promised goods or services is transferred to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. FRS 115 also introduces extensive qualitative and quantitative disclosure requirements which aim to enable users of the financial statements to understand the nature, amount, timing and uncertainty of revenue and cash flows arising from contracts with customers.

[On initial adoption of this standard, there may be a potentially significant impact on the timing and profile of revenue recognition of the Group. The Group has signed long term sales contracts (contract period ranges from 3 to 5 years) with certain customers, offering them a range of discounted prices when specific levels of product quantities are met. On adoption of FRS 115, the Group will be required to include an estimate of such variable consideration in determining the transaction price, which will be the amount recognised as revenue based on the actual quantity sold as at the end of that financial year. The difference between the estimated transaction price and the contract price of the products sold will be recognised as a [**contract liability**] on the Group's statement of financial position.

The Group has also assessed the potential impact on accounting for contract modifications. For new models of plasma/LED screens, audio systems and speaker products released, the customers will place initial orders of a smaller quantity and subsequently repeat additional purchase orders. For such repeated orders, a discount will be given to the customers. The Group currently recognises revenue upon delivery of the products to the customers based on the respective contracted price depending on whether the batch of goods delivered is to fulfill the initial purchase order or repeated order. Under FRS 115, the Group will be required to calculate the transaction price of the remaining goods not yet delivered (from initial purchase orders and repeated orders) at the date when the repeated order was made and discount was given, and recognise revenue upon delivery of the remaining products to the customers based on the calculated transaction price. On adoption of FRS 115, the Group will elect to apply the practical expedient on contract modifications.

The Group currently recognises installation fees by reference to the stage of completion of the installation service, determined as the proportion of the total time expected to install that has elapsed at the end of the financial year. On adoption of FRS 115, the Group will be required to assess whether such installation service is identified as a separate performance obligation or forms part of a single performance obligation whereby the speaker products and/or audio systems require specialised installation for them to be functional. In the case of the latter, the installation fees should be recognised at a point in time upon completion of the installation instead.

The Group plans to adopt FRS 115 in the financial year beginning on **[1 January 2018]** using the **[full retrospective method]** in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.]

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 8: 30, 31

FRS issued but not yet effective (Continued)

FRS 116 *Leases*

FRS 116 supersedes FRS 17 *Leases* and introduces a new single lessee accounting model which eliminates the current distinction between operating and finance leases for lessees. FRS 116 requires lessees to capitalise all leases on the statement of financial position by recognising a 'right-of-use' asset and a corresponding lease liability for the present value of the obligation to make lease payments, except for certain short-term leases and leases of low-value assets. Subsequently, the lease assets will be depreciated and the lease liabilities will be measured at amortised cost.

From the perspective of a lessor, the classification and accounting for operating and finance leases remains substantially unchanged under FRS 116. FRS 116 also requires enhanced disclosures by both lessees and lessors.

[On initial adoption of FRS 116, there may be a potentially significant impact on the accounting treatment for leases, which the Group as lessee currently accounts for as operating leases. On adoption of FRS 116, the Group will be required to capitalise its **[rented office premises and other operating facilities]** on the statement of financial position by recognising them as 'right-of-use' assets and their corresponding lease liabilities for the present value of future lease payments . The Group plans to adopt the standard in the financial year beginning on **[1 January 2019]** using the **[modified retrospective method]** in accordance with the transitional provisions, and will include the required additional disclosures in its financial statements for that financial year.]

Commentary

FRS 8:30 requires disclosure of standards or interpretations that have been issued which are not yet effective; and known or reasonably estimable information to assess the possible impact in the period of initial application.

Such disclosures should be specific to the entity and include reasons for the possible impact.

If the impact is not known or reasonably estimable, a statement to that effect should be included, for example, in cases where new standards have been recently released.

The list of FRS issued but not effective reflects the situation as at 1 December 2016. Any other new or revised FRSs, INT FRSs and amendments issued after that date, but before the date of authorisation of the financial statements, should also be disclosed.

It is not necessary to list out all new and revised standards and interpretations in issue, only those that are relevant. Where none are expected to have any material impact, the following illustrative disclosure could be considered.

Certain new standards and amendments to FRSs have been issued and are relevant for the Group's accounting periods beginning on or after 1 January 2016 and which the Group has not early adopted. Management does not expect them to have any material impact on the Group's financial position or financial performance when adopted.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.1 Basis of preparation (Continued)

FRS 8: 30, 31

FRS issued but not yet effective (Continued)

Commentary (Continued)

In addition to the list of FRS issued but not yet effective as disclosed by ABC Singapore Limited, the following should be disclosed if relevant:

		Effective date (annual periods beginning on or after)
FRS 12 (Amendments)	: *Recognition of Deferred Tax Assets for Unrealised Losses*	1 January 2017
FRS 102 (Amendments)	: *Classification and Measurement of Share-based Payment Transactions*	1 January 2018
FRS 110 and FRS 28 (Amendments)	: *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	To be determined

Illustrative disclosures on some of the other standards and amendments issued but not yet effective that can be considered if relevant, are as follows:

FRS 12 (Amendments) - ***Recognition of Deferred Tax Assets for Unrealised Losses***

The amendments clarify the requirements for the recognition of deferred tax assets for unrealised losses, particularly those relating to debt instruments measured at fair value.

[The Group will adopt these amendments in the financial year beginning on **[1 January 2017]** with retrospective effect in accordance with the transitional provisions. [**Disclose expected impact**]]

FRS 102 (Amendments) - ***Classification and Measurement of Share-based Payment Transactions***

The amendments clarify how to account for certain types of share-based payment transactions and provide requirements on the accounting for:
- the effects of vesting and non-vesting conditions on the measurement of cash-settled share based payments;
- share-based payment transactions with a net settlement feature for withholding tax obligations; and
- a modification to the terms and conditions of a share-based payment that changes the classification of the transaction from cash-settled to equity-settled.

[The Group will adopt these amendments in the financial year beginning on **[1 January 2018]** with retrospective effect in accordance with the transitional provisions specified.[**Disclose expected impact**]]

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.2 Basis of consolidation

FRS 110: 6, 7, 8

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries. Subsidiaries are entities over which the Group has control. The Group controls an investee if the Group has power over the investee, exposure to variable returns from the investee, and the ability to use its power to affect those variable returns. Control is reassessed whenever facts and circumstances indicate that there may be a change in any of these elements of control.

FRS 110: 20

Subsidiaries are consolidated from the date on which control is obtained by the Group up to the effective date on which control is lost, as appropriate.

FRS 110: B86

Intra-group balances and transactions and any unrealised income and expenses arising from intra-group transactions are eliminated on consolidation. Unrealised losses may be an impairment indicator of the asset concerned.

FRS 110: 19, B87, B92

The financial statements of the subsidiaries are prepared for the same reporting period as that of the Company, using consistent accounting policies. Where necessary, accounting policies of subsidiaries are changed to ensure consistency with the policies adopted by other members of the Group.

FRS 110: 22, B94

Non-controlling interests in subsidiaries relate to the equity in subsidiaries which is not attributable directly or indirectly to the owners of the parent. They are shown separately in the consolidated statements of comprehensive income, financial position and changes in equity.

FRS 103: 19
FRS 110: 94

Non-controlling interests in the acquiree that are a present ownership interest and entitle its holders to a proportionate share of the entity's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value, of the acquiree's identifiable net assets. The choice of measurement basis is made on an acquisition-by-acquisition basis. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.2 Basis of consolidation (Continued)

FRS 110: 23, B96

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

FRS 110: 25, B98, B99

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

FRS 27: 10(a)
FRS 27: 16(c)

In the separate financial statements of the Company, investments in subsidiaries, associates and joint ventures are carried at cost, less any impairment loss that has been recognised in profit or loss.

Commentary

FRS 103: 19

Measurement of non-controlling interest

The measurement election is made for each individual business combination and does not constitute an accounting policy choice for similar transactions. The two options potentially result in significantly different amounts of goodwill and equity.

Where applicable, consider the following additional specific accounting policy illustrations:

- The Group has not elected to use fair value in acquisitions completed to date.
- Other components of non-controlling interest, such as outstanding share options, are measured at fair value.

Exemption from consolidation

FRS 110: 4(a)

In the event where the Company is exempted from preparing consolidated financial statements and elects to prepare separate financial statements, the Company shall disclose this fact, the name and country of incorporation or residence of the entity whose consolidated financial statements have been produced for public use as well as the address where those consolidated financial statements are obtainable. The following is an illustration of disclosure to be considered:

FRS 27: 16(a)

*These financial statements are the separate financial statements of ABC Singapore Limited. The Company is exempted from the preparation of consolidated financial statements as the Company is a wholly-owned subsidiary of **[name of ultimate holding company]**, a company with its country of incorporation and principal place of business in [Singapore], which produces consolidated financial statements available for public use at **[address where those consolidated financial statements are obtainable]**. The registered office of **[name of ultimate holding company]** is at _____________.*

FRS 1: 112, 117 **2. Significant accounting policies** (Continued)

2.3 Business combinations

Business combinations from 1 January 2010

FRS 103: 4, 37
FRS 103: 53
FRS 103: 39

The acquisition of subsidiaries is accounted for using the acquisition method. The consideration transferred for the acquisition is measured at the aggregate of the fair values, at the date of exchange, of assets given, liabilities incurred or assumed, and equity instruments issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. Consideration also includes the fair value of any contingent consideration. Contingent consideration classified as a financial liability is remeasured subsequently to fair value through profit or loss.

FRS 103: 18, 20

The acquiree's identifiable assets, liabilities and contingent liabilities that meet the conditions for recognition under FRS 103 are recognised at their fair values at the acquisition date.

FRS 103: 42

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

FRS 103: 32

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

FRS 103: 34

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

Commentary

The illustrated accounting policies for business combinations apply to business combinations from 1 January 2010. If a Group had business combinations prior to 1 January 2010, the following additional illustrative accounting policies can be considered:

Business combinations before 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations were accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests were treated as a revaluation and recognised in equity.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.3 Business combinations (Continued)

Business combinations from 1 January 2010 (Continued)

Commentary (Continued)

Business combinations before 1 January 2010 (Continued)

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was probable and a reliable estimate was determinable. Subsequent measurements to the contingent consideration affected goodwill.

Business combinations involving entities under common control

Where a business combination involves entities or businesses under common control, it is outside the scope of FRS 103 and may be accounted for using the pooling of interest method or the acquisition method (when the transaction has substance from the perspective of the reporting entity). The following is an illustrative accounting policy where the pooling of interest method is applied:

RAP 12: 9

Business combinations involving entities under common control are accounted for by applying the pooling of interest method which involves the following:

- *The assets and liabilities of the combining entities are reflected at their carrying amounts.*
- *No adjustments are made to reflect the fair values, or recognise any new assets or liabilities.*
- *No goodwill is recognised as a result of the combination.*
- *Any difference between the consideration paid/transferred and the equity 'acquired' is reflected within equity as merger reserve.*
- *The statement of comprehensive income reflects the results of the combining entities for the full year, irrespective of when the combination took place.*
- *Comparatives are presented as if the entities had always been combined since the date the entities had come under common control.*

FRS 103: 56

Contingent liabilities recognised in a business combination

Where there are contingent liabilities assumed in the business combination, the following illustrative accounting policy may be considered:

A contingent liability recognised in a business combination is initially measured at its fair value. Subsequently, it is measured at the higher of:

- *The amount that would be recognised in accordance with the accounting policy for provisions set out in Note 2.23; or*
- *The amount initially recognised less, when appropriate, cumulative amortisation recognised in accordance with guidance for revenue recognition.*

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.4 Revenue recognition

FRS 18: 9, 10

Revenue is measured at the fair value of the consideration received or receivable. Revenue is presented net of estimated customer returns, rebates, other similar allowances and sales related taxes.

FRS 18: 14

Sale of goods

This refers to the sale of audio systems and speaker products to whole-sale distributors and retailers.

Revenue from the sale of goods is recognised when the Group has transferred to the buyer the significant risks and rewards of ownership of the goods and it is probable that the agreed consideration will be received. Normally these criteria are considered to be met when the goods are delivered to and accepted by the buyer.

Both audio systems and speaker products are sold with a warranty. The group recognises revenue at the time of delivery, net of a provision based on past experience and projections (Note 3.2).

FRS 18: 20

Rendering of services

Revenue from a contract to provide services is recognised by reference to the stage of completion of the contract provided the amount of revenue, stage of completion and associated cost can be measured reliably and it is probable that the consideration will be received. The stage of completion of the contract is determined as follows:

- installation fees are recognised by reference to the stage of completion of the installation, determined as the proportion of the total time expected to install that has elapsed at the end of the financial year; and
- revenue from construction contracts is recognised in accordance with the Group's accounting policy on construction contracts (Note 2.19).

Interest income

FRS 18: 30(a)

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

Dividend income

FRS 18: 30(c)

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

Royalties

FRS 18: 30(b)

Royalty income is recognised on an accrual basis in accordance with the substance of the relevant agreement. Royalties determined on a time basis are recognised on a straight-line basis over the period of the agreement. Royalty arrangements that are based on production, sales and other measures are recognised by reference to the underlying arrangement.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.4 Revenue recognition (Continued)

Rental income

FRS 17: 50
INT FRS 15: 4

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

> An accounting policy should be included for each significant source of revenue and should be tailored to the particular circumstances of the entity concerned, focusing particularly on the more judgemental aspects of revenue recognition such as provisions for returns or discounts.

2.5 Borrowing costs

FRS 23: 8
FRS 23: 12
FRS 23: 14

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

FRS 23: 8

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

2.6 Retirement benefit costs

FRS 19: 8, 45

Payments to defined contribution plans are charged as an expense as they fall due. Payments made to state-managed retirement benefit schemes, such as the Singapore Central Provident Fund, are dealt with as payments to defined contribution plans where the Group's obligations under the plans are equivalent to those arising in a defined contribution plan.

2.7 Employee leave entitlements

FRS 19: 11, 13

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated undiscounted liability for annual leave expected to be settled wholly within 12 months from the reporting date as a result of services rendered by employees up to the end of the financial year.

> **Commentary**
>
> **Other employee benefits**
>
> These illustrative financial statements do not cover the accounting for defined benefit pension plans under FRS 19 *Employee Benefits*.
>
> Where applicable and material, the following additional illustrative accounting policies on other aspects of employee benefits can be considered:

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.7 Employee leave entitlements (Continued)

Commentary (Continued)

Other employee service benefits

Other employee benefits that are expected to be settled wholly within 12 months from the reporting date are presented as current liabilities and recognised at carrying value.

FRS 19: 155, 156

Employee entitlements to leave and other employee benefits that are not expected to be settled wholly within 12 months after the end of the reporting period are presented as non-current liabilities and calculated using the projected unit credit method and then discounted using yields available on high quality corporate bonds that have maturity dates approximating to the expected remaining period to settlement. The net total of service costs, net interest on the liability and remeasurement of the liability are recognised in profit or loss.

Termination benefits

FRS 19: 8
FRS 19: 165

Termination benefits comprise benefits payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for such benefits. Termination benefits are recognised when the Group is committed to either terminating the employment of current employees based on a formal plan without the possibility of withdrawal; or providing termination benefits as a result of an offer made to encourage voluntary redundancy.

FRS 19: 169

Initial recognition and subsequent changes to the expense and liability for termination benefits are measured in line with the accounting policies disclosed above for other short-term and long-term employee benefits.

2.8 Taxes

FRS 12: 6

Income tax expense represents the sum of the tax currently payable and deferred tax.

Current income tax

FRS 12: 5
FRS 12: 46

The tax currently payable is based on taxable profit for the financial year. Taxable profit differs from profit reported as profit or loss because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is recognised at the amount expected to be paid or recovered from the taxation authorities and is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and its subsidiaries operate by the end of the financial year.

FRS 12: 58, 61A

Current income taxes are recognised in profit or loss, except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.8 Taxes (Continued)

Deferred tax

FRS 12: 5; FRS 12: 24; FRS 12: 15

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

FRS 12: 39

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future.

FRS 12: 56

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

FRS 12: 47

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the financial year.

FRS 12: 51

The measurement of deferred tax reflects the tax consequences that would follow from the manner in which the group expects to recover or settle its assets and liabilities, except for investment properties at fair value which are presumed to be recovered through sale.

FRS 12: 74

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

FRS 12: 58, 61A; FRS 12: 66

Deferred tax is recognised in profit or loss, except when it relates to items recognised outside profit or loss, in which case the tax is also recognised either in other comprehensive income or directly in equity, or where it arises from the initial accounting for a business combination. Deferred tax arising from a business combination, is taken into account in calculating goodwill on acquisition.

Sales tax

FRS 18: 8

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

- when the sales taxation that is incurred on purchase of assets or services is not recoverable from the taxation authorities, in which case the sales tax is recognised as part of cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

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

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.9 Dividends

FRS 10: 12, 13
FRS 32: 35

Equity dividends are recognised when they become legally payable. Interim dividends are recorded in the financial year in which they are declared payable. Final dividends are recorded in the financial year in which dividends are approved by shareholders.

2.10 Foreign currency transactions and translation

FRS 21: 21
FRS 21: 23

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

FRS 21: 28
FRS 21: 30

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

FRS 21: 39

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the financial year. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuated significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, are recognised initially in other comprehensive income and accumulated in the Group's foreign exchange reserve.

FRS 21: 32

On consolidation, exchange differences arising from the translation of the net investment in foreign entities (including monetary items that, in substance, form part of the net investment in foreign entities), and of borrowings and other currency instruments designated as hedges of such investments, are taken to the foreign exchange reserve.

FRS 21: 48

On disposal of a foreign operation, the accumulated foreign exchange reserve relating to that operation is reclassified to profit or loss.

FRS 21: 47

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

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.11 Property, plant and equipment

FRS 16: 15
FRS 16: 16

All items of property, plant and equipment are initially recognised at cost. The cost includes its purchase price and any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Dismantlement, removal or restoration costs are included as part of the cost if the obligation for dismantlement, removal or restoration is incurred as a consequence of acquiring or using the property, plant and equipment.

FRS 16: 7, 12

Subsequent expenditure on an item of property, plant and equipment is added to the carrying amount of the item if it is probable that future economic benefits associated with the item will flow to the Group and the cost can be measured reliably. All other costs of servicing are recognised in profit or loss when incurred.

FRS 16: 31

Land and buildings are subsequently stated at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

FRS 16: 31

Land and buildings are revalued by independent professional valuers with sufficient regularity such that the carrying amounts do not differ materially from those which would be determined using fair values at the end of the financial year.

FRS 16: 39
FRS 16: 40

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

FRS 16: 35(b)

Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

FRS 16: 30

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

FRS 16: 50
FRS 16: 73(b)
FRS 16: 73(c)

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

Leasehold land	1% to 2%
Buildings	2% to 4%
Plant, machinery and equipment	20%
Motor vehicles	33.33%
Computers	33.33%
Furniture and fittings	20%

No depreciation is charged on construction-in-progress as they are not yet ready for their intended use as at the end of the financial year.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.11 Property, plant and equipment (Continued)

FRS 36: 9

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

FRS 16: 51, 61

The estimated useful lives, residual values and depreciation methods are reviewed, and adjusted as appropriate, at the end of each financial year.

FRS 17: 27

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

FRS 16: 67

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal.

FRS 16: 41

The gain or loss arising on disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss. Any amount in the revaluation reserve relating to that asset is transferred to retained earnings directly.

2.12 Investment properties

FRS 40: 20
FRS 40: 33, 35

Investment properties, which are properties held to earn rentals and/or for capital appreciation, are measured initially at their cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value. Gains or losses arising from changes in the fair value of investment properties are included in profit or loss for the period in which they arise.

FRS 40: 17, 18

Investment properties are subject to renovations or improvements at regular intervals. The costs of major renovations and improvements are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. The costs of maintenance, repairs and minor improvement are charged to profit or loss when incurred.

FRS 40: 66

On disposal or retirement of an investment property, the difference between the net disposal proceeds and the carrying amount of the asset is recognised in profit or loss.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.12 Investment properties (Continued)

Commentary

FRS 40: 75(c)
FRS 1: 122

(i) When significant judgement is needed to determine the portions of investment property, owner-occupied property and property held for sale in the ordinary course of business, the criteria used to distinguish them and the judgements involved should be disclosed.

FRS 40: 6

FRS 40: 75(b)

(ii) A property interest that is held by a lessee under an operating lease may be classified and accounted for as an investment property, if and only if, the property would otherwise meet the definition of an investment property and the lessee uses the fair value model to account for the asset recognised. Once this classification is selected for the property held under the operating lease, all properties classified as investment property shall be accounted for using the fair value model. The entity shall disclose in what circumstances the property interests held under operating leases are classified and accounted for as investment property.

FRS 40: 30, 34

(iii) The entity can choose to apply the fair value model or the cost model to its investment property except where the entity classifies a property interest held by it under an operating lease as investment property.

Where the entity chooses the cost model, the following illustrative accounting policy may be considered:

FRS 40: 56

FRS 40: 79(a), (b)

Investment properties, which are properties held to earn rentals and/or for capital appreciation are initially recognised at cost and subsequently carried at cost less accumulated depreciation and impairment losses. Depreciation is charged, using the straight-line method, so as to write off the cost over their estimated useful lives of [ ] years. The residual values, useful lives and depreciation method of investment properties are reviewed and adjusted as appropriate, at the end of each financial year. The effects of any revision are included in profit or loss when the changes arise.

FRS 40: 79(e)

(iv) Under the cost model, the fair value of investment property shall be disclosed at the end of each financial year. In exceptional cases where the entity cannot determine the fair value of investment property reliably, it shall disclose:

(a) A description of the investment property;
(b) An explanation of why fair value cannot be determined reliably; and
(c) If possible, the range of estimates within fair value is highly likely to lie.

2.13 Intangible assets

Goodwill

FRS 103: 32

Goodwill arising on the acquisition of a subsidiary represents the excess of the consideration transferred (see Note 2.3), the amount of any non-controlling interests in the acquiree and the acquisition date fair value of any previously held equity interest in the acquiree over the acquisition date fair value of the identifiable assets, liabilities and contingent liabilities of the subsidiary recognised at the date of acquisition. Goodwill on acquisition of subsidiaries prior to 1 January 2010 and jointly controlled entities represents the excess of the cost of acquisition over the fair value of the Group’s share of the identifiable net assets acquired.

FRS 103: 54

Goodwill on subsidiaries and jointly controlled entities is initially recognised as an asset at cost and is subsequently measured at cost less any accumulated impairment losses.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.13 Intangible assets (Continued)

Goodwill (Continued)

FRS 36: 80
FRS 36: 90
FRS 36: 124

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

FRS 28: 32(a)
FRS 28: 32(b)

Goodwill on associates and joint ventures is included in the carrying amount of the investment and is assessed for impairment as part of the investment. Any excess of the Group's share of the identifiable assets, liabilities and contingent liabilities over the cost of acquisition, after reassessment, is recognised immediately in profit or loss.

FRS 36: 86(a)

On disposal of a subsidiary, jointly controlled entity or an associate, the attributable amount of goodwill is included in the determination of the gain or loss on disposal.

Computer software licences

FRS 38: 24, 27

Acquired computer software licences are initially capitalised at cost which includes the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the software for its intended use. Direct expenditure which enhances or extends the performance of computer software beyond its specifications and which can be reliably measured is added to the original cost of the software. Costs associated with maintaining computer software are recognised as an expense as incurred.

FRS 38: 74
FRS 38: 97

Computer software licences are subsequently carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over their estimated useful lives of 3 years.

Research and development

FRS 38: 54

Expenditure on research activities is recognised as an expense in the period in which it is incurred.

FRS 38: 57

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised, if, and only if, all the following have been demonstrated:

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible assets; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.13 Intangible assets (Continued)

FRS 38: 65

The amount initially recognised for internally-generated intangible assets is the sum of the expenditure incurred from the date when the intangible asset first meets the recognition criteria listed above. Where no internally-generated intangible asset can be recognised, development expenditure is charged to profit or loss in the period in which it is incurred.

FRS 38: 97

Subsequent to initial recognition, internally-generated intangible assets are reported at cost less accumulated amortisation and accumulated impairment losses. Amortisation is charged using the straight-line method over the periods the Group expects to benefit from selling the products developed, ranging from 5 to 8 years.

FRS 38: 104

The amortisation period and amortisation method of intangible assets other than goodwill are reviewed at least at the end of each financial year. The effects of any revisions are recognised in profit or loss when the changes arise.

Commentary

The following illustrative accounting policies may be considered where applicable:

FRS 38: 107

(i) Club memberships

Club memberships are stated at cost less any impairment loss.

FRS 38: 74
FRS 38: 97

(ii) Trademarks and licences

Trademarks and licences are stated at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 15 to 20 years, which is the shorter of their estimated useful lives and periods of contractual rights.

FRS 38: 33, 34

(iii) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are identified and recognised separately from goodwill if the assets and their fair values can be measured reliably. The cost of such intangible assets is their fair value as at the acquisition date.

FRS 38: 74

Subsequent to initial recognition, intangible assets acquired in a business combination are reported at cost less accumulated amortisation and accumulated impairment losses, on the same basis as intangible assets acquired separately.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.14 Joint arrangements

FRS 111: 4, 5, 6

The Group is a party to a joint arrangement when there is a contractual arrangement that confers joint control over the relevant activities of the arrangement to the Group and at least one other party. Joint control is assessed under the same principles as control over subsidiaries (Note 2.2). The Group classifies its interests in joint arrangements as either:

FRS 111: 16
FRS 111: 15

- Joint ventures: where the group has rights to only the net assets of the joint arrangement; or
- Joint operations: where the group has both the rights to assets and obligations for the liabilities of the joint arrangement.

In assessing the classification of interests in joint arrangements, the Group considers:

FRS 111: 17

- The structure of the joint arrangement;
- The legal form of joint arrangements structured through a separate vehicle;
- The contractual terms of the joint arrangement agreement; and
- Any other facts and circumstances (including any other contractual arrangements).

FRS 111: 24

The Group accounts for its interests in joint ventures in the same manner as investments in associates (i.e. using the equity method) as described in Note 2.15 below.

FRS 111: 20

The Group accounts for its interests in joint operations by recognising its share of assets, liabilities, revenues and expenses in accordance with its contractually conferred rights and obligations.

2.15 Associates and joint ventures

FRS 28: 3

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

FRS 28: 10, 16, 32

Associates and joint ventures are initially recognised in the consolidated statement of financial position at cost, and subsequently accounted for using the equity method less any impairment losses. Any premium paid for an associate or a joint venture above the fair value of the Group's share of the identifiable assets, liabilities and contingent liabilities acquired is included in the carrying amount of the investment in associate or joint venture.

FRS 28: 10

Under the equity method, the Group's share of post-acquisition profits and losses and other comprehensive income is recognised in the consolidated statement of comprehensive income. Post-acquisition changes in the Group's share of net assets of associates or joint ventures and distributions received are adjusted against the carrying amount of the investments.

FRS 28: 38, 39

Losses of an associate or a joint venture in excess of the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment) are not recognised, unless the Group has incurred legal or constructive obligations to make good those losses or made payments on behalf of the associate or joint venture.

FRS 28: 28, 29

Where the Group transacts with an associate or a joint venture, unrealised profits are eliminated to the extent of the Group's interest in the associate or joint venture. Unrealised losses are also eliminated, but only to the extent that there is no impairment.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.16 Impairment of non-financial assets excluding goodwill

FRS 36: 9
FRS 36: 22

At the end of each financial year, the Group reviews the carrying amounts of its non-financial assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Where it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

FRS 36: 24

Intangible assets with indefinite useful lives and intangible assets not yet available for use are tested for impairment annually, and whenever there is an indication that the asset may be impaired.

FRS 36: 6
FRS 36: 30, 31

The recoverable amount of an asset or cash-generating unit is the higher of its fair value less costs to sell and its value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset.

FRS 36: 59
FRS 36: 60

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

FRS 36: 114
FSR 36: 117
FRS 36: 119

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

2.17 Financial instruments

FRS 39:14

Financial assets and financial liabilities are recognised on the statements of financial position when the Group becomes a party to the contractual provisions of the instrument.

<u>Financial assets</u>

FRS 39: 9

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

FRS 39: 43

All financial assets are initially recognised at fair value, plus transaction costs, except for those financial assets classified as at fair value through profit or loss, which are initially recognised at fair value.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.17 Financial instruments (Continued)

Financial assets (Continued)

Financial assets at fair value through profit or loss ("FVTPL")

FRS 39: 9

Financial assets are classified as FVTPL if the financial asset is either held for trading or is designated as such upon initial recognition.

A financial asset is classified as held for trading if it has been acquired principally for the purpose of selling in the short term; or if it is part of an identified portfolio of financial instruments with a recent actual pattern of short-term profit-taking and which is managed by the Group; or if it is a derivative that is not designated and effective as a hedging instrument. The Group has not designated any financial assets as FVTPL upon initial recognition.

FRS 39: 55(a)
FRS 107: AGB5(e)

Financial assets at FVTPL are stated at fair value, with any resultant gain or loss recognised in profit or loss. [The net gain or loss recognised in profit or loss incorporates any dividend or interest earned on the financial asset.]

Held-to-maturity financial assets

FRS 39: 9, 46(b), 56

Bonds with fixed or determinable payments and fixed maturity dates where the Group has a positive intent and ability to hold to maturity are classified as held-to-maturity investments. Held-to-maturity investments are recorded at amortised cost using the effective interest method, less impairment, with revenue recognised on an effective yield basis.

Loans and receivables

FRS 39: 9, 46(a), 56

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

The Group's loans and receivables in the statements of financial position comprise trade and other receivables and cash and bank balances.

Available-for-sale financial assets ("AFS")

FRS 39: 9, 46, 55(b)

FRS 39: AG83
FRS 107: AGB5(b)

Equity securities held by the Group are classified as AFS if they are not classified in any of the other categories. Subsequent to initial recognition, they are measured at fair value and changes therein, including any related foreign exchange component, are recognised in other comprehensive income and accumulated in the available-for-sale reserve, with the exception of impairment losses, interest calculated using the effective interest method which are recognised in profit or loss. Where the investment is disposed of or is determined to be impaired, the cumulative gain or loss previously recognised in the available-for-sale reserve is included in profit or loss for the period.

FRS 39: 46(c)

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

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.17 Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets

FRS 39: 58

Financial assets, other than FVTPL, are assessed for indicators of impairment at the end of each financial year. Financial assets are impaired where there is objective evidence that the estimated future cash flows of the assets have been impacted.

FRS 39: 63

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

FRS 39: 63

The carrying amounts of all financial assets are reduced by the impairment loss directly with the exception of trade receivables where the carrying amount is reduced through the use of an allowance account. Changes in the carrying amount of the allowance account are recognised in profit or loss.

FRS 39: 65, 69, 70

With the exception of available-for-sale equity instruments, if, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment loss was recognised, the previously recognised impairment loss is reversed through profit or loss to the extent the carrying amount of the asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognised.

FRS 39: 67, 68, 66

In respect of available-for-sale equity instruments, any subsequent increase in fair value after an impairment loss is recognised directly in equity, except for impairment losses on equity instruments at cost which are not reversed.

Derecognition of financial assets

FRS 39: 17, 20

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

FRS 39: 26

On derecognition, any difference between the carrying amount and the sum of proceeds received and amounts previously recognised in other comprehensive income is recognised in profit or loss.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.17 Financial instruments (Continued)

Financial assets (Continued)

Commentary

FRS 39: 9

Effective interest method (optional disclosure)

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

FRS 39: 43

Trade date versus settlement date

Regular way purchases can be recognised using either trade date or settlement date accounting. If material, the following illustrative accounting policy can be considered:

All financial assets are recognised on a trade date where the purchase of a financial asset is under a contract whose terms require delivery of the financial asset within the timeframe established by the market concerned.

Financial liabilities and equity instruments

Classification as debt or equity

FRS 39: 14
FRS 32: 15

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

Equity instruments

FRS: 32: 11, 35

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

FRS 32: 33

When shares recognised as equity are reacquired, the amount of consideration paid is recognised directly in equity. Reacquired shares are classified as treasury shares and presented as a deduction from total equity. No gain or loss is recognised in profit or loss on the purchase, sale issue or cancellation of treasury shares.

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When treasury shares are subsequently cancelled, the cost of treasury shares are deducted against the share capital account if the shares are purchased out of capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.17 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

FRS 32: 33

When treasury shares are subsequently sold or reissued the cost of treasury shares is reversed from the treasury share account and the realised gain or loss on sale or reissue, net of any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve of the Company.

Financial liabilities

FRS 39: 9

Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities.

Financial liabilities are classified as at fair value through profit or loss if the financial liability is either held for trading, including derivatives not designated and effective as a hedging instrument; or it is designated as such upon initial recognition. The Group has not designated any financial liabilities as FVTPL upon initial recognition.

Other financial liabilities

Trade and other payables

FRS 39: 43, 47

Trade and other payables, excluding advances received, are initially measured at fair value, net of transaction costs, and are subsequently measured at amortised cost, where applicable, using the effective interest method.

Borrowings

FRS 39: 43, 47

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

Financial guarantee contracts

FRS 39: 9

The Company has issued corporate guarantees to banks for borrowings of certain subsidiaries and these guarantees qualify as financial guarantees because the Company is required to reimburse the banks if these subsidiaries breach any repayment term.

FRS 39: 43
FRS 39: 47(c)

Financial guarantee contract liabilities are measured initially at their fair values, net of transaction costs. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

Derecognition of financial liabilities

FRS 39: 39

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount and the consideration paid is recognised in profit or loss.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.17 Financial instruments (Continued)

Financial liabilities and equity instruments (Continued)

Derivative financial instruments and hedging activities

FRS 39: 43, 47

The Group enters into derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risk, including foreign exchange forward contracts and interest rate swaps.

FRS 39: 71

Derivatives are initially recognised at their fair values at the date the derivative contract is entered into and are subsequently re-measured to their fair values at the end of each financial year. The method of recognising the resulting gain or loss depends on whether the derivative is designated and effective as a hedging instrument, and if so, the nature of the item being hedged. The Group has not designated any of its derivatives as hedging instruments in the current or previous financial year.

FRS 39: 55

Fair value changes on derivatives that are not designated or do not qualify for hedge accounting are recognised in profit or loss when the changes arise.

Offsetting financial instruments

FRS 32: 42

Financial assets and liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously.

Commentary

Where applicable, please consider the following illustrative accounting policies:

Redeemable preference shares

FRS 32: 18(a), 36

Preference shares which are mandatorily redeemable on a specific date are classified as financial liabilities. The dividends on these preference shares are recognised as finance expenses.

Convertible loan notes

FRS 32: 15, 28, 29, 32

Convertible loan notes are regarded as compound instruments, consisting of a liability component and an equity component. The component parts of compound instruments are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangement. At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for a similar non-convertible instrument. This amount is recorded as a liability, on an amortised cost basis until extinguished upon conversion or at the instruments maturity date. The equity component is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently re-measured.

Embedded derivatives

FRS 39: 11

Derivatives embedded in other financial instruments or other host contracts are treated as separate derivatives when their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at fair value where changes in fair value are recognised in profit or loss.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.17 Financial instruments (Continued)

> **Commentary** (Continued)
>
> Note: The terms and conditions of instruments such as preference shares and convertible debt must be critically evaluated following the criteria in FRS 32 *Financial Instruments: Presentation* to determine their classification as financial liabilities or equity instruments and to identify any embedded derivatives. For example, a conversion option may be required to be accounted as a derivative instead of an equity component.

2.18 Inventories

FRS 2: 9, 10, 36(a)
FRS 2: 6

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

2.19 Construction contracts

FRS 11: 22, 39(b), 39(c)

Where the outcome of a construction contract can be estimated reliably, revenue and costs are recognised by reference to the stage of completion of the contract activity at the end of the financial year (percentage-of-completion method), except where this would not be representative of the stage of completion. Variations in contract work, claims and incentive payments are included to the extent that they have been agreed with the customer. The Group measures stage of completion based on the proportion of contract costs incurred to date compared to expected total contract costs.

FRS 11: 32
FRS 11: 36

Where the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised to the extent of contract costs incurred that are likely to be recoverable. Contract costs are recognised as expenses in the period in which they are incurred. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

FRS 11: 43
FRS 11: 44

At the end of the financial year, the aggregated costs incurred plus recognised profit (less recognised loss) on each contract is compared against the progress billings. Where costs incurred plus the recognised profits (less recognised losses) exceed progress billings, the balance is presented on the face of the statements of financial position as “Amounts due from contract customers”. Where progress billings exceed costs incurred plus recognised profits (less recognised losses), the balance is presented as “Amounts due to contract customers”.

Progress billings not yet paid by customers and retentions are included within “Trade and other receivables”. Advances received are included within “Trade and other payables”.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.19 Construction contracts (Continued)

Commentary

Stage of completion

FRS 11: 9, 30

The stage of completion of a contract can also be measured using various different methods other than proportion of contract costs to date over expected total contract costs. Other possible methods include surveys of work performed or completion of a physical proportion of contract work. An entity should choose the method that most reliably measures the work performed.

Where applicable, please consider the following illustrative disclosures:

Development properties

FRS 2: 6(a), (b)
FRS 2: 9

Development properties are held or developed for sale in the ordinary course of business, rather than to be held for the Group's own use, rental or capital appreciation. Development properties are held as inventories and are measured at the lower of cost and net realisable value.

FRS 2: 23

The costs of the development properties include:

(a) freehold and leasehold rights for land;
(b) amounts paid to contractors for construction; and
(c) borrowing costs, planning and design costs, costs of site preparation, professional fees for legal services, property transfer taxes, construction overheads and other related costs.

Non-refundable commissions paid to sales or marketing agents on the sale of real estate units are expensed when paid.

FRS 2: 6, 36(a)

Net realisable value is the estimated selling price in the ordinary course of the business, based on market prices at the end of the reporting period and discounted for the time value of money if material, less the estimated costs of completion and the estimated costs necessary to make the sale.

The costs of inventory recognised in profit or loss on disposal is determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.19 Construction contracts (Continued)

Commentary

Where applicable, please consider the following illustrative disclosure:

Sale of property under development

FRS 18: 14

Where property is under development and agreement has been reached to sell such property when construction is complete, the Directors consider whether the contract comprises:

(a) a contract to construct a property; or
(b) a contract for the sale of a completed property.

INT FRS 115: 13

When a contract is judged to be for the construction of a property, revenue is recognised using the percentage of completion method as construction progresses.

INT FRS 115: 17

Where the contract is judged to be for the sale of completed property, revenue is recognised when the significant risks and rewards of ownership of the real estate have been transferred to the buyer. If, however, the legal terms of the contract are such that the construction represents continuous transfer of work-in-progress to the purchaser, the percentage of completion method of revenue recognition method is applied and revenue is recognised as work progresses. In such situations, the percentage of work completed is measured based on the costs incurred up until the end of the reporting period as a proportion of total costs expected to be incurred.

2.20 Cash and bank balances

FRS 7: 46
FRS 7:8

Cash and bank balances in the statement of financial position comprise cash on hand, demand deposits and other short-term highly liquid investments which are readily convertible to known amounts of cash and are subject to insignificant risk of changes in value. For the purposes of the statement of cash flows, cash and cash equivalents also includes bank overdrafts and excludes any pledged deposits. In the statements of financial position, bank overdrafts are presented within borrowings under current liabilities.

2.21 Non-current assets (or disposal groups) held for sale and discontinued operations

FRS 105: 6
FRS 105: 7
FRS 105: 8

Non-current assets (or disposal groups) are classified as held for sale if their carrying amount will be recovered through a sale transaction rather than through continuing use. This condition is regarded as met only when the sale is highly probable and the asset (or disposal group) is available for immediate sale in its present condition. Management must be committed to the sale, which should be expected to qualify for recognition as a completed sale within one year from the date of classification.

FRS 105: 15, 25
FRS 105: 20
FRS 105: 21, 22

Non-current assets (and disposal groups) classified as held for sale are measured at the lower of the asset's previous carrying amount and fair value less costs to sell. The assets are not depreciated or amortised while classified as held for sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss.

FRS 105: 32

A discontinued operation is a component of an entity that either has been disposed of, or is classified as held for sale, and
(a) represents a separate major line of business or geographical area of operations;
(b) is part of a single co-ordinated plan to dispose of a separate major line or geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to resale.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.22 Leases

Finance leases

FRS 17: 4

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

FRS 17: 20
FRS 17: 25

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

Operating leases

FRS 17: 33
INT FRS 15: 5

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

Commentary

Where the Group is a lessor, please include the following accounting policy under Leases:

Lessor

FRS 17: 36, 39

Amounts due from lessees under finance leases are recorded as receivables at the amount of the Group's net investment in the leases. Finance lease income is allocated to accounting periods so as to reflect a constant periodic rate of return on the Group's net investment outstanding in respect of the leases.

FRS 17: 50, 52

Rental income from operating leases (net of any incentives given to lessees) is recognised on a straight-line basis over the term of the relevant lease unless another systematic basis is more representative of the time pattern in which user benefit derived from the leased asset is diminished. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

Land use rights[1]

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated amortisation. The land use rights are amortised over the lease term of 25 years on a straight line basis.

[1] It is assumed that the lease does not transfer substantially all the risks and rewards incidental to ownership of land. Therefore, the lease is considered an operating lease and the payments made on acquiring the land-use rights are treated as prepaid operating lease payments.

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.23 Provisions

FRS 37: 14

Provisions are recognised when the Group has a present legal or constructive obligation as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

FRS 37: 42
FRS 37: 45

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

FRS 37: 53

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, the receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably. The increase in the provision due to the passage of time is recognised in the statement of comprehensive income as finance expense.

FRS 37: 59

Changes in the estimated timing or amount of the expenditure or discount rate are recognised in profit or loss when the changes arise.

2.24 Contingencies

FRS 37: 10

A contingent liability is:

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

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

   (i) it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation; or

   (ii) the amount of the obligation cannot be measured with sufficient reliability.

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

FRS 37: 27, 31
FRS 103: 23

Contingencies are not recognised on the statements of financial position, except for contingent liabilities assumed in a business combination that are present obligations and for which the fair value can be reliably determined.

2.25 Government grants

FRS 20: 39(a)
FRS 20: 7
FRS 20: 23, 24
FRS 20: 26

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

FRS 1: 112, 117

2. Significant accounting policies (Continued)

2.26 Segment reporting

FRS 108: 5

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the group of executive directors and the chief executive officer who make strategic decisions.

Commentary

Where there are share-based payments, the following illustrative accounting policy can be considered:

FRS 102: 10, 16, 19, 20

Share-based payments

The Group issues equity-settled and cash-settled share-based payments to certain employees.

Equity-settled share-based payments are measured at fair value of the equity instruments (excluding the effect of non market-based vesting conditions) at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period with a corresponding credit to the share-based payment reserve, based on the Group's estimate of the number of equity instruments that will eventually vest and adjusted for the effect of non market-based vesting conditions. At the end of each financial year, the Group revises the estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss over the remaining vesting period with a corresponding adjustment to the share-based payment reserve.

FRS 102: 47(a)

Fair value is measured using the Black-Scholes pricing model. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

FRS 102: 30

For cash-settled share-based payments, a liability and a corresponding expense equal to the portion of the goods or services received is recognised at the current fair value determined at the end of each financial year, with movements recognised in profit or loss.

Note – In the case of share options, when the options are exercised the proceeds received are credited to share capital when the new shares are issued. An entity may also choose to transfer the balance previously recorded in the share-based payment reserve to share capital, to retained earnings, or alternatively to leave the balance as a separate reserve.

FRS 1: 122, 125

3. Critical accounting judgements and key sources of estimation uncertainty

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

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

FRS 1: 122

3.1 Critical judgements made in applying the entity's accounting policies

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

Impairment of available-for-sale equity instruments

At the end of each financial year, an assessment is made on whether there is objective evidence that an available-for-sale equity instrument is impaired. A significant or prolonged decline in the fair value of the security below its cost is considered in determining whether the asset is impaired. Judgement is used in determining what a significant or prolonged decline is. As a Group policy, available-for-sale investments in equity securities are assessed for impairment when the market value as at the end of the financial year is ___ or more below cost, or the market value remained below cost for the previous 12 months or longer.

If the decline in fair value of the security below its cost was considered significant or prolonged, the Group would have recognised an additional impairment loss of $_______ (2015: $_______) in the financial statements.

Allowance for impairment of trade and other receivables

The policy for impairment of receivables of the Group is based on the ageing analysis and management's ongoing evaluation of the recoverability of the outstanding receivables. A considerable amount of judgement is required in assessing the ultimate realisation of these receivables, as discussed in Note 23, including the assessment of the creditworthiness and the past collection history of each customer. If the financial conditions of these customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required.

De-facto control

De-facto control exists when the size of an entity's own voting rights relative to the size and dispersion of other vote holders, give the entity the practical ability unilaterally to direct the relevant activities of the investee.

The Company holds 49% of voting rights in XXX (China) Co., Ltd., with the remaining 51% of voting rights being held by numerous unrelated individual shareholders, each with less than 1% holding.

FRS 1: 122, 125

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgements made in applying the entity's accounting policies (Continued)

De-facto control (Continued)

The Group has determined that it has the practical ability unilaterally to direct the relevant activities of XXX (China) Co., Ltd., and has consolidated the entity as a subsidiary with a 51% non-controlling interest.

Classification of joint arrangements

For all joint arrangements structured in separate vehicles, the Group must assess the substance of the joint arrangement in determining whether it is classified as a joint venture or joint operation. This assessment requires the Group to consider whether it has rights to the joint arrangement's net assets (in which case it is classified as a joint venture), or rights to and obligations for specific assets, liabilities, expenses, and revenues (in which case it is classified as a joint operation). Factors the group must consider include:

- Structure
- Legal form
- Contractual agreement
- Other facts and circumstances.

Upon consideration of these factors, the Group has determined that its joint arrangement structured through a separate vehicle (i.e. the investment in ABC (M) Sdn. Bhd.) gives it rights to the net assets and it is therefore classified as a joint venture.

Significant influence

Significant influence is presumed to exist (or not exist) when an entity holds 20% or more (or less than 20%) of the voting rights of another entity, unless it can be clearly demonstrated otherwise.

The Group holds a 17% interest in AAA Malaysia Sdn. Bhd. over which the Group has determined that it holds significant influence as:

- The Group holds warrants that are exercisable at any point and give it the right to subscribe for additional share capital that would bring its shareholding to 30%.
- AAA Malaysia Sdn. Bhd.'s articles of association allow a shareholder with 25% or more of its share capital to appoint a director to the board.

Based on this, the Group considers that it has the power to exercise significant influence and has treated its interest in AAA Malaysia Sdn. Bhd. as an associate.

Revenue recognition

The Group has recognised revenue amounting to $________ (2015: $________) for sales of goods to a customer in the United States during the year. The buyer has the right to return the goods if its own customers are dissatisfied with the products. The Group believes that, based on past experience with similar sales, the dissatisfaction rate will not exceed 2%. Therefore, the Group considers that it only retained insignificant risks of ownership and has therefore recognised revenue on this transaction with corresponding provision against revenue for estimated returns.

If the dissatisfaction rate had been __% higher than management's estimate, revenue would be reduced by $________ (2015: $________).

FRS 1: 122, 125

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

3.1 Critical judgements made in applying the entity's accounting policies (Continued)

Commentary

Illustrative example disclosures of other judgements made in applying accounting policies:

Determination of functional currency

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

Examples of other areas which may be subject to critical judgements to be considered for disclosure include:

FRS 112: 7, 9

- Classification of investments as associates, joint ventures or subsidiaries based on significant influence, joint control or control. Examples of judgements to be considered for disclosure include:
    - That control does not exist, even though more than half of the voting rights are held
    - That control exists even though less than half of the voting rights are held
    - That the entity is an agent or principal
    - That significant influence does not exist even though more than 20% of the voting rights are held
    - That significant influence does exist even though less than 20% of the voting rights are held
    - That there is joint control
    - Of the classification of joint arrangements as joint operations or joint ventures
- Determination of whether a parent is an investment entity
- Recognition of deferred tax assets e.g. interpretation of tax rules as to whether tax losses or tax credits will be available to be offset against future taxable profits
- Determination of lease classification as an operating lease or a finance lease

Where no critical judgements are made, please refer to the following illustrative disclosure for guidance:

Management is of the opinion that there are no critical judgements (other than those involving estimates) that have a significant effect on the amounts recognised in the financial statements.

FRS 1: 122, 125

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

FRS 1: 125

3.2 Key sources of estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the financial year, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are discussed below.

Depreciation of property, plant and equipment

The Group depreciates the property, plant and equipment, using the straight-line method, over their estimated useful lives after taking into account of their estimated residual values. The estimated useful life reflects management's estimate of the period that the Group intends to derive future economic benefits from the use of the Group's property, plant and equipment. The residual value reflects management's estimated amount that the Group would currently obtain from the disposal of the asset, after deducting the estimated costs of disposal, as if the asset were already of the age and in the condition expected at the end of its useful life. Changes in the expected level of usage and technological developments could affect the economics, useful lives and the residual values of these assets which could then consequentially impact future depreciation charges. The carrying amounts of the Group's and the Company's property, plant and equipment at 31 December 2016 were $_______ (2015: $________) and $_________ (2015: $_________) respectively (Note 12).

[A __% difference in the expected useful life of these assets from management's estimate would result in an approximately ___% (2015: ____%) variance in the Group's profit for the year.]

Inventory valuation method

Inventory is valued at the lower of actual cost and net realisable value. Cost is determined primarily using the weighted average method. Market price is generally the merchandise's selling price quoted from the market of similar items. Management reviews the Group's inventory levels in order to identify slow-moving and obsolete merchandise and identifies items of inventory which have a market price that is lower than its carrying amount. Management then estimates the amount of inventory loss as an allowance on inventory. Changes in demand levels, technological developments and pricing competition could affect the saleability and values of the inventory which could then consequentially impact the Group's results, cash flows and fnancial position. The carrying amount of the Group's inventories was $ _______ (2015: $_______) and the allowance on inventory was $________ (2015: $_________) (Note 22).

[If the market prices had been __% lower than management's estimate, the Group would have recognised an additional allowance on inventory of $_______ (2015: $_______) in the financial statements.]

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the value in use of the cash-generating units ("CGU") to which goodwill has been allocated. The value-in-use calculation requires the entity to estimate the future cash flows expected to arise from the CGU and a suitable discount rate in order to calculate present value. The carrying amount of goodwill as at 31 December 2016 was $________ (2015: $________) and during the year an impairment loss of $________ was recognised. Further information is disclosed in Note 14.

[If the discount rate applied had been ___% higher than management's estimate at 31 December 2016, the Group would have recognised an additional impairment loss on goodwill of $_______ (2015: $_______) in the financial statements.]

FRS 1: 122, 125

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

FRS 1: 125

3.2 Key sources of estimation uncertainty (Continued)

Warranties

Provision for warranties is based on current volumes of products sold and which are still under warranty, historical product failure rates for the preceding 3 to 5 years as well as estimates and assumptions on future product failure rates and an estimate of the costs to remedy the various qualitative issues that might occur. Changes in claim rates and differences between actual and expected warranty costs could impact warranty obligation estimates which could consequently impact the Group's results and financial position. The carrying amount of the Group's provision for warranties as at 31 December 2016 was $_______ (2015: $____) (Note 31).

[If the product failure rates had been ___% higher than management's estimates, the Group would have recognised an additional provision for warranties of $________ (2015: $_______) in the financial statements.]

Provision for income taxes

The Group has exposure to income taxes in several jurisdictions of which a portion of these taxes arose from certain transactions and computations for which ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities of expected tax issues based on their best estimates of the likely taxes due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax positions in the period in which such determination is made. The carrying amounts of the Group's and Company's income tax payable as at 31 December 2016 were $______ (2015: $_______) and $_______ (2015: $______) respectively.

[In the event that the final tax outcome is different from the amounts that were initially recognised, the maximum tax exposure would be $_______ (2015: $________).]

Deferred tax assets

Deferred tax assets are recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the timing and level of future taxable profits together with future tax planning strategies. In determining the timing and level of future taxable profits together with future tax planning strategies, the Group assessed the probability of expected future cash inflows based on expected revenues from existing orders and contracts for the next 5 years.

Where taxable profits are expected in the foreseeable future, deferred tax assets are recognised on the unused tax losses. The carrying value of recognised tax losses at 31 December 2016 was $________ (2015: $________) and the unrecognised tax losses at 31 December 2016 was $________ (2015: $________).

[If the Group was able to recognise all unrecognised deferred tax assets, profit would increase by $________ (2015: $________).]

Construction contracts

The Group uses the percentage-of-completion method to account for its contract revenue. The stage of completion is measured based on the proportion of contract costs incurred to date compared to expected total contract costs.

FRS 1: 122, 125

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

FRS 1: 125

3.2 Key sources of estimation uncertainty (Continued)

Construction contracts (Continued)

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

[If the revenue on uncompleted contracts at the balance sheet date had been higher/lower by __% from management's estimates, the Group's revenue would have been higher/lower by $________ (2015: $________) and $________ (2015: $________) respectively.

If the contract costs of uncompleted contracts to be incurred had been higher/lower by __% from management's estimates, the Group's profit would have been higher/lower by $________ (2015: $________) and $________ (2015: $________) respectively.]

Impairment of investments in subsidiaries

At the end of each financial year, an assessment is made on whether there is indication that the investments in subsidiaries are impaired. The management's assessment is based on the estimation of the value-in-use of the CGU by forecasting the expected future cash flows for a period up to 5 years, using a suitable discount rate in order to calculate the present value of those cash flows. The Company's carrying amount of investments in subsidiaries as at 31 December 2016 was _________ (2015: ___________) (Note 16).

[If the discount rate applied had been ___% higher than management's estimate at 31 December 2016, the Group would have recognised an additional impairment loss on investments in subsidiaries of $_______ (2015: $_________) in the financial statements.]

Fair value measurement

A number of assets and liabilities included in the Group's financial statements require measurement at, and/or disclosure of, fair value.

The fair value measurement of the Group's financial and non-financial assets and liabilities utilises market observable inputs and data as far as possible. Inputs used in determining fair value measurements are categorised into different levels based on how observable the inputs used in the valuation technique utilised are (the "fair value hierarchy"):

- *Level 1:* Quoted prices in active markets for identical items (unadjusted)
- *Level 2:* Observable direct or indirect inputs other than Level 1 inputs
- *Level 3:* Unobservable inputs (i.e. not derived from market data).

The classification of an item into the above levels is based on the lowest level of the inputs used that has a significant effect on the fair value measurement of the item. Transfers of items between levels are recognised in the period they occur.

[INSERT DETAILS OF ANY SPECIFIC PROCESS, COMMITTEES, AND SIMILAR IN RELATION TO FAIR VALUE MEASUREMENT THAT MAY EXIST FOR THE REPORTING ENTITY– E.G. VALUATION COMMITTEES, REPORTING TO AUDIT COMMITTEES ETC. Alternatively, this can be covered in the respective notes for example as illustrated in Note 12 guidance commentary for valuations of revalued land and buildings.]

FRS 1: 122, 125

3. Critical accounting judgements and key sources of estimation uncertainty (Continued)

FRS 1: 125

3.2 Key sources of estimation uncertainty (Continued)

Fair value measurement (Continued)

The Group measures a number of items at fair value on a recurring or non-recurring basis:

- Revalued land and buildings - Property, Plant and Equipment (Note 12)
- Investment properties (Note 13)
- Financial instruments (Note 43)
- Assets and liabilities classified as held for sale (Note 9)

For more detailed information in relation to the fair value measurement of the items above including the carrying amounts and the estimation uncertainty involved, please refer to the applicable notes.

Commentary

Examples of other areas which may be subject to significant estimation uncertainty to be considered for disclosure include:

- Impairment of any non-financial assets
- Fair value measurement, except when an item is measured at fair value based on a quoted price in an active market, e.g. investment properties, unquoted financial instruments, contingent consideration for a business combination
- Recognition of development costs as intangible assets
- Assessment of the need for and measurement of provisions e.g. for legal proceedings, for restoration costs etc.
- Share based payments

The sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation should be disclosed only where it is necessary to help users of financial statements understand difficult, subjective or complex judgements made by management concerning the future and other key sources of estimation uncertainty.

Where there are no key sources of estimation uncertainty, please refer to the following illustrative disclosures for guidance:

Management is of the opinion that there are no key sources of estimation uncertainty at the end of the financial year that have a significant effect on the amounts of assets and liabilities within the next financial year.

4. Revenue

		Group	
		2016	**2015**
		$'000	**$'000**
	Continuing operations		
FRS 18: 35(b)(i)	Sale of goods		
FRS 11: 39(a)	Revenue from construction contracts		
FRS 18: 35(b)(ii)	Rendering of installation services		
	Discontinued operations		
	Sale of goods (Note 9)		

5. Other items of income

		Group	
		2016	2015
		$'000	$'000
	Continuing operations		
FRS 107: 20(a)(b)	**Interest income**		
	Bank deposits		
	Held-to-maturity financial assets		
	Loans and receivables		
	Other income		
	Dividend income		
	Royalties		
FRS 21: 52(a)	Foreign exchange gain, net		
FRS 1: 98(c)	Gain on disposal of property, plant and equipment		
	Management fee income		
FRS 40: 75(f)(i)	Rental income from investment properties (Note 13)		
FRS 40: 76(d)	Fair value gain on investment properties (Note 13)		
FRS 107: 20(a)(i)	Fair value gain arising from derivative financial instruments		
	Government grant		
	Others		

6. Finance costs

		Group	
		2016	2015
		$'000	$'000
	Continuing operations		
	Interest expenses on:		
FRS 107: 20(b)	- Finances leases		
	- Bank loans and overdrafts		
FRS 37: 84(e)	Unwinding of discount on provisions (Note 31)		
	Discontinued operation		
	Interest expenses on:		
	- Bank loans and overdrafts (Note 9)		

7. Profit before tax

In addition to the charges and credits disclosed elsewhere in the notes to the statement of comprehensive income, the above includes the following charges/(credits):

Reference		Group					
		Continuing operations		Discontinued operation		Total	
		2016	2015	2016	2015	2016	2015
		$'000	$'000	$'000	$'000	$'000	$'000
FRS 2: 36(d)	Cost of inventories recognised as expense						
SGX 1207: 6(a)	Audit fees paid/payable to auditors:						
	Auditors of the Company						
	Other auditors						
	Non-audit fees paid/payable to auditors:						
	Auditors of the Company						
	Other auditors						
	Directors' fees:						
	Directors of the Company						
	Directors of the subsidiaries						
	Directors' remuneration other than fees:						
	Directors of the Company						
	Short-term benefits						
	Post-employment benefits						
	Other long-term benefits						
	Directors of the subsidiaries						
	Short-term benefits						
	Post-employment benefits						
	Other long-term benefits						
FRS 1: 104	Employee benefits expense (excluding Directors' remuneration)						
FRS 19: 46	Costs of defined contribution plans included in staff costs						
FRS 17: 35(c)	Operating lease payments						
FRS 1: 104	Depreciation of property, plant and equipment (Note 12)						
FRS 1: 104	Amortisation of other intangible assets (Note 15)						
FRS 38: 126	Research and development costs[1]						

[1] This is included in the "Administrative expenses" line item in the Group's profit or loss for the financial year then ended.

7. Profit before tax (Continued)

		Group					
		Continuing operations		Discontinued operation		Total	
		2016	2015	2016	2015	2016	2015
		$'000	$'000	$'000	$'000	$'000	$'000
FRS 36: 126(a)	Impairment loss on:						
	Goodwill[2] (Note 14)						
FRS 107: 20(e)	Available-for-sale financial assets[2] (Note 21)						
	Trade receivables[2] (Note 23)						
	Reversals of impairment losses on:						
	Trade receivables[2] (Note 23)						
FRS 107: 20(a)(i)	Fair value loss arising from held-for-trading investments[2] (Note 25)						

(2) This is included in the "Other expenses" line item in the Group's profit or loss for the financial year then ended.

Commentary

SGX 1207: 6(a) If there are no audit or non-audit fees paid, the annual report should include an appropriate negative statement.

FRS 1: 104 / FRS 1: 112(c) This note includes disclosures on the nature of expenses for an entity presenting its expenses by function in the statement of comprehensive income, for example, staff costs, depreciation and amortisation. Further examples of items by nature that should be disclosed, where material, include advertising expense, utilities, travelling and transportation expenses. In addition, information that is not presented elsewhere in the financial statements, but is relevant to an understanding of any of them should also be disclosed.

FRS 1: 97, 98 The nature and amount of any individually material items of income or expense, being those of such size, nature or incidence that their disclosure is relevant to explain the performance of the entity for the period, must be disclosed. For example:

(a) write-downs of inventories or property, plant and equipment and reversals of write-downs
(b) restructuring provisions and their reversals
(c) disposals of property, plant and equipment
(d) disposals of investments
(e) litigation settlements
(f) other reversals of provisions
(g) minimum lease payments
(h) contingent rents and sub-lease payments.

FRS 12: 79

8. Income tax expense

	Group					
	Continuing operations		Discontinued operation		Total	
	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000
Current income tax						
FRS 12: 80(a) - Current financial year						
FRS 12: 80(b) - (Over)/under provision in prior years						
FRS 12: 80(c), (f) Deferred tax						
- Current financial year						
- Recognition of previously unrecognised tax losses						
Total income tax expense in consolidated income statement						

FRS 12: 81(d)

Domestic income tax is calculated at [%] (2015: [%]) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions.

FRS 12: 81(c)

The income tax expense varied from the amount of income tax expense determined by applying the Singapore income tax rate of [%] (2015: [%]) to profit before income tax as a result of the following differences:

	Group	
	2016	2015
	$'000	$'000
Profit before income tax from		
- continued operations		
- discontinued operations (Note 9)		
Share of profit of associates and joint venture		
Income tax at statutory rate		
Add/(Less):		
Effect of different tax rates of overseas operations		
Effect of income not subject to tax		
Utilisation of previously unrecognised deferred tax benefits		
Overprovision in prior years		
Effect of non-allowable items		
Unrecognised deferred tax benefits		
Others		
Total tax expense		

9. Discontinued operation and disposal group classified as held for sale

FRS 105: 41(a), (b), (d)

On 25 November 2015, management and shareholders resolved to dispose of one of the Group's subsidiaries, XXX Thailand Co., Ltd., whose principal activities were those of manufacturing and sale of LED screens. The assets and liabilities related to XXX Thailand Co., Ltd. were classified as a disposal group held for sale on the consolidated statement of financial position, and the results from XXX Thailand Co., Ltd. were presented separately on the consolidated statement of comprehensive income as "Discontinued operation". The sale was completed on 6 November 2016. The operations were part of the Group's manufacturing segment.

The results of the discontinued operation from 1 January 2016 to 6 November 2016 are as follows:

		Group	
		2016	2015
		$'000	$'000
FRS 105: 33(b)	Revenue		
	Cost of sales		
	Distribution expenses		
	Administrative expenses		
	Finance costs		
	Profit/(Loss) before tax from discontinued operation		
FRS 12: 81(h)(ii)	Income tax expense		
FRS 105: 33(b)(ii)	Gain on disposal of discontinued operation after tax (Note 16)		
FRS 105: 33(b)(iii)&(iv)	Total profit/(Loss) after tax from discontinued operation		

Commentary

Where fair value less cost to sell is lower than the carrying amount of the disposal group, please consider the following illustrative disclosure:

The results of the re-measurement of the disposal group are as follows:

	2016	*2015*
	$'000	*$'000*
Pre-tax loss recognised on the measurement to fair value less cost to sell on disposal group		
Tax		
After-tax loss recognised on the measurement to fair value less cost to sell on disposal group		
Total profit/(loss) from discontinued operation		

Where an impairment loss is recognised to write down a disposal group to fair value less costs of disposal, FRS 113 disclosure requirements must also be satisfied. Please refer to Note 12 for more detailed guidance on FRS 113 disclosure requirements. The following is an illustrative disclosure to be adapted depending on the nature of the assets written down:

FRS 113: 93(b)

The fair value of the net assets of the disposal group are considered a level 3 non-recurring fair value measurement.

9. Discontinued operation and disposal group classified as held for sale (Continued)

Commentary (Continued)

The valuation techniques and significant unobservable inputs used in determining the fair value of assets and liabilities held for sale are as follows:

	Valuation Techniques used	***Significant unobservable inputs***
FRS 113: 93(d)	*[VALUATION TECHNIQUE #1]* *[DESCRIPTION]* *[PROCESS AND POLICIES]*	*[LIST SIGNIFICANT UNOBSERVABLE INPUTS USED]*
	[VALUATION TECHNIQUE #2] *[DESCRIPTION]* *[PROCESS AND POLICIES]*	*[LIST SIGNIFICANT UNOBSERVABLE INPUTS USED]*

There were no changes to the valuation techniques during the year.

FRS 113: 93(i) *The fair value measurement is based on the above items' highest and best use, which do not differ from their actual use.*

The impact of the discontinued operation on the cash flows of the Group is as follows:

		Group	
		2016	**2015**
		$'000	**$'000**
FRS 105: 33(c)	Operating cash inflows/(outflows)		
	Investing cash inflows/(outflows)		
	Financing cash inflows/(outflows)		
	Total cash inflows/(outflows)		

The major classes of assets and liabilities comprising the disposal group classified as held for sale as at 31 December 2015 were as follows:

		Group
		2015
		$'000
FRS 105: 38	Goodwill	
	Property, plant and equipment	
	Inventories	
	Total assets classified as held for sale	
	Trade and other payables	
	Bank loans and overdrafts	
	Total liabilities associated with assets classified a held for sale	
	Net assets of disposal group classified as held for sale	

	Company
	2015
	$'000
Investment in subsidiary	

FRS 1:90

FRS 12: 81(a)(b)

10. Income tax relating to components of other comprehensive income

	Group					
	2016			2015		
	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount	Before-tax amount	Tax (expense)/ benefit	Net-of-tax amount
	$'000	$'000	$'000	$'000	$'000	$'000
Exchange differences on translation of foreign operations and disposal of subsidiaries						
Fair value gains and reclassification adjustments on available-for-sale financial assets						
Gain on revaluation of property						
Share of other comprehensive income of associates						
Other comprehensive income						

11. Earnings per share

The calculation of the basic and diluted earnings per share attributable to the ordinary equity holders of the Company is based on the following data:

		2016	2015
	Earnings	**$'000**	**$'000**
FRS 33: 70(a)	Earnings for the purposes of basic and diluted earnings per share (profit attributable to the owners of the parent)		

		2016	2015
	Number of shares		
	Number of shares		
FRS 33: 70(b)	Weighted average number of ordinary shares for the purposes of basic and diluted earnings per share		

From continuing operations:

	2016	2015
Earnings per share (cents)		
Basic and diluted		

FRS 33: 70(a) The calculation of the basic and diluted earnings per share from continuing operations attributable to the ordinary equity holders of the Company is based on the following data:

Earnings figures are calculated as follows:

Profit attributable to the owners of the parent		
Less: Profit from discontinued operation		
Earnings for the purposes of basic and diluted earnings per share from continuing operations		

From discontinued operation:

FRS 33: 68 Basic and diluted earnings per share for the discontinued operation is [ ] cents per share (2015: [ ] cents per share), based on the profit from the discontinued operation of $________ (2015: $_______) and the denominators detailed above for both basic and diluted earnings per share.

FRS 33: 70(c) The Group did not have any dilutive potential ordinary shares in the current or previous financial years.

11. Earnings per share (Continued)

Commentary

Diluted earnings per share

The illustrative disclosure shown is for an entity which does not have any dilutive potential ordinary shares and therefore basic and diluted earnings per share are the same. Where there are dilutive potential ordinary shares, please refer to the following illustrative disclosure:

For the calculation of diluted earnings per share, profit for the year attributable to the owners of the parent and the weighted average number of ordinary shares are adjusted for the effects of dilutive potential ordinary shares assuming all options have been converted or exercised. The Group's potential ordinary shares comprise convertible loan notes and employee share options.

The calculation of basic and diluted earnings per share (EPS) is based on the following data:

		Continuing operations 2016	Discontinued operations 2016	Total 2016	Continuing operations 2015	Discontinued operations 2015	Total 2015
FRS 33: 70(a)	***Earnings***	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
	Profit for the year and earnings used in basic EPS						
	Add interest on convertible debt						
	Less tax effect of above items	______	______	______	______	______	______
	Earnings used in diluted EPS	______	______	______	______	______	______
FRS 33: 70(b)	***Number of shares***	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***	***$'000***
	Weighted average number of shares used in basic EPS						
	Effects of:						
	Convertible debt						
	Employee share options	______	______	______	______	______	______
	Weighted average number of shares used in diluted EPS	______	______	______	______	______	______
	Basic EPS (cents)	______	______	______	______	______	______
	Diluted EPS (cents)	______	______	______	______	______	______

FRS 33: 70(c) *__ million employee options (2015: __ million) have not been included in the calculation of diluted EPS because their exercise is contingent on the satisfaction of certain criteria that had not been met at 31 December. The total number of options in issue is disclosed in Note __.*

11. Earnings per share (Continued)

Commentary (Continued)

Changes affecting earnings per share

FRS 33: 70(a)

Where there is a change in the accounting policy that has a material impact on the reported basic and diluted earnings per share, please refer to the illustrative disclosure as follows for guidance:

The impact of adopting [description of the revised accounting policy] in the current financial year on reported basic and diluted earnings per share:

To the extent that the adoption of the revised accounting policy has an impact on results disclosed above, they have a corresponding impact on the amounts reported for earnings per share as follows:

	Impact on basic earnings per share		***Impact on diluted earnings per share***	
	2016	***2015***	***2016***	***2015***
	cents	***cents***	***cents***	***cents***
Adoption of [description of revised accounting policy]				

Where the revised accounting policy does not have a material impact on the reported basic and diluted earnings per share, please refer to the following illustrative disclosure:

The change does not materially affect the reported basic and diluted earnings per share for the financial year ended 31 December 2016. (see Note 2.1).

Retrospective adjustment or disclosure

FRS 33: 64

If the number of ordinary or potential ordinary shares outstanding increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split, the calculation of basic and diluted earnings per share for all periods presented shall be adjusted retrospectively, including where these changes occur after the reporting date but before the financial statements are authorised.

FRS 33: 70(d)

Other ordinary share or potential ordinary share transactions than those resulting from a capitalisation, bonus issue or share split that occur after the reporting date shall be disclosed if they would have changed significantly the number of ordinary shares or potential ordinary shares outstanding at the end of the period if they had occurred before the end of the reporting period.

FRS 1: 77, 78(a)

12. Property, plant and equipment

FRS 16: 73(d)(e)

Group 2016	Leasehold land $'000	Buildings $'000	Plant, machinery and equipment $'000	Motor vehicles $'000	Computers $'000	Furniture and fittings $'000	Construction-in-progress $'000	Total $'000
Cost or valuation								
At 1 January 2016								
Additions								
Acquisition of subsidiary								
Exchange differences								
Disposal of subsidiary								
Disposals								
Reclassified as held for sale								
Revaluation								
At 31 December 2016								

FRS 16: 73(a)

Comprising:								
At cost								
At valuation								

FRS 1: 77, 78(a)

12. Property, plant and equipment (Continued)

FRS 16: 73(d)(e)

Group 2016	Leasehold land $'000	Buildings $'000	Plant, machinery and equipment $'000	Motor vehicles $'000	Computers $'000	Furniture and fittings $'000	Construction-in-progress $'000	Total $'000
Accumulated depreciation								
At 1 January 2016								
Depreciation								
Exchange differences								
Disposal of subsidiary								
Disposals								
Reclassified as held for sale								
Revaluation								
At 31 December 2016								
Impairment								
Balance at 1 January 2016 and 31 December 2016								
Carrying amount								
At 31 December 2016								

FRS 1: 77, 78(a)

12. Property, plant and equipment (Continued)

FRS 16: 73(d)(e)

Group 2015	Leasehold land $'000	Buildings $'000	Plant, machinery and equipment $'000	Motor vehicles $'000	Computers $'000	Furniture and fittings $'000	Construction-in-progress $'000	Total $'000
Cost or valuation								
At 1 January 2015								
Additions								
Acquisition of subsidiary								
Exchange differences								
Disposal of subsidiaries								
Disposals								
Reclassified as held for sale								
Revaluation								
At 31 December 2015								
Comprising:								
At cost (FRS 16: 73(a))								
At valuation								

FRS 1: 77, 78(a)

12. Property, plant and equipment (Continued)

FRS 16: 73(d)(e)

Group 2015	Leasehold land $'000	Buildings $'000	Plant, machinery and equipment $'000	Motor vehicles $'000	Computers $'000	Furniture and fittings $'000	Construction-in-progress $'000	Total $'000
Accumulated depreciation								
At 1 January 2015								
Depreciation								
Exchange differences								
Disposal of subsidiary								
Disposals								
Reclassified as held for sale								
Revaluation								
At 31 December 2015								
Impairment								
Balance at 1 January 2015 and 31 December 2015								
Carrying amount								
At 31 December 2015								

FRS 1: 77, 78(a)

FRS 16: 73(d)(e)

12. Property, plant and equipment (Continued)

Company	**Motor vehicles**	**Computers**	**Furniture and fittings**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
2016				
Cost				
At 1 January 2016				
Additions				
Disposals				
At 31 December 2016				
Accumulated depreciation				
At 1 January 2016				
Depreciation				
Disposals				
At 31 December 2016				
Carrying amount				
At 31 December 2016				

Company	**Motor vehicles**	**Computers**	**Furniture and fittings**	**Total**
	$'000	**$'000**	**$'000**	**$'000**
2015				
Cost				
At 1 January 2015				
Additions				
Disposals				
At 31 December 2015				
Accumulated depreciation				
At 1 January 2015				
Depreciation				
Disposals				
At 31 December 2015				
Carrying amount				
At 31 December 2015				

12. **Property, plant and equipment** (Continued)

FRS 16: 74(a)

The carrying amounts of property, plant and equipment of the Group which were pledged as security for banking facilities (Note 33) are as follows:

	2016	2015
	$'000	$'000
Leasehold land		
Buildings		

FRS 17: 31(a)

Plant, machinery and equipment of the Group with carrying amount of $________ (2015: $______) were acquired under finance lease arrangements (Note 32).

FRS 7: 43

During the financial year, the Group acquired property, plant and equipment for an aggregate of $_______ of which $______ was acquired under finance leases.

FRS 23: 26(a)

Borrowing costs of $_______ (2015: $_______) which arose on the financing specifically entered into for the construction of the machinery were capitalised by the Group during the financial year.

FRS 23: 26(b)

The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation was ____________ (2015: ________), which is the effective interest rate of the specific borrowings.

FRS 16: 77(a) - (d)
FRS 113: 93(d)
SGX 1207: 11
FRS 113: 93(b)

Leasehold land and buildings of the Group were valued as at 31 December 2016 and 31 December 2015 by Messrs Henry Butcher, an independent professional valuation firm using the sales comparison approach. Sale prices of comparable land and buildings in similar locations are adjusted for differences in key attributes such as land and property size. The most significant input into the valuation model is the price per square metre of the land and buildings. The valuation conforms to International Valuation Standards and is based on the assets' highest and best use, which is in line with their actual use. The resulting fair values of land and buildings are considered level 2 recurring fair value measurements.

There were no changes to the valuation techniques during the year.

FRS 16: 77(e)

If the leasehold land and buildings of the Group stated at valuation were included in the financial statements at historical cost less accumulated depreciation and impairment loss, their carrying amounts would have been approximately $_________ (2015: $________) and $_________ (2015: $_________) respectively.

12. Property, plant and equipment (Continued)

Commentary

Fair value measurement

FRS 113: 93

FRS 113 *Fair Value Measurement* requires specific disclosures for items measured or disclosed at fair value, depending on:

- The level of fair value measurement, and
- Whether the fair value measurement is recurring or non-recurring.

Revalued property is an example of a recurring fair value measurement, as fair valuation is required at each reporting date (unless the carrying value does not differ materially from fair value – FRS 16.31).

In the case of ABC Singapore Limited, the valuation techniques result in a level 2 fair value measurement, being based on observable inputs. However, if at least one significant unobservable input is used in the valuation, it will be classified as level 3. It should be noted that many property valuations do involve significant unobservable inputs and therefore would be classified as level 3.

For level 3 fair values, additional disclosure requirements include:

- FRS 113: 93(e)(f) A reconciliation between the opening and closing fair value measurement, including any unrealised fair value gains/losses
- FRS 113: 93(d) Significant unobservable inputs
- FRS 113: 93(g) A description of the valuation processes and policies in relation to the item (in addition to the description of valuation techniques required for both level 2 and 3)
- FRS 113: 93(h)(i) Narrative disclosure of the sensitivity of changes in significant unobservable inputs to fair value i.e. describe whether increases or decreases in significant unobservable inputs would cause an increase or decrease in fair value

The following illustrative disclosure can be considered for level 3 fair values of revalued property, plant and equipment:

A reconciliation of the opening and closing fair value balance is provided below.

	2016	***2015***
	$'000	***$'000***
At 1 January (level 3 recurring fair value)		
Purchases		
Disposals		
Reclassifications		
Gains (Loss): included in 'other comprehensive income'		
- Gain on revaluation of property		
Gains (Loss): included in 'other expenses/ income'		
- Unrealised exchange differences		
At 31 December (level 3 recurring fair value)		

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of land and buildings, as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below. There were no changes to the valuation techniques during the year.

12. Property, plant and equipment (Continued)

Commentary

Fair value measurement (Continued)

Valuation techniques used	***Significant unobservable inputs***	**Inter-relationship between key unobservable inputs and fair value**
[VALUATION TECHNIQUE #1]	*[LIST SIGNIFICANT UNOBSERVABLEINPUTS USED*	*[DESCRIBE WHETHER INCREASES OR DECREASES IN SIGNIFICANT UNOBSERVABLE INPUTS WOULD CAUSE AN INCREASE OR DECREASE IN FAIR VALUE]*
Land and buildings *Fair value is determined by applying the income approach based on the estimated rental value of the property. Discount rates, terminal yields, expected vacancy rates and rental growth rates are estimated by an external valuer or management based on comparable transactions and industry data.*	*- Discount rate (X% to X%; weighted average X%) (2015: X% to X%; weighted average X%)* *- Terminal yield (X% to X%; weighted average X%) (2015: X% to X%; weighted average X%)* *- Expected vacancy rate (X% to X%; weighted average X%) (2015: X% to X%; weighted average X%)*	*The higher the discount rate, terminal yield and expected vacancy rate the lower the fair value.*
	- Rental growth rate (X% to X%; weighted average X%) (2015: X% to X%; weighted average X%)	*The higher the rental growth rate, the higher the fair value*

The group finance team is responsible for arranging valuations to be performed by external valuers. That team reports to and arranges a discussion with the Group's CFO and AC on a quarterly basis on valuation matters, including valuation processes, valuation results as well as an analysis of changes in Level 2 and 3 fair values and explanations for the reasons for such changes.

FRS 113: 93(i)

Fair value measurement – highest and best use

For all fair value measurements of non-financial assets, if the highest and best use differs from the actual use of the asset, disclosure is required of that fact and the reason why the asset is being used in a manner different from its highest and best use.

FRS 36: 126(a), 130(a)(b)(c)(e)(g)

Impairment

Where applicable, details are to be disclosed on any impairment losses recognised, for example:

During the year, the Group carried out a review of the recoverable amount of its trading segment plant and equipment due to a deterioration in operating results following the loss of a key customer. The review led to the recognition of an impairment loss of $______ that has been recognised in profit or loss, and included in the line item [depreciation and amortisation expense/cost of sales]. The recoverable amount of the relevant assets of $______ has been determined on the basis of their value in use. The discount rate used in measuring value in use was ___. The discount rate used when the recoverable amount of these assets was previously estimated in [   ] was [%].

12. Property, plant and equipment (Continued)

Commentary

Listing rules

SGX 1207: 11(a)

SGX requires listed entities to disclose, in respect of land and buildings, a breakdown in the value in terms of freehold and leasehold in the annual report. Where properties have been revalued, the portion of the aggregate value of land and buildings that is based on valuation as well as the valuation date shall be stated.

Where the aggregate value for all properties for development or sale held by the Group represents more than 15% of the consolidated net tangible assets or consolidated pre-tax operating profit, the issuer must disclose the following information as a note to the financial statements:

(a) a brief description and location of the property;
(b) if in the course of construction, the stage of completion as at the date of the financial statements and the expected completion date;
(c) the existing use;
(d) the site and gross floor area of the property; and
(e) the percentage interest in the property

Provided that if, in the opinion of the Directors, the number of such properties is such that compliance with this requirement would result in particulars of excessive length being given, compliance is required only for properties, which in the opinion of the Directors, are material.

13. Investment properties

		Group	
		2016	**2015**
		$'000	**$'000**
	At fair value		
	At 1 January		
FRS 40: 76(a)	Additions through subsequent expenditure		
FRS 40: 76(a)	Other acquisitions		
FRS 40: 76(d)	Net fair value gain recognised in profit or loss (Note 5)		
FRS 40: 76(e)	Exchange differences		
	At 31 December		

FRS 40: 75(e)
FRS 113: 93(d)
SGX 1207: 11

The Group's investment properties were valued as at 31 December 2016 and 31 December 2015 by Messrs Henry Butcher, an independent professional valuation firm with recent experience in the location and category of the investment properties held by the Group. The valuations were arrived at by using the sales comparison approach whereby sale prices of comparable properties in similar locations are adjusted for differences in key attributes such as property size. The most significant input into the valuation model is the price per square metre of the properties. The valuation conforms to International Valuation Standards and is based on the assets' highest and best use, which is in line with their actual use. The resulting fair values of investment properties are considered level 2 recurring fair value measurements.

There were no changes to the valuation techniques during the year.

SGX 1207: 11(b)(iii)

All the Group's investment properties are held under freehold interests.

13. Investment properties (Continued)

The following amounts are recognised in profit or loss:

		Group	
		2016	**2015**
		$'000	**$'000**
FRS 40: 75(f)(i)	Rental income from investment properties (Note 5)		
FRS 40: 65(f)(ii)	Direct operating expenses (including repairs and maintenance) arising from rental-generating investment properties		
	Direct operating expenses (including repairs and maintenance) arising from non-rental-generating investment properties		

SGX 1207: 11(b)(i)(ii)(iii)

Details of the Group's investment properties as at 31 December 2016 are set out below:

Description	**Location/ existing use**	**Tenure/ Unexpired term**

Commentary

SGX 1207: 11(b)

Listing rules

For listed entities, where the aggregate value for all investment properties held by the Group represents more than 15% of the consolidated net tangible assets or consolidated pre-tax operating profit, the issuer must disclose the following information as a note to the financial statements:

(a) a brief description and location of the property;
(b) the existing use; and
(c) whether the property is leasehold or freehold. If it is leasehold, state the unexpired term of the lease.

Fair value disclosures under FRS 40

FRS 40: 79(a)-(d)

For entities that have chosen to adopt the cost model under FRS 40:34, the disclosure and presentation is similar to Note 12 Property, Plant and Equipment. In addition, the user shall disclose the fair value of investment properties unless the entity cannot determine the fair value of the investment properties reliably, following which it shall disclose:

FRS 40: 79(c)

(a) a description of the investment properties;
(b) an explanation of why fair value cannot determined reliably; and
(c) if possible, the range of estimates within which the fair value is likely to be.

FRS 40: 75(e)

If there has been no valuation performed by an independent valuer, that fact should be disclosed.

13. Investment properties (Continued)

Commentary (Continued)

Fair value measurement disclosures under FRS 113

FRS 113: 93

FRS 113 *Fair Value Measurement* requires specific disclosures for items measured or disclosed at fair value, depending on:

- The level of fair value measurement, and
- Whether the fair value measurement is recurring or non-recurring.

Investment property is an example of a recurring fair value measurement, as fair valuation is required at each reporting date.

In the case of ABC Singapore Limited, the valuation techniques result in a level 2 fair value measurement, being based on observable inputs. However, if there is at least one significant unobservable input used in the valuation, it will be classified as level 3. It should be noted that in practice, many property valuations do involve significant unobservable inputs and therefore would be classified as level 3.

FRS 113: 93(e)(f)

For level 3 fair values, additional disclosure requirements include:

- A reconciliation between the opening and closing fair value measurement, including any unrealised fair value gains/losses
- FRS 113: 93(d) — Significant unobservable inputs
- FRS 113: 93(g) — A description of the valuation processes and policies in relation to the item (in addition to the description of valuation techniques required for both level 2 and 3)
- FRS 113: 93(h)(i) — Narrative disclosure of the sensitivity of changes in significant unobservable inputs to fair value i.e. describe whether increases or decreases in significant unobservable inputs would cause an increase or decrease in fair value

Refer to the illustrative disclosures for level 3 fair values of revalued property, plant and equipment in Note 12 for guidance.

FRS 113: 93(i)

Fair value measurement – highest and best use

For all fair value measurements of non-financial assets, if the highest and best use differs from the actual use of the asset, disclosure is required of that fact and the reason why the asset is being used in a manner different from its highest and best use.

FRS 17: 56(c)

General description of the lessor's agreements

Entities may disclose a general description of the lessor's leasing agreements in this note or in the note to Operating Lease Commitments (Note 36). For example: *The Group and Company lease out commercial space to non-related parties under non-cancellable operating leases. The lessees are required to pay either absolute fixed annual increase to the lease payments or contingent rents computed based on their sales achieved during the lease period.*

FRS 40: 75(g)

Restrictions

Where applicable, the Group shall disclose existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal.

14. Goodwill

		Group	
		2016	2015
		$'000	$'000
	Cost:		
	At 1 January		
FRS 38: 118(e)(i)	Acquisition of subsidiaries (Note 16)		
FRS 38: 118(e)(ii)	Disposal of subsidiaries (Note 16)		
	Attributable to disposal group held for sale (Note 9)		
FRS 38: 118(e)(vii)	Exchange differences		
	At 31 December		
	Impairment:		
	At 1 January		
FRS 38: 118(e)(v)	Impairment loss recognised in the year *		
	Exchange differences		
	At 31 December		
	Carrying amount:		
	At 31 December		

* This is included in "Other expenses" in the Group's profit or loss for the financial year then ended.

FRS 36: 134(a)

Goodwill acquired in a business combination is allocated to the cash-generating units ("CGU") that are expected to benefit from that business combination. Before recognition of impairment losses, the carrying amount of goodwill of the respective CGU was allocated to the following segments:

		Group	
	Manufacturing	Distribution	Trading
2016	$'000	$'000	$'000
Thailand			
Singapore			
China			
United States			
Others			
2015			
Thailand			
Singapore			
China			
United States			
Others			

FRS 36: 134(c)(d)

The recoverable amounts of the CGUs are determined from value-in-use calculations based on cash flow forecasts derived from the most recent financial budgets approved by management for the next 5 years. The key assumptions for these value-in-use calculations are those regarding the discount rates, growth rates and gross margins.

FRS 36: 134(d)(i)(iv)(v)

14. **Goodwill** (Continued)

Key assumptions used for value-in-use calculations:

	Manufacturing					Distribution					Trading				
	Singapore	Thailand	China	United States	Others	Singapore	Thailand	China	United States	Others	Singapore	Thailand	China	United States	Others
	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)	(%)
2016															
Gross margin [1]															
Growth rate [2]															
Discount rate [3]															
2015															
Gross margin [1]															
Growth rate [2]															
Discount rate [3]															

(1) Budgeted gross margin.
(2) Weighted average growth rate used to extrapolate cash flows beyond the budget period.
(3) Pre-tax discount rate applied to the pre-tax cash flow projections.

Management estimates discount rates using pre-tax rates that reflect current market assessments of the time value of money and the risks specific to the CGUs. The growth rates beyond the first 5 years are based on country and industry growth forecasts. Changes in gross margins are derived from expected changes in selling prices and direct costs based on past practices and expectations of future changes in the market conditions.

14. Goodwill (Continued)

The Group tests the CGUs for impairment annually, or more frequently when there is an indication that the unit may be impaired.

FRS 36: 134(f)

The impairment tests carried out as at 31 December 2016 indicated that the recoverable amount for the CGUs:

- Trading - Singapore exceeds its carrying amount by $________ (2015: $_____); and
- Distribution – Singapore exceeds its carrying amount by $________ (2015: $_____).

If any of the following changes were made to the above key assumptions, the carrying amount and recoverable amount for these CGUs would be equal.

	Trading – Singapore 2016 %	**Distribution – Singapore 2016 %**
Gross margin	reduction from __% to __%	reduction from __% to __%
Discount rate	increase from __% to __%	increase from __% to __%
Growth rate beyond year 5:	reduction from __% to __%	reduction from __% to __%

FRS 36: 130(a)(b)(d)(e)

During the year, one of the operating units in the trading segment in the United States lost one of its key customers. This had an adverse effect on the projected value in use of the operation concerned. The decrease in recoverable amount to $__________ resulted in an impairment to goodwill of $______. The Group has also reassessed the useful lives of its property, plant and equipment and determined that no change in the useful lives was required.

Commentary

FRS 36: 130(a)

For each impairment loss recognised during the period the events and circumstances that led to the recognition of the impairment loss must be disclosed.

FRS 36: 134(f)

If a reasonably possible change in a key assumption on which management has based its determination of a CGU's recoverable amount would cause the carrying amount of a CGU to exceed its recoverable amount, the followings should be disclosed for each such CGU:

(i) the amount by which the recoverable amount exceeds the carrying amount
(ii) the value assigned to the key assumptions
(iii) the amount by which the value assigned to the key assumptions must change, after incorporating any consequential effects of that change on the other variables used to measure the recoverable amount, in order for the recoverable amount to be equal to its carrying amount

If in the view of management, there are no such reasonably possible changes to key assumptions, disclosure of that fact should be considered in order to address the disclosure requirements.

FRS 38: 118(c)(e)

15. Other intangible assets

	Group		
	Computer software licences	Development cost	Total
	$'000	$'000	$'000
Cost:			
At 1 January 2016			
Exchange differences			
Additions			
At 31 December 2016			
Accumulated amortisation:			
At 1 January 2016			
Exchange translation differences			
Amortisation for the year			
At 31 December 2016			
Impairment:			
At 1 January and at 31 December 2016*			
Carrying amount:			
At 31 December 2016			

	Group		
	Computer software licences	Development cost	Total
	$'000	$'000	$'000
Cost:			
At 1 January 2015			
Exchange differences			
Additions			
At 31 December 2015			
Accumulated amortisation:			
At 1 January 2015			
Exchange translation differences			
Amortisation for the year			
At 31 December 2015			
Impairment:			
At 1 January and at 31 December 2015*			
Carrying amount:			
At 31 December 2015			

15. Other intangible assets (Continued)

Commentary

* If there is any impairment loss recognised or reversed during the financial year, refer to the illustrative disclosures and guidance under Note 14 Goodwill on the requirements under FRS 36.

FRS 38: 118(d) The line item in the profit or loss where the amortisation charge and any impairment loss is recognised need to be disclosed. In these financial statements the amortisation disclosure is in Note 7.

FRS 38: 122(b) If any individual intangible asset is material to the financial statements, a description of the carrying amount and remaining amortisation period must be separately disclosed. This does not apply to ABC Singapore Limited.

16. Investments in subsidiaries

		Company	
		2016	**2015**
		$'000	**$'000**
FRS 27: 10(a)	Unquoted equity shares, at cost		
	Deemed investment arising from the issuance of financial guarantees		
	Allowance for impairment loss		

Movements in the allowance for impairment loss are as follows:

		Company	
		2016	**2015**
		$'000	**$'000**
	At 1 January		
FRS 36: 126(a)	Impairment loss recognised in the year *		
FRS 36: 126(b)	Reversal of impairment loss during the year *		
	At 31 December		

* This is included in the "Other expenses" in the Company's profit or loss for the financial year then ended.

FRS 36: 130(a)(b)(c)(e)(g) During the year, the Group carried out a review of the recoverable amount of the investment in DEF (PRC) Ltd in the China manufacturing segment due to the losses reported by this subsidiary as a result of increased raw material and component prices. The review led to the recognition of an impairment loss of $______ that has been recognised in profit or loss. The recoverable amount of the investment of $______ has been determined on the basis of its value in use. The discount rate used in measuring value in use was ___. The discount rate used when the recoverable amount of the investment was previously estimated in [ ] was [%].

FRS 36: 130(a)(b)(c)(e)(g) A reversal of an allowance for impairment loss of $_______ (2015: $______) was recognised relating to the investment in YYY Thailand Co. Ltd in the Thailand manufacturing segment following an improvement in market conditions that resulted in an increase in the projected value in use of this investment. The recoverable amount of the investment of $______ has been determined on the basis of its value in use. The discount rate used in measuring value in use was ___. The discount rate used when the recoverable amount of the investment was previously estimated in [ ] was [%].

16. Investments in subsidiaries (Continued)

FRS 27: 17(b) 10(a)
FRS 112: 12(a)-(c)
SGX 715, 716

The details of the subsidiaries are as follows:

Name of subsidiaries (Country of incorporation and principal place of business)	Principal activities	Proportion of ownership interest held by the Group		Proportion of ownership interest held by non-controlling interests	
		2016	2015	2016	2015
		%	%	%	%
XXX (Thailand) Co., Ltd.[1] (Thailand)	Manufacturing and sales of plasma screens				
YYY (Thailand) Co., Ltd.[1] (Thailand)	Manufacturing and sales of speaker products				
ZZZ (Philippines) Co., Ltd[1] (Philippines)	Manufacturing and sales of audio systems				
VVV (Singapore) Pte. Ltd. (Singapore)	Manufacturing and sales of speaker products				
XXX (China) Co., Ltd.[2] (PRC)	Manufacturing and sales of LED screens				
DEF (PRC) Ltd (PRC)	Manufacturing and sales of audio systems				

SGX 715, 716, 717

(1) Audited by overseas member firms of the BDO network in the respective countries.
(2) Audited by another firm of auditors, XXX.

Commentary

Listing rules

SGX 717, 718

(i) Where significant subsidiaries are audited by another firm of auditors, the names of the other auditors are to be disclosed specifically, i.e. giving the full name of each such firm. A subsidiary is considered significant under the SGX-ST Listing Manual if its net tangible assets represent 20% or more of the issuer's consolidated net tangible assets, or its pretax profits account for 20% or more the issuer's consolidated pre-tax profits.

SGX 716

(ii) Under the SGX-ST Listing Manual, an issuer may appoint different auditors for its significant subsidiaries or associates provided the Board and audit committee are satisfied it would not compromise the standard and effectiveness of the audit; or if the subsidiary or associate is listed on a stock exchange. An example of suitable disclosure in such as case would be:

In accordance with Rule 716 to the SGX-ST Listing Rules, the audit committee and Board have confirmed that they are satisfied the appointment of different auditors for its subsidiaries would not comprise the standard and effectiveness of the audit of the Company.

FRS 112 disclosures

FRS 112: 10(a)

(i) Disclosures are required about:
- the composition of the group and
- the extent of interests non-controlling interests have in the group.

16. Investments in subsidiaries (Continued)

Commentary (Continued)

FRS 112 disclosures (Continued)

FRS 112: 12(b)
FRS 27: 17(b)(ii)

(ii) The principal place of business of each subsidiary should be disclosed and also the country of incorporation, if different.

FRS 112: 12(d)
FRS 27: 17(b)(iii)

(iii) The proportion of voting rights held by the Group and non-controlling interests should be disclosed, if different from the proportion of ownership interests held.

FRS 112: 11

(iv) Where a subsidiary's financial statements have a different reporting date from the Company's and the financials are consolidated, the following illustrative disclosure may be considered:

The financial statements of [Name of Subsidiary] are made up to [ ] each year. This was the financial reporting date established when the subsidiary was incorporated, and a change of reporting date is not permitted/made because [state reason]. For the purpose of consolidation, the financial statements of [Name of Subsidiary] for the year ended [ ] have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and [31 December 2016].

Non-controlling interests

FRS 112: 12(g)

Summarised financial information in relation to the subsidiaries that have non-controlling interests ("NCI") that are material to the Group, before intra-group eliminations and together with amounts attributed to NCI, is presented below:

FRS 112: B10, B11

	YYY (Thailand) Co., Ltd		**XXX (China) Co., Ltd**	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Revenue				
Profit before tax				
Income tax expense				
Profit after tax				
Profit allocated to NCI				
Other comprehensive income allocated to NCI (FRS 112: 12(e))				
Total comprehensive income allocated to NCI				
Dividends paid to NCI				
Cash flows from operating activities				
Cash flows from investing activities				
Cash flows from financing activities				
Net cash inflows/(outflows)				

16. Investments in subsidiaries (Continued)

	YYY (Thailand) Co., Ltd		XXX (China) Co., Ltd	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Assets:				
Current assets				
Non-current assets				
Liabilities:				
Current liabilities				
Non-current liabilities				
Net assets				
FRS 112: 12(f) Accumulated non-controlling interests				

FRS 112: 10(b)(i)
FRS 112: 13(a)

Significant restrictions

Cash and bank balances of $________ held in People's Republic of China are subject to local exchange control regulations. These regulations place restrictions on exporting capital out of the country other than through dividends and thus significantly affect the Group's ability to access or use assets, and settle liabilities, of the Group.

Commentary

Summarised financial information of subsidiaries with material NCI

FRS 112 does not prescribe specific line items that must be presented, rather it prescribes that an entity shall present adequate information for users of the financial statements to understand the interest that non-controlling interests have in the entity's activities and cash flows. The above disclosures therefore serve strictly as an illustration of what these disclosures may look like.

FRS 112: 13(a)(ii)
FRS 112: 13(b)

Significant restrictions

The nature and extent of any significant restrictions on the group's ability to access or use assets and settle liabilities of the group should be disclosed, for example as illustrated above. Other restrictions to disclose include guarantees and other requirements that may restrict dividends and other capital distributions being paid, or loans and advances being made or repaid, to (or from) other entities within the group, or the protective rights of non-controlling interests.

Other disclosures that may be applicable include:

- Nature of, and changes in, the risks associated with the entity's interests held in consolidated structured entities
- The consequences of changes in ownership interests that do not result in a loss of control
- The consequences of losing control of a subsidiary
- Interests in unconsolidated subsidiaries (investment entities)
- Interests in unconsolidated structured entities

16. Investments in subsidiaries (Continued)

Commentary (Continued)

Transactions with non-controlling interests

FRS 112: 18

For any changes in its ownership interest in a subsidiary that do not result in loss of control, a schedule showing the effects on the equity attributable to owners of the parent is to be disclosed.

Please refer to the following for an illustrative guide on the necessary disclosures:

(a) Acquisition of additional interest in a subsidiary

On 12 May 2016, the Company acquired the remaining 5% equity interest in WWW Pte Ltd, which is now wholly owned by the Group. The carrying value of the net assets of WWW Pte Ltd as at 12 May 2016 was $_________. The changes in the ownership interest of WWW Pte Ltd had the following effect on the equity attributable to owners of the parent during the financial year:

	2016 $'000	2015 $'000
Carrying amount of non-controlling interests acquired		
Consideration paid to non-controlling interests		
Excess of consideration paid recognised in equity		

(b) Disposal of interest in a subsidiary without loss of control

On 16 November 2016, the Company disposed of a 10% equity interest out of the 80% equity interest held in BBB Pte. Ltd. The changes in the ownership interest of BBB Pte. Ltd. had the following effect on the equity attributable to owners of the parent during the financial year:

	2016 $'000	2015 $'000
Carrying amount of non-controlling interests disposed of		
Consideration received from non-controlling interests		
Excess of consideration received recognised in equity		

(c) Effects of transactions with non-controlling interest on the equity attributable to owners of the parent for the financial year:

	2016 $'000	2015 $'000
Changes in equity attributable to owners of the parent arising from:		
- Acquisition of additional interests in a subsidiary		
- Disposal of interests in a subsidiary without loss of control		
Total effect on equity of the parent		

16. Investments in subsidiaries (Continued)

Commentary (Continued)

Transactions with non-controlling interests (Continued)

FRS 112: 19

When the Group loses control of a subsidiary during the reporting period, required disclosures include the gain or loss, if any, calculated in accordance with paragraph 25 of FRS 110, and:

(a) the portion of that gain or loss attributable to measuring any investment retained in the former subsidiary at its fair value at the date when control is lost; and
(b) the line item(s) in profit or loss in which the gain or loss is recognised (if not presented separately).

Investment entities

FRS 112: 19A

When the Company meets the definition of an investment entity, the Company is required to apply the exception to consolidation under FRS 110 and instead account for its investment in a subsidiary at fair value through profit or loss. That fact is to be disclosed.

FRS 112: 19B

For each unconsolidated subsidiary, an investment entity is to disclose:
- the subsidiary's name
- the principal place of business and country of incorporation if different
- the proportion of ownership interest and, the proportion of voting rights held, if different
- any significant restrictions (FRS 112: 19D)
- any current commitments or intentions to provide financial or other support
- if, without a contractual obligation to do so, financial or other support has been provided to disclose details and the reason (FRS 112: 19E, F, G)

16. Investments in subsidiaries (Continued)

Acquisition of subsidiary

FRS 103: B64 (a)(b)(c)(d)

On 18 June 2016, the Company acquired a 49% equity interest in XXX (China) Co., Ltd. Upon the acquisition, XXX (China) Co., Ltd became a subsidiary of the Group. The Company has acquired XXX (China) Co., Ltd to strengthen its position in China, and to reduce costs through economies of scale.

The fair values of the identifiable assets and liabilities of XXX (China) Co., Ltd as at the date of acquisition were:

		Fair value recognised on date of acquisition
		$'000
FRS 103: B64(i)	Property, plant and equipment	
	Trade and other receivables	
	Inventories	
	Cash and cash equivalents	
	Trade and other payables	
	Provision for maintenance warranties	
	Deferred tax liability	
	Income tax payable	
	Net identifiable assets at fair value	
FRS 103: B64(o)(i)	Non-controlling interests measured at the non-controlling interests' proportionate share of XXX (China) Co., Ltd's net identifiable assets	
	Goodwill arising from acquisition	

FRS 103: B64(h)

The fair value of trade and other receivables is $________ and which includes trade receivables of $________. The gross contractual amounts of trade and other receivables are $_________ and $_________ respectively, of which $__________ and $_________ are expected to be uncollectible.

		$'000
FRS 103: B64(f)	Consideration for acquisition of 49% equity interest	
	- Cash paid	
	- 1,000,000 ordinary shares of ABC Singapore Limited issued at ____ each	
	Total consideration transferred	

16. Investments in subsidiaries (Continued)

Acquisition of subsidiary (Continued)

FRS 103: B64(f)(iv)

In connection with the acquisition of the 49% equity interest in XXX (China) Co., Ltd, ABC Singapore Limited issued [ ] ordinary shares with a fair value of $_____each. The fair value of these shares is the published price of the shares at the acquisition date.

The attributable cost of the issuance of the shares as consideration of $______ has been recognised directly in equity as a deduction from share capital.

FRS 103: B64(q)

From the date of acquisition, XXX (China) Co., Ltd has contributed $_____ and $_____ to the revenue and profit net of tax of the Group respectively. If the combination had taken place at the beginning of the financial year, the Group's revenue and profits, net of tax would have been $_______ and $_______ respectively.

FRS 103: B64(e)

Goodwill of $__________ arising from the acquisition is attributable to the distribution network in China and the expected synergies from combining the operations of the Group with those of XXX (China) Co., Ltd. It also includes the value of a customer list, which has not been recognised separately as it does not meet the criteria for recognition as an intangible asset under FRS 38.

FSR 103: B64(k)

None of the goodwill is expected to be deductible for tax purposes.

FRS 103: B64(m)

Transaction costs related to the acquisition of $_______ have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2016.

The effects of the acquisition of the subsidiary on cash flows are as follows:

		$'000
FRS 7: 40(a)	Total consideration for 49% equity interest acquired	
FRS 7: 43	Less: non-cash consideration	
	Consideration settled in cash	
FRS 7: 40(b)	Less: Cash and cash equivalents of subsidiary acquired	
FRS 7: 40(c)	Net cash inflow/(outflow) on acquisition	

Commentary

Acquisition of investment in subsidiaries

FRS 103: B64(g)

(i) Contingent consideration arrangements and indemnification assets

Where applicable, the following is to be disclosed:

(a) the amount recognised as of the acquisition date;
(b) a description of the arrangement and the basis for determining the amount of the payment; and
(c) an estimate of the range of outcomes (undiscounted) or, if a range cannot be estimated, that fact and the reasons why a range cannot be estimated. If the maximum amount of the payment is unlimited, disclose that fact.

16. Investments in subsidiaries (Continued)

Commentary (Continued)

FRS 103: B64(g)

(i) Contingent consideration arrangements and indemnification assets (Continued)

Illustrative disclosure of contingent consideration arrangements:

As part of the purchase agreement, the Company agreed to pay the former owners of [acquiree] $________ cash if the entity achieves a cumulative net profit of $________ for a period of __ months after the acquisition date.

The fair value of the contingent consideration as at the acquisition date was estimated to amount to $________ and this was based on an estimated cumulative net profit of [acquiree] ranging from $________ to $_______ for the relevant period, discounted at 5% per annum.

As at 31 December 2016, the fair value of the contingent consideration is estimated to have increased by $_______ to $_______, as the estimated cumulative net profit in [acquiree] for the relevant period has been revised to be in the region of $_______ to $________. The increase in the fair value of the contingent consideration has been recognised in the "Administrative expense" line item in the profit or loss of the Group for the financial year ended 31 December 2016.

FRS 103: 19

(ii) Measurement of non-controlling interest at the date of acquisition

In this illustration, the Group has elected to measure the non-controlling interest arising from acquisition of XXX (China) Co., Ltd at the non-controlling interest's proportionate share of the entity's identifiable net assets.

If the entity chooses to measure non-controlling interest arising in a business combination at fair value, FRS 103: B64(o)(ii) requires the entity to disclose, for each of such business combinations, the valuation techniques and key model inputs used for determining that value.

Illustrative disclosure:

The fair value of the [%] non-controlling interest in [acquiree] of $________ was estimated by applying the income approach that is corroborated by market approach. The fair value estimates are based on the following:

(a) assumed discount rates ranging from [%] to [%] per annum;
(b) an assumed terminal value, calculated based on the long term sustainable growth rate for the industry ranging from [%] to [%], which has been used to determine income for the future years; and
(c) assumed adjustments because of the lack of control and marketability that participates would consider when estimating the fair value of the non-controlling interest in [acquiree].

FRS 103: B64(p)

(iii) Step acquisitions

Where applicable, the entity is to disclose the following:

(a) the acquisition-date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date; and
(b) the amount of any gain or loss recognised as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer before the business combination and the line item in the statement of comprehensive income in which that gain or loss is recognised.

16. Investments in subsidiaries (Continued)

Commentary (Continued)

FRS 103: B67(a)

(iv) Provisional fair values

If the initial acquisition accounting for a business combination has not been completed by the end of the financial year in which the acquisition occurred, the acquirer may report provisional values in its financial statements for the incomplete items. During the allowed measurement period of at most 12 months from the acquisition date, the provisional amounts recognised at the acquisition date are adjusted retrospectively to reflect new information about facts and circumstances that existed at the acquisition date and, if known, would have affected their measurement at the acquisition date. Disclosures are required to indicate that provisional accounting is being used, the reasons why, which items accounting is incomplete for and subsequently on the effect of any adjustments. For example:

As the final valuation report has not been received from the independent valuers, the fair value of the acquired intangible assets of $_____ relating to brands have been accounted for at provisional amounts.

Disposal of subsidiary

FRS 7: 40(a)

On 6 November 2016, the Company disposed of its entire interest in XXX (Thailand) Co., Ltd for cash consideration of $__________.

The effects of the disposal as at the date of disposal were:

		Carrying amount $'000
FRS 7: 40(d)	Property, plant and equipment	
FRS 7: 40(d)	Trade and other receivables	
FRS 7: 40(d)	Inventories	
FRS 7: 40(c)	Cash and cash equivalents	
	Trade and other payables	
FRS 7: 40(d)	Provision for maintenance warranties	
FRS 7: 40(d)	Deferred tax liability	
FRS 7: 40(d)	Income tax payable	
FRS 7: 40(d)	Net identifiable assets	

The effects of disposal of subsidiary on cash flows are as follows:

		2016 $'000
	Net identifiable assets disposed (as above)	
	Goodwill on disposal (Note 14)	
	Reclassification of currency translation reserve on disposal	
	Gain on disposal (Note 9)	
	Cash proceeds from disposal	
FRS 7: 40(a)(b)	Cash and cash equivalents disposed	
FRS 7: 40(c)	Net cash inflow/(outflow) on disposal	

17. Investments in associates

	Company	
	2016	2015
	$'000	$'000
Equity shares, at cost		

The details of the associates are as follows:

FRS 112: 21(a)(i)(iii)

Name of associate (Country of incorporation and principal place of business)	Principal activities	Effective equity interest held by the Group 2016 %	2015 %
ZZZ (Thai) Co., Ltd. (1) (Thailand)	Manufacturing and sales of speaker products		
AAA Malaysia Sdn. Bhd. (2) (Malaysia)	Manufacturing and sales of speaker products		

(1) Audited by overseas member firms of the BDO network in the respective countries.
(2) Audited by another firm of auditors, XXX.

FRS 112: 21(a)(ii)

ZZZ (Thai) Co., Ltd.'s primary business is in alignment with the Group's manufacturing and trading segments.

FRS 112: 21(a)(ii)

AAA Malaysia Sdn. Bhd. is a strategic partnership for the Group, providing access to new markets in Malaysia.

FRS 112: 21(b)(iii)

As at 31 December 2016, the fair value of the Group's investment in [name of associate], which is listed on the [name of Stock Exchange], was $________ (2015: $________). The fair value measurement is classified within Level 1 of the fair value hierarchy. The carrying amount of the Group's investment in the associate was $________ (2015: $________).

FRS 112: 22(c)

The Group has not recognised losses relating to certain associates where its share of losses exceed the Group's carrying amount of its investment in those associates. The Group's cumulative share of unrecognised losses were $____________ (2015: $________) of which $________ (2015: $________) was the share of the current year's losses. The Group has no obligation in respect of those losses.

17. Investments in associates (Continued)

FRS 112: 21(b)(ii)
FRS 112: B12

Summarised financial information (material associate)

	2016 $'000	2015 $'000
<u>ZZZ (Thai) Co., Ltd</u>		
Current assets		
Non-current assets		
Current liabilities		
Non-current liabilities		
Net assets		

	2016 $'000	2015 $'000
Revenue		
Profit or loss from continuing operations		
Post-tax profit or loss from discontinued operations		
Other comprehensive income		
Total comprehensive income		
Dividends received from associate		

FRS 112: B14(a)

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts), adjusted for fair value adjustments and differences in accounting policies between the Group and the associate.

Reconciliation of summarised financial information

FRS 112: B14(b)

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in the associate, is as follows:

	2016 $'000	2015 $'000
Net assets		
At 1 January		
Profit		
Other comprehensive income		
Foreign exchange differences		
At 31 December		
Investment in associate (__%)		
Goodwill		
Carrying value		
Add:		
Carrying value of individually immaterial associate		
Carrying value of the Group's investments in associates		

17. Investments in associates (Continued)

FRS 112: 21(c)(ii)
FRS 112: B16

Summarised financial information (immaterial associate)

	2016 $'000	2015 $'000
<u>AAA Malaysia Sdn. Bhd</u>		
Profit from continuing operations		
Post-tax profit or loss from discontinued operations		
Other comprehensive income		
Total comprehensive income		

Commentary

SGX 717, 718

(i) Where significant associates are audited by another firm of auditors, the names of the other auditors are to be disclosed specifically. An associate is considered significant if its net tangible assets represent 20% or more of the issuer's consolidated net tangible assets, or its pre-tax profits account for 20% or more of the issuer's consolidated pre-tax profits.

FRS 112: 21(a)(i)
FRS 112: 21(a)(ii)
FRS 112: 21(a)(iii)
FRS 112: 21(a)(iv)

(ii) For each material associate, disclose:
- the name
- the nature of relationship to the entity
- the principal place of business, and the country of incorporation, if different
- the proportion of ownership interests held and the proportion of voting rights, if different
- if there is a quoted market price for the investment, the fair value (if equity accounted)
- the summarised financial information

FRS 112: 22(a)
FRS 112: 22(b)
FRS 112: 22(c)
FRS 112: 23(a)(b)

(iii) Other disclosures that may be applicable include details of:
- any significant restrictions
- different reporting dates
- unrecognised losses
- commitments and contingent liabilities

FRS 112: 22(a)

Significant restrictions

When there are significant restrictions on the ability of the associates to transfer funds to the Group in the form of cash dividends, or to repay loans or advances made by the entity, the nature and extent of such significant restrictions is required to be disclosed. Please refer to the following illustrative disclosure:

[name of Associate] is restricted by regulatory requirements from paying dividends greater than 90% of the annual profit.

FRS 112: 22(b)

Different reporting dates

Where an associate's financial statements have a different reporting date from the Company's and the financials are consolidated using the equity method, please refer to the following for an illustrative guide on the necessary disclosures:

The financial statements of [Name of Associates] are made up to [ ] each year. This was the financial reporting date established when the associate was incorporated, and a change of reporting date is not permitted/made because [state reason]. For the purpose of applying the equity method of accounting, the financial statements of [ ] for the year ended [ ] have been used, and appropriate adjustments have been made for the effects of significant transactions between that date and 31 December 2016.

18. Investment in joint venture

	Company 2016 $'000	Company 2015 $'000
Equity shares, at cost		

The details of the joint venture are as follows:

FRS 112: 21(a((i)(iii)

Name of joint venture (Country of incorporation and principal place of business)	Principal activities	Effective equity interest held by the Group 2016 %	Effective equity interest held by the Group 2015 %
ABC (M) Sdn. Bhd. [(1)] (Malaysia)	Manufacturing and sales of audio systems		

[(1)] Audited by another firm of auditors, XXX.

FRS 112: 21(a)(ii)

The principal activities of ABC (M) Sdn. Bhd. are in line with the Group's strategy to expand the audio systems division.

FRS 112: 21(b)(ii)
FRS 112: B12, B13

Summarised financial information in relation to the joint venture is presented below:

FRS 112: B12

	2016 $'000	2015 $'000
Current assets		
Non-current assets		
Current liabilities		
Non-current liabilities		
Net assets		

FRS 112: B13

Included in the above amounts are:		
Cash and cash equivalents		
Current financial liabilities (excluding trade and other payables and provisions)		
Non-current financial liabilities (excluding provisions)		

FRS 112: B12

	2016 $'000	2015 $'000
Revenue		
Profit or loss from continuing operations		
Post-tax profit or loss from discontinued operations		
Other comprehensive income		
Total comprehensive income		
Dividends received from joint venture		

FRS 112: B13

Included in the above amounts are:		
Depreciation and amortisation		
Interest income		
Interest expense		
Income tax expense/(income)		

18. Investment in joint venture (Continued)

FRS 112: B14(a)

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts), adjusted for fair value adjustments and differences in accounting policies between the Group and the joint venture.

Reconciliation of summarised financial information

FRS 112: B14(b)

Reconciliation of the summarised financial information presented, to the carrying amount of the Group's interest in joint venture, is as follows:

	2016 $'000	2015 $'000
<u>**ABC (M) Sdn. Bhd**</u>		
Net assets		
At 1 January		
(Loss)/Profit for the year		
Other comprehensive income		
Foreign exchange differences		
At 31 December		
Investment in joint venture (__%)		
Goodwill		
Carrying value		

FRS 112: 23(a)(b)

The Group's share of ABC (M) Sdn. Bhd.'s contingent liabilities and capital commitments is $________ (2015: $________) and $________ (2015: $________) respectively.

A supplier has licensed the use of certain intellectual property to ABC (M) Sdn. Bhd. The supplier has agreed to defer receipt of the amount due until ABC (M) Sdn. Bhd. begins to sell a product being developed with the use of that intellectual property, but not beyond 31 December 2016. The joint venturers have jointly and severally agreed to underwrite the amount owed. As at 31 December 2016, the cumulative amount owed by ABC (M) Sdn. Bhd. to the supplier was $________ (2015: $________). The Group's share of this liability is therefore $________ (2015: $________), although it could be liable for the full amount in the unlikely event that the other 2 venturers were unable to pay their share.

The joint venturers have each agreed to inject a further $________ (2015: $________) of capital if ABC (M) Sdn. Bhd. successfully develops a prototype by 31 December 2016, the money to be used principally for marketing and ABC (M) Sdn. Bhd.'s working capital needs.

FRS 112: 22(c)

The Group has not recognised losses relating to the joint venture where its share of losses exceed the Group's carrying amount of its investment in the joint venture. The Group's cumulative share of unrecognised losses were $____________ (2015: $________) of which $________ (2015: $________) was the share of the current year's losses. The Group has no obligation in respect of those losses.

18. Investment in joint venture (Continued)

Commentary

SGX 717, 718

(i) Where significant joint ventures are audited by another firm of auditors, the names of the other auditors are to be disclosed specifically. Guidelines similar to those applicable for associates (see Note 17) may be used to determine if a joint venture is significant.

FRS 112: 21, 22

(ii) The disclosure requirements and illustrative guidance set out for associates in the guidance commentary in Note 17 are also applicable to joint ventures.

FRS 112: B12, B13

(iii) The disclosure requirements for summarised financial information include certain additional requirements for joint ventures, in addition to those applicable to both associates and joint ventures, as illustrated above.

(iv) In this illustration, ABC Singapore Limited has considered the investment in its only joint venture to be material, and thus provided the summarised financial information for ABC (M)

An entity is also required to disclose, in aggregate, the carrying amount of its investments in all individually immaterial joint ventures that are accounted for using the equity method. In this regard, the Group shall also disclose separately the aggregate amount of its share of those joint ventures':

- profit or loss from continuing operations,
- post-tax profit or loss from discontinued operations,
- other comprehensive income, and
- total comprehensive income.

Disclosure requirements for joint operations

When the Group has investments in joint operations, the following disclosures are required:

FRS 112: 21(a)

(a) the name of the joint operation
(b) the nature of the Group's relationship with the joint operations, (for example, by describing the nature of the activities of the joint operation and whether it is strategic to the entity's activities)
(c) the principal place of business and country of incorporation, if applicable and different
(d) the proportion of ownership interest or participating share held by the entity and, if different, the proportion of voting rights held

Other disclosures required for joint ventures are not applicable for joint operations.

19. Deferred tax

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Deferred tax liabilities				
Deferred tax assets				

The movement for the year in deferred tax position is as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
At 1 January				
Exchange translation differences				
Acquisition of subsidiary (Note 16)				
Disposal of subsidiary (Note 16)				
Credit/(Charge) to profit or loss				
Credit/(Charge) to equity				
At 31 December				

The following are the major deferred tax liabilities and assets recognised by the Group and the movements during the year.

FRS 12: 81(g)

Deferred tax liabilities

	Accelerated tax depreciation	Revaluation of building	Fair value adjustments	Others	Total
	$'000	$'000	$'000	$'000	$'000
Group					
At 1 January 2015					
Exchange differences					
(Charge)/Credit to profit or loss					
At 1 January 2016					
Exchange differences					
Acquisition of subsidiary (Note 16)					
Disposal of subsidiary (Note 16)					
(Charge)/Credit to profit or loss					
(Charge)/Credit to equity					
At 31 December 2016					

19. Deferred tax (Continued)

Deferred tax assets

	Provisions $'000	Tax losses $'000	Others $'000	Total $'000
Group				
At 1 January 2015				
Exchange differences				
(Charge)/Credit to profit or loss				
At 1 January 2016				
Exchange differences				
Disposal of subsidiary (Note 16)				
(Charge)/Credit to profit or loss				
(Charge)/Credit to equity				
At 31 December 2016				

Deferred tax liabilities

FRS 12: 81(g)

	Accelerated tax depreciation $'000	Others $'000	Total $'000
Company			
At 1 January 2015			
Exchange differences			
(Charge)/Credit to profit or loss			
At 1 January 2016			
(Charge)/Credit to equity			
Exchange differences			
(Charge)/Credit to profit or loss			
At 31 December 2016			

Deferred tax assets

	Provisions $'000	Tax losses $'000	Others $'000	Total $'000
Company				
At 1 January 2015				
Exchange differences				
(Charge)/Credit to profit or loss				
At 1 January 2016				
(Charge)/Credit to equity				
Exchange differences				
(Charge)/Credit to profit or loss				
At 31 December 2016				

19. Deferred tax (Continued)

FRS 12: 81(e)

At the end of the financial year, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is $________ (2015: $________). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

FRS 12: 81(e)

Subject to the agreement by relevant taxation authorities, at the end of financial year, the Group has unutilised tax losses of $________ (2015: $________) available for offset against future profits. A deferred tax asset has been recognised in respect of $________ (2015: $________) of such losses. No deferred tax asset has been recognised in respect of the remaining $________ (2015: $________) due to the unpredictability of profit streams. These losses may be carried indefinitely subject to the conditions imposed by law.

FRS 12: 81(f)

Temporary differences arising in connection with interests in associates and joint ventures are insignificant.

FRS 107: 31, 34

20. Held-to maturity financial assets

		Group and Company	
		2016	2015
		$'000	$'000
	Unquoted debt securities		
FRS 107: 8(b)	- At amortised cost		
FRS 107: 25	- At fair value		

The average effective interest rate of the unquoted debt securities is [%] (2015: [%]) per annum.

At 31 December 2016, the unquoted debt securities have nominal values amounting to $________ (2015: $________), with coupon rates ranging from [%] to _____% (2015: ______) per annum and maturity dates ranging from ______ to _______ (2015: ______ to ______).

FRS 107: 20(a)(ii)

There were no disposals or allowances for impairment for these unquoted debt securities.

The currency profiles of the Group's and the Company's held-to-maturity securities as at 31 December are as follows:

	Group and Company	
	2016	2015
	$'000	$'000
United States dollar		
Singapore dollar		
Thai baht		
Ringgit Malaysia		

FRS 107: 31, 34
FRS 107: 8(d)

21. Available-for-sale financial assets

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
At 1 January				
Exchange differences				
Additions				
Fair values changes recognised in other comprehensive income (FRS 107: 20(a)(ii))				
Impairment loss *				
Disposals				
At 31 December				

* This is included in the "Other expenses" line item in the profit or loss of the Group for the financial year then ended.

FRS 107: 7

Details of the available-for-sale financial assets are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Unquoted equity securities, at cost				
Less: Impairment loss				
Carrying amount				
Quoted equity securities, at fair value				
Total				

FRS 107: 29(b)

The investment in unquoted equity securities is stated at cost less impairment loss, if any, as its fair value cannot be determined reliably.

FRS 107: 31, 34
FRS 113: 93

The investments in quoted equity securities have no fixed maturity date nor coupon rate. The fair values of these securities are based on closing quoted market prices on the last market day of the financial year. The securities are listed on the Singapore Exchange Securities Trading Limited ("SGX-ST").

FRS 107: 31, 34(a)

The currency profiles of the Group's and the Company's available-for-sale financial assets as at 31 December are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
United States dollar				
Singapore dollar				
Thai baht				
Ringgit Malaysia				

FRS 1: 77, 78(c)

22. Inventories

		2016 $'000	2015 $'000
FRS 2: 36(b)	Finished goods		
FRS 2: 37	Work-in-progress		
	Raw materials		

FRS 2: 36(h)

Inventories with carrying amounts of $_______ (2015: $_______) are held as security by way of a floating charge for certain of the Group's overdrafts (Note 33).

FRS 2: 36(e)(f)(g)

Commentary

The entity is required to disclose the amount of any write-down or reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as expense and the circumstances or events leading to such reversals. Please refer to an illustrative disclosure below for guidance:

The Group has recognised a reversal of $________ (2015: $_______), being part of an inventory write-down made in the previous financial years, as the inventories were sold above the carrying amounts in 2016.

FRS 1: 77, 78(b)

23. Trade and other receivables

		Group		Company	
		2016 $'000	2015 $'000	2016 $'000	2015 $'000
	Trade receivables				
	- Third parties				
FRS 24: 18(b), 19(c)	- Subsidiaries (Notes 16 and 39)				
FRS 24: 18(b), 19(g)	- Other related parties (Note 39)				
FRS 11: 40(c)	- Retentions on construction contracts				
	- Allowance for doubtful debts				
	- Third parties				
	Other receivables				
FRS 24: 18(b), 19(c)	- Deposits				
FRS 24: 18(b), 19(g)	- Subsidiaries (Notes 16 and 39)				
	- Other related parties (Note 39)				
	Total trade and other receivables				
	Add:				
	- Cash and bank balances (Note 27)				
	- Short-term deposits (Note 27)				
FRS 107: 6, 8(c)	Total loans and receivables				

FRS 24: 18(b)

The non-trade amounts due from subsidiaries and related parties within other receivables are unsecured, non-interest bearing, repayable on demand and are to be settled in cash.

FRS 107: 31, 34

The average credit period on sale of goods is [ ] to [ ] days (2015: [ ] to [ ] days).

FRS 1: 77, 78(b)

23. Trade and other receivables (Continued)

FRS 107: 37(b)

Allowances made in respect of estimated irrecoverable amounts are determined by reference to past default experience. The carrying amount of trade receivables individually determined to be impaired is as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Past due for 181 – 365 days				
Past due for more than 365 days				

FRS 107: 16

Movements in the allowance for impairment of trade receivables are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
At 1 January				
Allowances charged to profit or loss				
Allowances credited to profit or loss				
At 31 December				

FRS 107: 31, 34(a)

The currency profiles of the Group's and Company's trade and other receivables as at 31 December are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
United States dollar				
Singapore dollar				
Thai baht				
Ringgit Malaysia				

24. Construction contracts

			Group
		2016	2015
		$'000	$'000
FRS 11: 42(a)	Contracts in progress as at 31 December:		
FRS 11: 42(b)	Amounts due from contract customers		
	Amounts due to contract customers		
FRS 11: 40(a)	Contract costs incurred plus recognised profits (less recognised losses to date)		
	Less: Progress billings		

24. Construction contracts (Continued)

FRS 11: 40(b)(c)

At 31 December 2016, retention monies held by customers for contract work amounted to $_______ (2015: $_________) and they are presented within trade receivables in Note 23. Advances received from customers for contract work amounted to $________ (2015: $________) and they are presented as advances received on construction contracts in Note 34. The amounts due from and to contract customers are denominated in Singapore dollar.

FRS 107: 6, 8(a)

25. Held-for-trading financial assets

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Quoted equity securities, at fair value				

The fair values of these securities are based on closing quoted market prices on the last market day of the financial year.

FRS 107: 31, 34(a)

The quoted equity securities are denominated in Singapore dollar.

FRS 1: 77

26. Derivative financial instruments

	Group and Company			
	2016		**2015**	
	Assets	**Liabilities**	**Assets**	**Liabilities**
	$'000	**$'000**	**$'000**	**$'000**
Foreign currency forward contracts				
Interest rate swaps				
Total derivatives				
Add: Held for trading financial assets (Note 25)				
Total financial assets/liabilities at fair value through profit or loss				

FRS 107: 6, 8(a)(e)

Foreign currency forward contracts

FRS 107: 31, 34(a)

The Company is a party to a variety of foreign currency forward contracts in the management of its exchange rate exposures arising from its foreign currency denominated business transactions. The instruments purchased are primarily denominated in the currencies of the Group's principal markets.

The following details the foreign currency forward contracts outstanding as at 31 December:

	Average exchange rate		**Foreign currency**		**Notional amount**		**Fair value**		**Settlement date**
Group	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	**2016**	**2015**	
			FC	**FC**	**$'000**	**$'000**	**$'000**	**$'000**	
Nature									
Sell Thai baht									
Buy Singapore dollar									

26. Derivative financial instruments (Continued)

Interest rate swaps

FRS 107: 31, 34

The Group and the Company use interest rate swaps to manage its exposure to interest rate movements on its bank borrowings by swapping a certain proportion of those borrowings from floating rates to fixed rates.

The following details the interest rate swaps outstanding as at 31 December:

	Average contracted fixed interest rate		Notional principal amount		Fair value		Settlement date
Group	2016	2015	2016	2015	2016	2015	
			$'000	$'000	$'000	$'000	
Interest rate swaps							

The interest rate swaps settle on a quarterly basis. The floating rate on the interest rate swaps is the Singapore inter-bank rate. The Group will settle the difference between the fixed and floating interest rate on a net basis.

27. Cash and bank balances

FRS 107: 6

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Cash balances				
Bank balances (FRS 7: 45)				
Short-term deposits				
Cash and bank balances				

FRS 107: 31, 34

Short-term deposits bear interest at an average rate of [%] (2015: [%] per annum and are for a tenure of approximately [ ] days (2015: [ ] days).

FRS 107: 14

Short-term deposits of the Group amounting to $________ (2015: $______) were pledged to banks to secure credit facilities granted to the subsidiaries (Note 33).

FRS 107: 31, 34(a)

The currency profiles of the Group's and Company's cash and bank balances as at 31 December are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
United States dollar				
Singapore dollar				
Thai baht				
Ringgit Malaysia				

FRS 107: 6

27. Cash and bank balances (Continued)

FRS 7: 45

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

	Group	
	2016	2015
	$'000	$'000
Cash and bank balances		
- Continuing operations (as above)		
- Discontinued operations (Note 9)		
Less: bank overdrafts (Note 33)		
Less: short-term deposits pledged		
Cash and cash equivalents		

FRS 7: 8

Commentary

For the purposes of presentation in the statement of cash flows under FRS 7, cash equivalents are defined as "short-term highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value". Short-term deposits and other investments which mature in three months or less would normally qualify.

Any deposits pledged or otherwise restricted should be excluded from cash and cash equivalents in the statement of cash flows.

28. Share capital

FRS 1: 78(e)
FRS 1: 79(a)

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares		$'000	$'000
Issued and paid up :				
At 1 January				
Issued during the financial year				
At 31 December				

The ordinary shares have no par value, carry one vote per share without restrictions and their holders are entitled to receive dividends when declared by the Company. On [date], the Company issued ______ new ordinary shares for total consideration of $________.

FRS 32: 33, 34

29. Treasury shares

	Group and Company			
	2016	2015	2016	2015
	Number of ordinary shares		$'000	$'000
At 1 January				
Acquired during the year				
At 31 December				

The Company acquired [ ] of its own shares through purchases on the Singapore Exchange during the year. The total amount paid to acquire the shares was $________ and has been deducted from shareholders' equity.

FRS 1: 78(e)
FRS 1: 79(b)

30. Other reserves

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Available-for-sale reserve				
Revaluation reserve				
Foreign exchange reserve				
Statutory reserve fund				

Available-for-sale reserve

Available-for-sale reserve represents the cumulative fair value changes, net of tax, of available-for-sale financial assets until they are derecognised or impaired.

	Group and Company	
	$'000	$'000
At 1 January		
Net gain on fair value changes during the financial year		
Reclassification on disposal of available-for-sale financial assets		
Share of other comprehensive income of associates and joint venture		
At 31 December		

Revaluation reserve

The revaluation reserve represents increases in the fair value of freehold land and building, other than investment properties, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in equity.

	Group	
	2016	2015
	$'000	$'000
At 1 January		
Gain on revaluation		
At 31 December		

Statutory reserve fund

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

FRS 1: 79(b)

30. Other reserves (Continued)

Statutory reserve fund (Continued)

	Group 2016 $'000	Group 2015 $'000
At 1 January		
Transferred from retained earnings		
At 31 December		

Foreign exchange reserve

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

	Group 2016 $'000	Group 2015 $'000
At 1 January		
Exchange differences arising on translation of foreign operations		
Reclassification to profit or loss on disposal of subsidiary (Note 16)		

FRS 1: 77, 78(d)
FRS 37: 84(a) - (c)

31. Provisions

	Group Costs of dismantlement, removal or restoration $'000	Group Warranties $'000	Group Total $'000
2016			
At 1 January			
Provisions made			
Provisions utilised			
Unwinding of discount on provisions (Note 6)			
At 31 December			
Less: Current portion (FRS 1: 61)			
Non-current portion			

FRS 1: 77, 78(d)
FRS 37: 84(a) – (c)

31. Provisions (Continued)

	Group		
	Costs of dismantlement, removal or restoration	Warranties	Total
	$'000	$'000	$'000
2015			
At 1 January			
Provisions made			
Provisions utilised			
At 31 December			
Less: Current portion (FRS 1: 61)			
Non-current portion			

The provision for costs of dismantlement, removal or restoration are the estimated costs of dismantlement, removal or restoration of property, plant and equipment arising from the acquisition or use of assets, which are capitalised and included in the cost of property, plant and equipment.

The provision for warranty claims represents management's best estimate of the present value of the future outflow of economic benefits that will be required under the Group's [ ] month warranty program for its products. The estimate has been made on the basis of historical warranty trends (Note 3).

32. Finance lease payables

Group	Minimum lease payments	Future finance charges	Present value of minimum lease payments
	$'000	$'000	$'000
2016			
Within one year (FRS 17: 31(b)(i))			
After one year but within five years (FRS 17: 31(b)(ii))			
After five years (FRS 17: 31(b)(iii))			
2015			
Within one year			
After one year but within five years			
After five years			

32. Finance lease payables (Continued)

FRS 17: 31(e)

The finance lease terms range from [ ] to [ ] years.

FRS 107: 31
FRS 107: 29(a)

The effective interest rates charged during the financial year range from [%] to [%] (2015: [%] to [%]) per annum. Interest rates are fixed at the contract dates, and thus expose the Group to fair value interest rate risk (Note 43). As at the end of the financial year, the fair values of the Group's finance lease obligations approximate their carrying amounts.

FRS 17: 31(c)

All leases are on a fixed repayment basis and no arrangements have been entered into for contingent rental payments.

FRS 16: 74(a)

The Group's obligations under finance leases are secured by the leased assets, which will revert to the lessors in the event of default by the Group.

FRS 109: 31, 34

The finance lease payables are denominated in Singapore dollar.

33. Bank borrowings

		2016 $'000	2015 $'000	2016 $'000	2015 $'000
FRS 107: 7	Secured bank loans [(a)]				
	Unsecured bank overdrafts [(b)]				
	Total				
	Less :				
FRS 1: 61(a)	Amount due for settlement within 12 months [(c)]				
FRS 1: 61(b)	Amount due for settlement after 12 months				

FRS 107: 14

(a) The Group's secured bank loans are secured as follows:

(i) legal charges on the leasehold land and buildings of certain subsidiaries (Note 12);
(ii) guarantees from the Company, certain subsidiaries, related parties and directors of certain subsidiaries; and
(iii) pledges over short-term deposits (Note 27).

The average effective borrowing rates range from [%] to [%] (2015: [%] to [%]) per annum and have maturity dates between 2017 and 2019.

FRS 107: 31, 34

(b) The unsecured bank overdrafts are repayable on demand. The effective interest rates range from [%] to [%] (2015: [%] to [%]) during the financial year and are determined based on ____% plus prime rate.

(c) The amount, shown under current liabilities, consists of secured banks loans [(a)] of $_____ (2015: $_______) and unsecured bank overdraft [(b)] of $_________ (2015: $_______).

33. Bank borrowings (Continued)

FRS 107: 31, 34(a)

The currency profiles of bank borrowings of the Group's and the Company's as at 31 December are as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
United States dollar				
Singapore dollar				
Thai baht				
Ringgit Malaysia				

34. Trade and other payables

		Group		Company	
		2016	2015	2016	2015
		$'000	$'000	$'000	$'000
	Trade payables				
	- Third parties				
FRS 24: 18(b), 19(c)	- Subsidiaries (Note 16 and 39)				
FRS 24: 18(b), 19(d)	- Associates (Note 17 and 39)				
FRS 24: 18(b), 19(g)	- Other related parties (Note 39)				
	Other payables				
	- Third parties				
FRS 24: 18(b), 19(c)	- Subsidiaries (Note 16 and 39)				
FRS 24: 18(b), 19(d)	- Associates (Note 17 and 39)				
FRS 24: 18(b), 19(g)	- Other related parties (Note 39)				
	- Accrued expenses and other creditors				
	Advances received on construction contracts				
FRS 11: 40(b)	Financial guarantee contracts				
	Total trade and other payables				
	Less:				
	- Advances received on construction contracts				
FRS 11: 40(b)	*Add:*				
	- Finance lease payables (Note 32)				
	- Bank borrowings (Note 33)				
FRS 107: 6, 8(f)	Total financial liabilities carried at amortised cost				

FRS 24: 18(b)

The non-trade amounts due to subsidiaries, associates and other related parties within other payables are unsecured, interest-free, repayable on demand and are to be settled in cash.

FRS 107: 31, 34

The average credit period on purchases of goods is [ ] days (2015: [ ] days).

No interest is charged on the trade and other payables.

34. Trade and other payables (Continued)

FRS 107: 31, 34(a)

The currency profiles of the Group's and Company's trade and other payables as at 31 December are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
United States dollar				
Singapore dollar				
Thai baht				
Ringgit Malaysia				

35. Dividends

FRS 1: 107

During the financial year ended 31 December 2016, the Company declared and paid a final one-tier tax exempt dividend of $_______ (2015: $______) per ordinary share of the Company totalling $______ (2015: $______) in respect of the financial year ended 31 December 2015 (2015: 31 December 2014).

FRS 1: 137(a)

The Company did not recommend any dividend in respect of the financial year ended 31 December 2016.

36. Operating lease commitments

FRS 17: 35(a)

As lessees

At the end of the financial year, commitments in respect of non-cancellable operating leases in respect of office premises and other operating facilities are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Future minimum lease payments payable:				
Within one year				
After one year but within five years				
After five years				
Total				

FRS 17: 35(d)

Operating lease payments represent rents payable by the Group and Company for office premises and other operating facilities. Leases are negotiated for an average term of __ to __ years and rentals are fixed for an average of __ to __ years with no provisions for contingent rent or upward revision of rent based on market price indices.

As lessors

FRS 17: 56(c)

The Group has entered into commercial property leases on its investment properties. These non-cancellable leases have remaining lease terms of between [ ] and [ ] years. All leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

36. Operating lease commitments (Continued)

<u>As lessors</u> (Continued)

As at the end of the financial year, future minimum rentals receivable under non-cancellable operation leases at the end of the financial year are as follows:

FRS 17: 56(a)

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$'000	**$'000**	**$'000**	**$'000**
Future minimum lease payments receivable:				
Within one year				
After one year but within five years				
After five years				
Total				

37. Capital commitments

As at the end of the financial year, commitments in respect of capital expenditure, excluding those relating to joint ventures (Note 18), are as follows:

		Group	
		2016	**2015**
		$'000	**$'000**
	Capital expenditure contracted but not provided for		
FRS 16: 74(c)	- Commitments for the acquisition of property, plant and equipment		
FRS 38: 122(e)	- Commitments for the acquisition of intangibles		

FRS 37: 86

38. Contingent liabilities, unsecured

As at 31 December 2016, the Company had given guarantees amounting to $__________ (2015: $_____________) to certain banks in respect of banking facilities granted to the subsidiaries (Note 16).

As at the end of the financial year, the total amount of loans outstanding covered by the guarantees is $_____________ (2015: $_________). Such guarantees are in the form of a financial guarantee as they require the Company to reimburse the respective banks if the respective subsidiaries to which the guarantees were extended fail to make principal or interest repayments when due in accordance with the terms of the borrowings. There has been no default or non-repayment since the utilisation of the banking facility.

39. Significant related party transactions

FRS 24: 9
FRS 24: 18, 19, 21

During the year, in addition to the information disclosed elsewhere in these financial statements, the Group entities and the Company entered into the following transactions with related parties at rates and terms agreed between the parties:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Rental received from subsidiaries				
Sale of goods to:				
- Associates				
- Companies controlled by Directors				
Purchases from:				
- Associates				
- Fellow subsidiaries				
Management fees paid to immediate holding company				
Management fees received from joint venture				
Consultancy fees paid to immediate family member of a Director				
Payments made on behalf and reimbursed by the immediate holding company				
Purchase commitments from fellow subsidiaries				
Transportation charges paid to companies controlled by Directors				

The outstanding balances as at 31 December with related parties are disclosed in Note 23 and 34 and are unsecured, interest-free, repayable on demand and are to be settled in cash, unless otherwise stated. There are no outstanding balances with key management personnel or their immediate family members.

Key management personnel remuneration

		Group		Company	
		2016	2015	2016	2015
		$'000	$'000	$'000	$'000
FRS 24: 17(a)	Short-term benefits				
FRS 24: 17(b)	Post-employment benefits				
FRS 24: 17(c)	Other long-term benefits				

39. Significant related party transactions (Continued)

The outstanding balances as at 31 December with related parties are disclosed in Notes 23 and 34 and are unsecured, interest-free, repayable on demand and are to be settled in cash, unless otherwise stated. There are no outstanding balances with key management personnel or their immediate family members.

Commentary

FRS 24: 18

If there have been transactions between related parties, the nature of the related party relationship as well as information about the transactions and outstanding balances, including commitments, shall be disclosed. The disclosures are to include:

(a) the amount of the transactions
(b) the amount of outstanding balances, including commitments including: (i) the terms and conditions, including whether they are secured and the nature of consideration to be provided in settlement, and (ii) details of any guarantees given or received;
(c) provisions for doubtful debts; and
(d) the expense in respect of bad and doubtful debts due from related parties.

FRS 24: 18A

Amounts incurred by the entity for the provision of key management personnel services that are provided by a separate management entity shall be disclosed.

FRS 24: 19

Related party transactions must be disclosed separately for each of the following categories:

(a) the parent;
(b) entities with joint control or significant influence over the entity;
(c) subsidiaries;
(d) associates;
(e) joint ventures in which the entity is a venture;
(f) key management personnel of the entity or its parent; and
(g) other related parties.

FRS 24: 21

Examples of transactions that are disclosed if they are with a related party are:

(a) purchases or sales of goods;
(b) purchases or sales of property or other assets;
(c) rendering or receiving of services;
(d) leases;
(e) transfers of research and development;
(f) transfers under licence agreements;
(g) transfers under finance arrangements (including loans and equity contributions in cash or in kind);
(h) provision of guarantees or collateral;
(i) commitments to do something if a particular event does or does not occur in the future; and
(j) settlement of liabilities on behalf of the entity or by the entity on behalf of that related party.

FRS 24: 17(d)(e)

In addition to the items presented in the illustrative disclosures, key management remuneration disclosure should include termination benefits and share-based payments where applicable.

40. Reclassifications and comparatives

FRS 1: 41

Certain reclassifications have been made to the prior year's financial statements to enhance comparability with current year's financial statements.

[Please state the nature and reason for the reclassification(s).]

The items were reclassified as follows:

	Group	
	Previously reported	After reclassification
	2015	2015
STATEMENT OF FINANCIAL POSITION	**$'000**	**$'000**
ASSETS		
Current assets:		
Prepaid lease payment		
Non-current assets:		
Property, plant and equipment		
Prepaid lease payment		
CONSOLIDATED STATEMENT OF CASH FLOWS		
Amortisation of prepaid lease payment		
Depreciation expense		

Commentary

Reclassifications

FRS 1: 41

FRS 1: 40A

Note that under FRS 1: 41 when there are any changes to the presentation or classification of items in the financial statements, comparatives must be reclassified. When comparatives are reclassified the nature of the reclassification, the amounts reclassified and the reasons for the reclassification must be disclosed. These disclosures should also be presented as at the beginning of the preceding period when relevant. A third statement of financial position as at the beginning of the preceding period must also be presented. If the reclassification does not have any material impact as at the beginning of the preceding period, the third statement of financial position does not need to be presented.

Comparatives

For newly incorporated entities presenting their first set of accounts, please include the following illustrative note to explain the lack of comparative figures:

The financial statements cover the period since incorporation on [ ] to [ ]. These being the first set of accounts, there are no comparative figures.

FRS 1: 36(a)(b)

Subsequently, for entities with unequal comparative financial periods, please include the following illustrative note to explain the difference:

The financial statements for the comparative period cover the period from [ ] to [ ] because the Group changed its financial year end from [ ] to [ ] to align with the financial year end of its holding company.

FRS 108: 20, 21

41. Segment information

FRS 108: 22(b)

Management has determined the operating segments based on the reports reviewed by the chief operating decision maker (Note 2.26).

Management considers the business from both a geographic and business segment perspective. Geographically, management manages and monitors the business in these primary geographic areas: Singapore, Thailand, China and United States. All these locations are engaged in the manufacturing, distribution and trading of audio systems and speaker products.

The Group has three reportable segments being manufacturing, distribution and trading segments.

FRS 108: 22(aa)

The manufacturing segment produces audio systems and speaker products for sale to other segments and constructs customised audio systems and speaker products for sales to third parties. This reportable segment has been formed by aggregating the standard audio systems and speaker products segment and the customised audio systems and speaker products segment which, in management's view, share similar economic characteristics. In making this judgement, management considers that the segments share common production facilities and usage of similar raw materials in the production process.

The distribution segment sells audio systems and speaker products produced by the manufacturing segment to whole-sale distributors.

The trading segment sells audio systems and speakers products produced by the manufacturing segment to the retailers.

FRS 108: 16

"Other" segments includes the Group's remaining minor trading and investment holding activities which are not included within reportable segments as they are not separately reported to the chief operating decision maker and they contribute minor amounts of revenue to the Group.

FRS 108: 22(a)

The Group's reportable segments are strategic business units that are organised based on their function and targeted customer groups. They are managed separately because each business unit requires different skill sets and marketing strategies.

Management monitors the operating results of the segments separately for the purposes of making decisions about resources to be allocated and assessing performance. Segment performance is evaluated based on operating profit or loss which is similar to the accounting profit or loss.

FRS 108: 23(h)

Income taxes are managed on a Group basis.

FRS 108: 27(b)
FRS 108: 27(c)
FRS 108: 27(d)

The accounting policies of the operating segments are the same as those described in the summary of significant accounting policies. There is no asymmetrical allocation to reportable segments. Management evaluates performance on the basis of profit or loss from operations before tax expense not including non-recurring gains and losses and foreign exchange gains or losses.

FRS 108: 27(e)

There is no change from prior periods in the measurement methods used to determine reported segment profit or loss[1].

FRS 108: 27(a)

The Group accounts for intersegment sales and transfer as if the sales or transfers were to third parties, which approximate market prices. These intersegment transactions are eliminated on consolidation.

FRS 108: 20, 21

41. Segment information (Continued)

Commentary

[1] The Group does not need to restate segment information if there is a change in the measure of profit or loss. The Group is however required to disclose the nature of any change from prior periods in the measurement methods used to determine the reported segment profit or loss and the effect, if any, of those changes on the measure of segment profit or loss.

FRS 108: 29

However, the Group will need to restate their figures if there has been a change in the composition of the segments resulting from changes in the structure of an entity's internal organisation.

41. Segment information (Continued)

		Singapore			Thailand			China			United States		
		Manufacturing	Distribution	Trading	Manufacturing	Distribution	Trading	Manufacturing	Distribution	Trading	Manufacturing	Distribution	Trading
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	2016												
	Revenue												
FRS 108: 23(a)	Revenues from external customers												
FRS 108: 23(b)	Intersegment revenues												
	Total revenue												
FRS 108: 23(c)	Interest revenue(i)												
FRS 108: 23(d)	Interest expense												
FRS 108: 23(e)	Depreciation and amortisation												
FRS 108: 23(f)	Other material items of income and expenses(ii)												
FRS 108: 23(i)	Other material non-cash Items												
	Impairment of assets												
	Decrease in fair value of investment properties												
	Gain on disposal of property, plant and equipment												
FRS 108: 23(g)	Share of profits of associates and joint ventures												
FRS 108: 23	Segment assets(iii)												
FRS 108: 24(a)	Investment in associates and joint ventures												
FRS 108: 24(b)	Additions to non-current assets												
FRS 108: 23	Segment liabilities(iii)												

41. Segment information (Continued)

		← Others →					
		Manufacturing	Distribution	Trading	Total	Eliminations and Adjustments	Total
		$'000	$'000	$'000	$'000	$'000	$'000
	2016						
	Revenue						
FRS 108: 23(a)	Revenues from external customers						
FRS 108: 23(b)	Intersegment revenues						
	Total revenue						
FRS 108: 23(c)	Interest revenue(i)						
FRS 108: 23(d)	Interest expense						
FRS 108: 23(e)	Depreciation and amortisation						
FRS 108: 23(f)	Other material items of income and expenses(ii)						
FRS 108: 23(i)	Other material non-cash Items						
	Impairment of assets						
	Decrease in fair value of investment properties						
	Gain on disposal of property, plant and equipment						
FRS 108: 23(g)	Share of profits of associates and joint ventures						
FRS 108: 23	Segment assets(iii)						
FRS 108: 24(a)	Investment in associates and joint ventures						
FRS 108: 24(b)	Additions to non-current assets						
FRS 108: 23	Segment liabilities(iii)						

41. Segment information (Continued)

		Singapore			Thailand			China		
		Manufacturing	Distribution	Trading	Manufacturing	Distribution	Trading	Manufacturing	Distribution	Trading
		$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
	2015									
	Revenue									
FRS 108: 23(a)	Revenues from external customers									
FRS 108: 23(b)	Intersegment revenues									
	Total revenue									
FRS 108: 23(c)	Interest revenue(i)									
FRS 108: 23(d)	Interest expense									
FRS 108: 23(e)	Depreciation and amortisation									
FRS 108: 23(f)	Other material items of income and expenses(ii)									
FRS 108: 23(i)	Other material non-cash Items									
	Impairment of assets									
	Decrease in fair value of investment properties									
	Gain on disposal of property, plant and equipment									
FRS 108: 23(g)	Share of profits of associates and joint ventures									
FRS 108: 23	Segment assets(iii)									
FRS 108: 24(a)	Investment in associates and joint ventures									
FRS 108: 24(b)	Additions to non-current assets									
FRS 108: 23	Segment liabilities(iii)									

41. Segment information (Continued)

		Others					
		Manufacturing	Distribution	Trading	Total	Eliminations and Adjustments	Total
		$'000	$'000	$'000	$'000	$'000	$'000
	2015						
	Revenue						
FRS 108: 23	Revenues from external customers						
FRS 108: 23(b)	Intersegment revenues						
	Total revenue						
FRS 108: 23(c)	Interest revenue(i)						
FRS 108: 23(d)	Interest expense						
FRS 108: 23(e)	Depreciation and amortisation						
FRS 108: 23(f)	Other material items of income and expenses(ii)						
FRS 108: 23(i)	Other material non-cash Items						
	Impairment of assets						
	Decrease in fair value of investment properties						
	Gain on disposal of property, plant and equipment						
FRS 108: 23(g)	Share of profits of associates and joint ventures						
FRS 108: 23	Segment assets(iii)						
FRS 108: 24(a)	Investment in associates and joint ventures						
FRS 108: 24(b)	Additions to non-current assets						
FRS 108: 23	Segment liabilities(iii)						

FRS 108: 28

41. Segment information (Continued)

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

	2016	2015
	$'000	$'000
Revenues		
Total revenue for reportable segments		
Other revenue		
Elimination of inter-segment revenue		
Elimination of discontinued operations		
Consolidated revenue		
Profit or Loss		
Total profit or loss for reportable segments		
Other profit or loss		
Elimination of inter-segment profits		
Elimination of discontinued operations		
Unallocated amounts: Other corporate expenses		
Share of profit of associates and joint ventures		
Consolidated profit before income tax		
Assets		
Total assets for reportable segments		
Other assets		
Investments in associates and joint ventures		
Other unallocated amounts		
Consolidated net assets		
Liabilities		
Total liabilities for reportable segments		
Other liabilities		
Other unallocated amounts		
Consolidated total liabilities		

41. Segment information (Continued)

Commentary

FRS 108: 23

(i) Interest revenue

The Group can only report net interest revenue if a majority of the segment's revenues are from interest and the chief operating decision maker relies primarily on net interest revenue.

FRS 1: 86

(ii) Material items of income and expenses

These are material items of income and expense disclosed in accordance with FRS 1:86.

FRS 108: 23

(iii) Segment assets and segment liabilities

An entity shall report a measure of total assets and liabilities for each reportable segment if such amounts are regularly provided to the chief operating decision maker.

FRS 108: 28

(iv) Other material reconciling items

Other material reconciling items should also be separately identified and described.

Products and services information

FRS 108: 31
FRS 108: 32

	Audio systems	Speaker products	Others	Consolidated
	$'000	$'000	$'000	$'000
2016				
Revenue from external customers				
2015				
Revenue from external customers				

Geographic information

Revenues from external customers

FRS 108: 31
FRS 108: 33(a)

	Singapore	Thailand	China	United States	Other countries	Consolidated
	$'000	$'000	$'000	$'000	$'000	$'000
2016						
Revenues from external customers						
2015						
Revenues from external customers						

FRS 108: 33(a)

The revenue information above is based on the location of the customer.

41. Segment information (Continued)

Location of non-current assets

		Singapore	Thailand	China	United States	Other countries	Consolidated
		$'000	$'000	$'000	$'000	$'000	$'000
FRS 108: 31	**2016**						
FRS 108: 33(b)	Revenues from external customers						
	2015						
	Revenues from external customers						

Non-current assets consist of property, plant and equipment, other intangible assets, investment properties, investment in associates and investment in joint venture.

Commentary

FRS 108: 31

The geographic information is required to be disclosed even where there is only one reportable segment. In the case where the necessary information is not available for disclosure and the cost to develop it would be excessive, that fact shall be disclosed.

FRS 108: 33(a)

The entity is required to disclose the revenues from external customers attributed to the Company's country of domicile as well as all foreign countries in total from which the Group derives the revenues if such revenues attributed to an individual foreign country are not material enough to warrant separate disclosures. The basis for attributing revenues from external customers to individual countries shall also be disclosed.

FRS 108: 33(b)

Similarly, the entity is required to disclose the non-current assets located in the Company's country of domicile and all foreign countries in total if the non-current assets located in individual foreign countries are not material enough to warrant separate disclosures.

The information provided shall be based on the financial information that is used to produce the Group's financial statements.

Major customers

FRS 108: 34

The revenues from one customer of the Group's trading segment represent approximately $________ (2015: $________).

Commentary

The Group is required to provide information about the extent of its reliance on major customers. If revenues from transactions with a single external customer amount to 10% or more of the Group's revenues, the Group shall disclose this fact, the total amount of revenues from each such customer and the identity of the segment(s) reporting the revenues.

The entity needs not disclose the identity of a major customer but it needs to disclose the amount of revenues that each segment reports from that customer.

A group of entities known to the Group to be under common control shall be considered a single customer.

42. Financial instruments and financial risks

FRS 107: 31, 32, 33

The Group's activities expose it to credit risks, market risks (including foreign currency risks, interest rate risks and equity price risks) and liquidity risks. The Group's overall risk management strategy seeks to minimise adverse effects from the volatility of financial markets on the Group's financial performance.

The Group uses financial instruments such as foreign currency forward contracts and interest rate swaps to hedge certain financial risk exposures.

The Board of Directors is responsible for setting the objectives and underlying principles of financial risk management for the Group. The management then establishes the detailed policies such as authority levels, oversight responsibilities, risk identification and measurement, exposure limits and hedging strategies, in accordance with the objectives and underlying principles approved by the Board of Directors.

Financial risk management is carried out by a central treasury department ("Group Treasury") in accordance with the policies set by the management. The trading team of Group Treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The reporting team of Group Treasury measures actual exposures against the limits set and prepares daily reports for review by the Heads of Group Treasury and each operating unit. Regular reports are also submitted to the management and the Board of Directors.

FRS 107: 33(c), 40(c)

There have been no changes to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis as indicated below.

Credit risks

FRS 107: 33(a)(b), 36

Credit risk refers to the risk that the counterparty will default on its contractual obligations resulting in a loss to the Group. The Group has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group performs ongoing credit evaluation of its counterparties' financial condition and generally does not require collateral.

FRS 107: 34(a)(c)
FRS 107: AGB8

The Group and Company do not have any significant credit exposure to any single counterparty or any group of counterparties having similar characteristics except for [ ] as disclosed in this note.

The Group's and Company's major classes of financial assets are bank deposits and trade receivables.

FRS 107: 36(c)

Bank deposits are mainly deposits with banks with high credit-ratings assigned by international credit rating agencies.

Trade receivables that are neither past due nor impaired are substantially companies with good collection track record with the Group.

FRS 107: 37(a)

The age analysis of trade receivables past due but not impaired is as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Past due for 1 to 90 days				
Past due for 91 to 180 days				
Past due for 181 to 365 days				
Past due for more than 365 days				

42. Financial instruments and financial risks (Continued)

Credit risks (Continued)

Commentary

FRS 107: 36(b)

Where the Group holds collateral as security and other credit enhancements, please provide a description of these instruments and their financial effect (e.g. quantification of the extent to which collateral and other credit enhancements mitigate credit risk) in respect of the amount that best represents the maximum exposure to credit risk for each class of such financial instruments.

FRS 107: 38

Where the Group obtains collaterals and other credit enhancements during the financial period and continues to hold them as at the reporting date, please disclose the following:

(a) nature and carrying amount of the assets; and
(b) when the assets are not readily convertible into cash, its policies for disposing of such assets or for using them in its operations.

Please refer to the following as an illustrative guide:

During the financial year, the Group obtained assets by taking possession of collateral held as security. Those assets which are not yet derecognised as of 31 December 2016 are as follows:

Nature of assets	*Carrying amount*
	$'000
Inventories	
Property, plant and equipment	

Repossessed items are sold as practicable, with the proceeds used to reduce outstanding receivables.

Market risks

FRS 107: 33(a)(b)

The Group's activities expose it primarily to the financial risks of changes in foreign currency exchange rates and interest rates. The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risks, including foreign currency forward contracts to hedge against foreign currency risk and interest rate swaps to mitigate the risk of rising interest rates.

Foreign currency risks

The Group transacts business in various foreign currencies other than the respective functional currencies of the Company and its subsidiaries, including United States dollar (USD), Thai baht (THB) and Ringgit Malaysia (RM) and hence is exposed to foreign currency risks. These risks are managed either by foreign currency forward contracts in respect of actual or forecast currency exposures or through natural hedges arising from a matching of sales and purchases or a matching of assets and liabilities of the same currency and amount.

FRS 107: 34

42. Financial instruments and financial risks (Continued)

Market risks (Continued)

Foreign currency risks (Continued)

The Group's and the Company's exposure from foreign currency denominated monetary assets and monetary liabilities as at the end of the financial year is as follows:

	Group		Company	
	2016	2015	2016	2015
	$'000	$'000	$'000	$'000
Monetary assets				
United States dollar				
Thai baht				
Ringgit Malaysia				
Others				
Monetary liabilities				
United States dollar				
Thai baht				
Ringgit Malaysia				
Others				

The Company has a number of investments in foreign subsidiaries, whose net assets are exposed to foreign exchange translation risks.

FRS 107: 40

Foreign currency sensitivity analysis

The Group is mainly exposed to United States dollar (USD), Thai Baht (THB) and Ringgit Malaysia (RM).

The following table details the Group's sensitivity to a [%] (2015: ___%) change in USD, THB and RM against Singapore dollar. The sensitivity analysis assumes an instantaneous [%] (2015: ___%) change in the foreign currency exchange rates from the end of the financial year, with all variables held constant. The results of the model are also constrained by the fact that only monetary items, including external loans and loans to foreign operations, which are denominated in USD, THB and RM are included in the analysis. Consequently, reported changes in the values of some of the financial instruments impacting the results of the sensitivity analysis are not matched with the offsetting changes in the values of certain excluded items that those instruments are designed to finance or hedge.

	Increase/(Decrease)							
	Group		Company		Group		Company	
	Profit or Loss				Equity			
	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
USD								
Strengthens against $								
Weakens against $								
THB								
Strengthens against $								
Weakens against $								
RM								
Strengthens against $								
Weakens against $								

FRS 107: 34

42. Financial instruments and financial risks (Continued)

Market risks (Continued)

Foreign currency risks (Continued)

Commentary

Quantitative disclosures on foreign currency risk

FRS 107 does not prescribe a specific format for these disclosures. Instead the disclosures should be based on information provided internally to key management. The amounts included for the exposures could also, where relevant, incorporate the effect of derivatives used for hedging purposes, commitments/forecast transactions, net non-financial assets of foreign subsidiaries, and certain inter-company balances that result in currency exposure for the group.

Foreign currency exposure from inter-company balances

With reference to FRS 21:45, inter-company balances denominated in foreign currencies create foreign currency risk in the consolidated financial statements because the foreign currency exposure is not fully eliminated even though the balances are eliminated in the preparation of the consolidated financial statements. Thus, foreign currency exposure arising from inter-company balances should be disclosed in the consolidated financial statements and included in the sensitivity analysis. Translation risk associated with inter-company balances that are part of a net investment in a foreign operation is reflected in equity and should not be included in the sensitivity analysis.

Foreign currency forward contracts

Where the Group enters into foreign currency forward contracts with third parties or with the Group Treasury as part of its hedging activities to mitigate the foreign currency risks, please describe the objective, policies and procedures of its hedging activities.

Please refer to the following as an illustrative guide:

The Group transacts business in various foreign currencies, including United States dollar, Thai baht and Ringgit Malaysia and hence is exposed to foreign currency risks. To manage foreign currency risks, individual Group entities enter into foreign currency forward contracts with the Group Treasury which in turn manages the overall currency exposure mainly through foreign currency forward contracts.

The Group Treasury's risk management policy is to hedge between [%] and [%] of highly probable forecast transactions (mainly export sales and import purchases) in the next 3 months and approximately [%] of firm commitments, denominated in foreign currencies.

Sensitivity analysis

FRS 107: 40
B19, B21

A sensitivity analysis should be presented based on reasonably possible changes in significant risk variables (profit or loss, and equity). The reasonably possible change is based on the economic environment, may be different for different currencies and may change from year to year.

FRS 107: 42

Please include explanations for material variances between the current and previous financial year and/or increase/(decrease) in the profit or loss, and equity. In addition, where management believes that the sensitivity analyses are unrepresentative, that fact should be disclosed together with the reasons.

FRS 107: 34

42. Financial instruments and financial risks (Continued)

Market risks (Continued)

Interest rate risks

FRS 107: 33(a)(b)

The Group's interest rate risks relate to interest bearing liabilities and interest bearing assets.

The Group's policy is to maintain an efficient and optimal interest cost structure using a combination of fixed and variable rate debts, and long and short term borrowings. The Group enters into interest rate swaps to minimise its interest rate risks. The duration of such interest rate swaps do not exceed the tenor of the underlying debts. Further details of the interest rate swaps can be found in Note 26 to the financial statements.

The Group's and Company's exposure to interest rate risks is set out in a table below under Liquidity risks.

Interest rate sensitivity analysis

FRS 107: 40

The sensitivity analysis below has been determined based on the exposure to interest rate risks for both derivatives and non-derivative instruments at the end of the financial year. For floating rate liabilities, the analysis is prepared assuming the amount of liability outstanding at the end of the financial year was outstanding for the whole year. The sensitivity analysis assumes an instantaneous [%] (2015: ___%) change in the interest rates from the end of the financial year, with all variables held constant.

	Increase/(Decrease)							
	Group		Company		Group		Company	
	Profit or Loss				Equity			
	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Bank loans								
Bank overdraft								
Obligation under finance lease								
Interest rate swaps								

Commentary

FRS 107: 42

Please include explanations for material variances between the current and previous financial year or/and increase (decrease) in the profit or loss and equity. In addition, where management believes that the sensitivity analyses are unrepresentative, please disclose that fact and the reason(s).

FRS 107: 34

42. Financial instruments and financial risks (Continued)

Market risks (Continued)

Equity price risks

FRS 107: 33(a)(b)

The Group is exposed to equity price risks arising from equity investments classified as either available-for-sale financial assets or held-for-trading financial assets. Available-for-sale equity investments are held for strategic rather than trading purposes. The Group does not actively trade available-for-sale equity investments.

Further details of these equity investments can be found in Notes 21 and 25 to the financial statements.

Equity price sensitivity analysis

FRS 107: 40

The sensitivity analysis below has been determined based on the exposure to equity price risks at the balance sheet date.

The sensitivity analysis assumes an instantaneous [%] (2015: __%) change in the equity prices from the balance sheet date, with all variables held constant.

	Increase/(Decrease)							
	Group		Company		Group		Company	
	Profit or Loss				Equity			
	2016	2015	2016	2015	2016	2015	2016	2015
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Available-for-sale financial assets								
Held-for-trading financial assets								

Commentary

Please include explanations for material variances between 2015 and 2016 or/and increase (decrease) in the profit or loss and equity. In addition, where management believes that the sensitivity analyses are unrepresentative, please disclose that fact and the reason(s).

FRS 107: 34

42. Financial instruments and financial risks (Continued)

FRS 107: 33, 39

Liquidity risks

Liquidity risks refer to the risks in which the Group encounters difficulties in meeting its short-term obligations. Liquidity risks are managed by matching the payment and receipt cycle.

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. The table has been drawn up based on undiscounted cash flows of financial liabilities based on the earlier of the contractual date or when the Group is expected to receive or (pay). The table includes both expected interest and principal cash flows.

FRS 107: 34, 39(a)

	Effective interest rate	Less than 1 year	1 to 2 years	2 to 4 years	More than 5 years	Total
	%	$'000	$'000	$'000	$'000	$'000
The Group						
Trade and other payables*						
Obligations under finance leases						
Bank loans, floating interest rates						
Bank overdrafts						
As at 31 December 2016						
Financial guarantee contracts						
Trade and other payables*						
Obligations under finance leases						
Bank loans, floating interest rates						
Bank overdrafts						
As at 31 December 2015						
Financial guarantee contracts						

* Excludes advances received on construction contracts.

FRS 107: 34

42. Financial instruments and financial risks (Continued)

FRS 107: 34, 39(a)

Liquidity risks (Continued)

The disclosed amounts for the financial guarantee contracts represent the maximum amount of issued financial guarantees in the earliest time period for which the guarantees could be called upon in the contractual maturity analysis.

	Effective interest rate	Less than 1 year	1 to 2 years	2 to 4 years	More than 5 years	Total
	%	$'000	$'000	$'000	$'000	$'000
The Company						
Trade and other payables						
Bank loans, floating interest rates						
Bank overdrafts						
As at 31 December 2016						
Financial guarantee contracts						
Trade and other payables						
Bank loans, floating interest rates						
Bank overdrafts						
As at 31 December 2015						
Financial guarantee contracts						

FRS 107: AG B11C(c)

Commentary

FRS 107: AG B11C(c)

For issued financial guarantee contracts, the maximum amount of the guarantee is allocated to the earliest period in which the guarantee could be called.

FRS 107: 34, 39

42. Financial instruments and financial risks (Continued)

Liquidity risks (Continued)

FRS 107: 39(b)

The following table details the Group's maturity analysis for its derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows (outflows) on the derivative instruments that settle on a net basis and the undiscounted gross inflows (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates.

	Effective interest rate	Less than 1 year	1 to 2 years	2 to 4 years	More than 5 years	Total
	%	$'000	$'000	$'000	$'000	$'000
The Group						
Net-settled:						
Interest rate swaps						
Foreign currency forward contracts						
Gross-settled:						
Foreign currency forward contracts						
As at 31 December 2016						
The Group						
Net-settled:						
Interest rate swaps						
Foreign currency forward Contracts						
Gross-settled:						
Foreign currency forward Contracts						
As at 31 December 2015						

The Group's operations are financed mainly through equity, retained profits and bank borrowings. Adequate lines of credits are maintained to ensure the necessary liquidity is available when required.

The repayment terms of the finance leases, bank loans and overdrafts are disclosed in Notes 32 and 33 to these financial statements respectively.

FRS 107: 34, 39

42. Financial instruments and financial risks (Continued)

Offsetting financial assets and financial liabilities

FRS 107: 13C

The following table details the Group's financial assets which are subject to offsetting, enforceable master netting arrangements and similar agreements.

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		
				Financial instruments	Cash collateral received	Net amount
	$'000	$'000	$'000	$'000	$'000	$'000
<u>Group</u>						
As at 31 December 2016						
Trade and other Receivables						
Cash and bank balances						
Derivative financial Instruments						
Total						
As at 31 December 2015						
Trade and other receivables						
Cash and bank balances						
Derivative financial instruments						
Total						

<u>Group</u>						
As at 31 December 2016						
Trade and other payables						
Bank borrowings						
Derivative financial instruments						
Total						
As at 31 December 2015						
Trade and other payables						
Bank borrowings						
Derivative financial instruments						
Total						

FRS 107: 34, 39

42. Financial instruments and financial risks (Continued)

FRS 107: 13C

Offsetting financial assets and financial liabilities (Continued)

	Gross amounts of recognised financial assets	Gross amounts of recognised financial liabilities set off in the statement of financial position	Net amounts of financial assets presented in the statement of financial position	Related amounts not set off in the statement of financial position		Net amount
				Financial instruments	Cash collateral received	
	$'000	$'000	$'000	$'000	$'000	$'000
<u>Company</u>						
As at 31 December 2016						
Trade and other receivables						
Cash and bank balances						
Derivative financial instruments						
Total						
As at 31 December 2015						
Trade and other receivables						
Cash and bank balances						
Derivative financial instruments						
Total						

<u>Company</u>						
As at 31 December 2016						
Trade and other payables						
Bank borrowings						
Derivative financial Instruments						
Total						
As at 31 December 2015						
Trade and other payables						
Bank borrowings						
Derivative financial instruments						
Total						

FRS 107: 25, 29(a)

43. Fair value of financial assets and financial liabilities

Fair value of financial instruments that are not carried at fair value

Except as detailed in the following table, management considers that the carrying amounts of financial assets and liabilities recorded at amortised cost in the financial statements approximate their fair values due to their relative short term maturity.

	Carrying amount		Fair value	
	$'000	Level 1	Level 2	Level 3
2016		$'000	$'000	$'000
Group				
Financial assets				
Held-to-maturity financial assets:				
Unquoted debt securities				
Financial liabilities				
Borrowings:				
Finance leases				
Bank loans				
Company				
Financial assets				
Held-to-maturity financial assets:				
Unquoted debt securities				
Financial liabilities				
Bank loans				
2015				
Group				
Financial assets				
Held-to-maturity financial assets:				
Unquoted debt securities				
Financial liabilities				
Borrowings:				
Finance leases				
Bank loans				
Company				
Financial assets				
Held-to-maturity financial assets:				
Unquoted debt securities				
Financial liabilities				
Bank loans				

FRS 107: 29(b), 30

Fair value information has not been disclosed for the Group's investments in unquoted equity instruments that are carried at cost because their fair value cannot be determined reliably (Note 21). The Group has no plans to dispose of these securities in the foreseeable future.

FRS 107: 25, 29

43. Fair value of financial assets and financial liabilities (Continued)

Fair value of financial instruments that are not carried at fair value (Continued)

FRS 113: 93(b)(d), FRS 113; 97

The fair values of the unquoted debt securities for disclosures purposes have been determined using discounted cash flow pricing models and are considered level 3 fair value measurements. Significant inputs to the valuations include adjustments to the discount rate for credit risk associated with the risk of default.

The fair values of bank loans and finance leases for disclosure purposes have been determined using discounted cash flow pricing models and are considered level 3 fair value measurements. Significant inputs to the valuations include adjustments to the discount rate for credit risk associated with ABC Singapore Limited.

Commentary

FRS 107: 25, 29(a)

The disclosure of fair values of financial instruments not carried at fair value may be presented either in a single table, as above or in the respective notes, as also illustrated in these illustrative financial statements. Both types of disclosure are not however necessary. A statement such as the following may be considered as well:

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

FRS 113 requires specific disclosures for items measured or disclosed at fair value, depending on:

- The level of fair value measurement, and
- Whether the fair value measurement is **recurring** or non-recurring

Financial instruments are example of recurring fair values as fair valuation is required at each reporting date.

FRS 113: 97

For financial assets and liabilities that are not carried at fair value, but for which FRS 107 requires the disclosures of fair values, and entity must disclose:

- The fair value hierarchy level;
- A description of the valuation techniques used; and
- Significant unobservable inputs (Level 3).

However, quantitative disclosures about significant unobservable inputs for Level 3 fair value measurements are not required.

FRS 107: 25, 29

43. Fair value of financial assets and financial liabilities (Continued)

Financial instruments carried at fair value classified by level of fair value hierarchy are as follows:

FRS 113: 93(b)

	Fair value measurement using:		
	Level 1	Level 2	Level 3
2016	**$'000**	**$'000**	**$'000**
Group			
Assets			
Held-for-trading financial assets	X		
Derivative financial instruments		X	
Available-for-sale financial assets			
- Quoted equity securities	X		
Total			
Liabilities			
Derivative financial instruments		X	
Company			
Assets			
Held-for-trading financial assets	X		
Derivative financial instruments		X	
Available-for-sale financial assets			
- Quoted equity securities	X		
Total			
Liabilities			
Derivative financial instruments		X	

FRS 107: 25, 29

43. Fair value of financial assets and financial liabilities (Continued)

		Level 1	Level 2	Level 3
	2015	**$'000**	**$'000**	**$'000**
	Group			
	Assets			
FRS 113: 93(b)	Held-for-trading financial assets	X		
	Derivative financial instruments		X	
	Available-for-sale financial assets			
	- Quoted equity securities	X		
	Total			
	Liabilities			
	Derivative financial instruments		X	
	Company			
	Assets			
	Held-for-trading financial assets	X		
	Derivative financial instruments		X	
	Available-for-sale financial assets			
	- Quoted equity securities	X		
	Total			
	Liabilities			
	Derivative financial instruments		X	

There were no transfers between levels during the period.

FRS 113: 93(b) — The financial instruments included in level 1 are traded in active markets and their fair values are based on quoted market prices at the reporting date.

FRS 113: 93(d) — The financial instruments that are not traded in active markets comprise derivatives. The fair value of derivatives are determined through the use of discounted cash flow valuation techniques with observable market inputs such as yield curves and quoted forward rates at the reporting date. These financial instruments have been classified as level 2 in the current and previous financial years.

There have been no changes in the valuation techniques of the various classes of financial instruments during the financial year.

Commentary

FRS 113: 93 — For financial assets and liabilities carried at fair value, FRS 113 requires the following to be disclosed:

- FRS 113: 93(b) — The fair value hierarchy level ie L1, L2 or L3
- FRS 113: 93(c) — Any transfers between levels (L1 and L2)
- FRS 113: 93(d) — A description of the valuation techniques used, any changes in the techniques and the reasons why (L2 and L3).
- Significant unobservable inputs (L3)
- FRS 113: 93(g) — A description of valuation processes and policies (L3, this could be in Note 3.2 or here)
- FRS 113: 93(h) — A narrative description and quantitative analysis of the sensitivity of changes in significant unobservable inputs to fair value (L3)
- FRS 113: 93(e)(f) — A reconciliation between opening and closing fair value measurement, including any unrealised fair value gains/losses L3).

43. Fair value of financial assets and financial liabilities (Continued)

Commentary (Continued)

In the case of ABC Singapore Limited, we have presumed that the valuation techniques result in **level 1 or 2** fair value measurements, being based on quoted prices or observable inputs. However, if at least one unobservable input is used in the valuation, it will be classified as level 3 and the additional disclosure requirements for level 3 above will apply.

The following illustrative disclosure can be considered for level 3 fair values of financial assets and liabilities:

The valuation techniques and significant unobservable inputs used in determining the fair value measurement of level 3 financial instruments, as well as the inter-relationship between key unobservable inputs and fair value, are set out in the table below.

Financial Instrument	***Valuation techniques used***	***Significant unobservable inputs***	***Inter-relationship between key unobservable inputs and fair value***
[FINANCIAL INSTRUMENT]	*[VALUATION TECHNIQUE]* *[DESCRIPTION]* *[PROCESSES AND POLICIES]*	*[LIST SIGNIFICANT UNOBSERVABLE INPUTS USED]*	*[DESCRIBE WHETHER INCREASES OR DECREASES IN SIGNIFICANT UNOBSERVABLE INPUTS WOULD CAUSE AN INCREASE OR DECREASE IN FAIR VALUE]*
Unquoted equity investments	***Discounted cash flow***	– *Weighted average cost of capital (X% to X%; weighted average X%) (2015: X% to X%; weighted average X%)* – *Long term revenue growth rate (X% to X%; weighted average X%) (2015: X% to X%; weighted average X%)* – *Long-term pre-tax operating margin (X% to X%; weighted average X%) (2015: X% to X%; weighted average X%)* – *Discount for lack of marketability (X% to X%; weighted average X%) (2015: X% to X%; weighted average X%)* – *Control premium (X% to X%; weighted average X%)%) (2015: X% to X%; weighted average X%)*	*Increased long term revenue growth rate and long-term pre-tax operating margin by X% (2015: X%) and lower weighted average cost of capital (-X%) (2015: X%)would increase FV by $XX (2015: $____); lower long term revenue growth rate and long-term pre-tax operating margin (-X%) (2015: X%) and higher weighted average cost of capital (X%) (2015: X%) would decrease FV by $X (2015: $____)*

43. Fair value of financial assets and financial liabilities (Continued)

Commentary: (Continued)

The reconciliation of the opening and closing fair value balance of level 3 financial instruments is provided below:

	Equity investments $'000
At 1 January 2016	
Gains/(loss): included in 'other comprehensive income	
- Available-for-sale financial assets	
At 31 December 2016	
At 1 January 2015	
Purchases	
Disposals	
Gains/(loss): included in 'other comprehensive income	
- Available-for-sale financial assets	
At 31 December 2015	

The sensitivity analysis of a reasonably possible change in one significant unobservable input, holding other inputs constant, of level 3 financial instruments is provided below:

	Profit or loss		***Other comprehensive income (net of tax)***	
	Increase $'000	***Decrease $'000***	***Increase $'000***	***Decrease $'000***
2016				
[SIGNIFICANT UNOBSERVABLE INPUT #1] [REASONABLY POSSIBLE CHANGE]	*[VALUE]*	*[VALUE]*	*[VALUE]*	*[VALUE]*
[SIGNIFICANT UNOBSERVABLE INPUT #2] [REASONABLY POSSIBLE CHANGE]	*[VALUE]*	*[VALUE]*	*[VALUE]*	*[VALUE]*
[SIGNIFICANT UNOBSERVABLE INPUT #3] [REASONABLY POSSIBLE CHANGE]	*[VALUE]*	*[VALUE]*	*[VALUE]*	*[VALUE]*
2015				
[SIGNIFICANT UNOBSERVABLE INPUT #1] [REASONABLY POSSIBLE CHANGE]	*[VALUE]*	*[VALUE]*	*[VALUE]*	*[VALUE]*
[SIGNIFICANT UNOBSERVABLE INPUT #2] [REASONABLY POSSIBLE CHANGE]	*[VALUE]*	*[VALUE]*	*[VALUE]*	*[VALUE]*
[SIGNIFICANT UNOBSERVABLE INPUT #3] [REASONABLY POSSIBLE CHANGE]	*[VALUE]*	*[VALUE]*	*[VALUE]*	*[VALUE]*

FRS 1: 134, 135

44. Capital management policies and objectives

The Group manages its capital to ensure that the Group is able to continue as a going concern and maintains an optimal capital structure so as to maximise shareholder value.

The capital structure of the Group consists of equity attributable to equity holders of the parent, comprising issued capital, reserves and retained earnings as disclosed in Notes 28, 29 and 30.

Management monitors capital based on a gearing ratio. The Group and the Company are also required by the banks to maintain a gearing ratio of not exceeding [%] (2015: [%]). The Group's and Company's strategies, which were unchanged from the previous financial year, are to maintain gearing ratios within [%] and [%].

As disclosed in Note 30, a subsidiary of the Group is required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities.

The Group and the Company are in compliance with the above externally imposed capital requirements for the financial years ended 31 December 2016 and 2015.

Commentary

FRS 1: 135(d)

If there is no such externally imposed capital requirement, the Company/Group should consider making a negative statement to that effect.

The gearing ratio is calculated as net debt divided by total capital. Net debt is calculated as borrowings plus trade and other payables less cash and cash equivalents. Total capital is calculated as equity plus net debt.

The Group's management reviews the capital structure on a semi-annual basis. As part of this review, management considers the cost of capital and the risks associated with each class of capital. Upon review, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt. The Group's overall strategy remains unchanged from the previous financial year.

	2016 $'000	2015 $'000	2016 $'000	2015 $'000
Net debt				
Total equity				
Total capital				
Gearing ratio	[%]	[%]	[%]	[%]

Commentary

The above example illustrates capital management disclosure for a reporting entity that monitors its capital using a gearing ratio. Other entities may use different and/or more complex methods to monitor capital. An entity decides, in the light of its circumstances, which measures are more suitable to monitor its capital and how much detail it should disclose.

45. Events subsequent to the reporting date

Commentary

FRS 10: 21

The Group is required to disclose the nature of all material non-adjusting events that took place subsequent to the financial year end and an estimate of the corresponding financial effect, or in the event that the estimate cannot be made, a statement disclosing the fact.

46. Authorisation of financial statements

FRS 10: 17

The consolidated financial statements of the Group and the statement of financial position of the Company for the financial year ended 31 December 2016 were authorised for issue by the Board of Directors on [ ].

Commentary

Additional notes (where applicable):

FRS 102: 44, 45, 50

Where the entity has in place a share option scheme(s) during the financial year, please refer to the following illustrative disclosure for such a scheme under FRS 102:

Share option scheme

[Provide a description of the share-based payment arrangement: general terms and conditions, vesting requirements, maximum term of options granted, method of settlement]. Details of share options exercised during the financial year to subscribe for ordinary shares of the Company are as follows:

	Exercise price	Number exercised		Cash consideration received	
		2016	2015	2016	2015
				$'000	$'000
Scheme					

The proceeds were used as working capital for the Company.

Details of the outstanding share options are as follows:

	Group and Company			
	2016		*2015*	
	Number of share options	*Weighted average exercise price*	*Number of share options*	*Weighted average exercise price*
		$		$
At 1 January				
Exercised during the year				
Lapsed during the year				
At 31 December				
Exercisable at 31 December				

46. Authorisation of financial statements (Continued)

Commentary (Continued)

The weighted average share price at the date of exercise for share options exercised during the year was $_______(2015: $_______). The options outstanding at the end of the year have a weighted remaining contractual life of [ ] years (2015: [ ] years).

FRS 102: 46, 47

The estimated fair values of the options granted on [ ] is $_______. These fair values were calculated using the Black-Scholes pricing model. The inputs into the model were as follows:

	2016	***2015***
	$'000	***$'000***
Weighted average sale price		
Weighted average exercise price		
Expected volatility		
Expected life		
Risk free rate		
Expected dividend yield		

Expected volatility was determined by calculating the historical volatility of the Company's share price over the previous five years. The expected life used in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

The Group recognised total expenses of $__________ related to equity-settled share-based payment transactions during the year ended 31 December 2016.

CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

FRS 1: 88
FRS 1: 99

Format 3 - By Function — **Appendix A**

Reference		Note	Group 2016 $'000	Group 2015 $'000
FRS 1: 82(a), 103	Revenue	4		
FRS 1: 103	Cost of sales			
FRS 1: 103	**Gross profit**			
	Other items of income			
	Interest income	5		
FRS 1: 103	Other income	5		
	Other items of expense	5		
FRS 1: 103	Marketing and distribution expenses			
FRS 1: 103	Administrative expenses			
FRS 1: 103	Other expenses			
FRS 1: 82(b)	Finance costs	6		
FRS 1: 82(c)	Share of profit of associates	17		
FRS 1: 82(c)	Share of profit of joint venture	18		
	Profit before tax from continuing operations	7		
FRS 1: 82(d)	Income tax expense	8		
	Profit from continuing operations			
FRS 1: 82(ea)	Profit from discontinued operation	9		
FRS 105: 33(a)				
FRS 1: 81A(a)	**PROFIT**			
	Profit attributable to:			
FRS 1: 81B(a)(ii)	Owners of the parent			
FRS 1: 81B(a)(i)	Non-controlling interests			
	Earnings per share from continuing operations attributable to owners of the parent (cents)			
FRS 33: 66	Basic	11		
FRS 33: 66	Diluted	11		
	Earnings per share from continuing operations attributable to owners of the parent (cents)			
FRS 33: 68	Basic	11		
FRS 33: 68	Diluted	11		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

FRS 1: 88
FRS 1: 99

Format 3 - By Function **Appendix A**

Reference		Note	Group 2016 $'000	Group 2015 $'000
FRS 1: 81A(a)	**PROFIT**			
FRS 1: 82A	**Other comprehensive income:**			
FRS 1: 82A(a)(ii)	**Items that may be reclassified subsequently to profit or loss:**			
	Exchange differences			
	On translation of foreign operations			
FRS 1: 92, 94	Reclassification adjustments			
	Available-for-sale financial assets:			
	Fair value gains			
FRS 1: 92, 94	Reclassification adjustments			
FRS 1: 82A(b)(ii)	Share of other comprehensive income of associates	17		
	Share of other comprehensive income of joint venture	18		
FRS 1: 91(b)	Income tax relating to items that may be reclassified	10		
FRS 1: 82A(a)(i)	**Items that will not be reclassified subsequently to profit or loss:**			
	Gain on revaluation of property			
FRS 1: 91(b)	Income tax relating to items that will not be reclassified	10		
FRS 1: 81A(b)	**Other comprehensive income, net of tax**	10		
FRS 1: 81A(c)	**TOTAL COMPREHENSIVE INCOME**			
	Total comprehensive income attributable to:			
FRS 1: 81B(b)(ii)	Owners of the parent			
FRS 1: 81B(b)(i)	Non-controlling interest			

Commentary

In the application of FRS 1 *Presentation of Financial Statements,* the Group could elect to present:

- two statements – a separate income statement and a statement of comprehensive income (FRS 1: 81A).
- the components of other comprehensive income before related tax effects with one amount shown for the aggregate amount of income tax relating to these components (FRS 1: 91(b)); and
- the reclassification adjustments relating to components of other comprehensive income in the statement of comprehensive income (FRS 1: 94).

CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

FRS 1: 88
FRS 1: 99

Format 4 - By Nature — Appendix B

Reference		Note	Group 2016 $'000	Group 2015 $'000
FRS 1: 82(a), 102	Revenue	4		
	Other items of income			
	Interest income	5		
FRS 1: 102	Other income	5		
	Items of expense			
FRS 1: 102	Changes in inventories of finished goods and work in progress			
FRS 1: 102	Raw material and consumables used			
FRS 1: 102	Employee benefits expense			
FRS 1: 102	Depreciation and amortisation expense			
FRS 1: 85	Impairment of property, plant and equipment			
FRS 1: 102	Other expenses			
FRS 1: 82(b)	Finance costs	6		
FRS 1: 82(c)	Share of profit of associates	17		
FRS 1: 82(c)	Share of profit of joint venture	18		
	Profit before tax from continuing operations			
FRS 1: 82(d)	Income tax expense	7		
	Profit for the year from continuing operations	8		
FRS 1: 82(ea) FRS 105: 33(a)	Profit for the year from discontinued operation	9		
FRS 1: 81A(a)	**PROFIT FOR THE YEAR**			
	Profit attributable to:			
FRS 1: 81B(a)(ii)	Owners of the Company			
FRS 1: 81B(a)(i)	Non-controlling interests			
	Earnings per share from continuing operations attributable to owners of the parent (cents)			
FSR 33: 66	Basic	11		
FRS 33: 66	Diluted	11		
	Earnings per share from discontinued operation attributable to owners of the parent (cents)			
FSR 33: 68	Basic	11		
FRS 33: 68	Diluted	11		

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

FRS 1: 88
FRS 1: 99

Format 4 - By Nature — **Appendix B**

Reference		Note	Group 2016 $'000	Group 2015 $'000
FRS 1: 81A(a)	**PROFIT**			
	Other comprehensive income:			
FRS 1: 82A(a)(ii)	**Items that may be reclassified subsequently to profit or loss:**			
	Exchange differences			
	On translation of foreign operations			
FRS 1: 92, 94	Reclassification adjustments			
	Available-for-sale financial assets:			
	Fair value gains			
FRS 1: 92, 94	Reclassification adjustments			
FRS 1: 82A(b)(ii)	Share of other comprehensive income of associates	17		
	Share of other comprehensive income of joint venture	18		
FRS 1: 91(b)	Income tax relating to items that may be reclassified	10		
FRS 1: 82A(a)(i)	**Items that will not be reclassified subsequently to profit or loss:**			
	Gain on revaluation of property			
FRS 1: 91(b)	Income tax relating to items that will not be reclassified	10		
FRS 1: 81A(b)	**Other comprehensive income, net of tax**	10		
FRS 1: 81A(c)	**TOTAL COMPREHENSIVE INCOME**			
	Total comprehensive income attributable to:			
FRS 1: 81B(b)(ii)	Owners of the parent			
FRS 1: 81B(b)(i)	Non-controlling interests			

Commentary

In the application of FRS 1 *Presentation of Financial Statements*, the Group could elect to present:

- two statements – a separate income statement and a statement of comprehensive income (FRS 1: 81(A)).
- the components of other comprehensive income before related tax effects with one amount shown for the aggregate amount of income tax relating to these components (FRS 1: 91(b)); and
- the reclassification adjustments relating to components of other comprehensive income in the statement of comprehensive income (FRS 1: 94).