



THE HALLMARK OF
PASSION AND
COMMITMENT

2019 ANNUAL REPORT

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CORPORATE PROFILE

Established in 1974 and listed on the mainboard of the Singapore Stock Exchange in 2000, Federal International (2000) Limited ("Federal" and together with its subsidiaries, the "Group"), is an integrated service provider and procurement specialist in the oil and gas, and energy industries. The Group's main trading business contributes over 90% of total turnover. The Group's strategy for sustainable growth of the trading business is through forming strategic partnerships. One such partnership is with PT Gunanusa Utama Fabricators ("PTG"). PTG is an established EPCIC contractor and its customers include oil majors such as TOTAL, Petronas, ONGC, Pertamina and PTTEP. The Group provides procurement services to PTG for the projects secured by PTG.

In addition, the Group has a design and manufacturing facility located in Scotland, the United Kingdom. The facility is American Petroleum Institute (API) Q1, Spec 6D, ISO 9001:2015 and Pressure Equipment Directive 97/23/EC (PED) certified. Products manufactured also meet the Safety Integrity Level (SIL) Qualification independently certified by Exida. The Group also owns a floating, storage and offloading ("FSO") vessel through its 30% interest in an associate. The FSO is chartered to PT Pertamina Hulu Energi OSES. The Group has a 1,200 HP American built land drilling rig. The Group also operates an industrial water plant in the People's Republic of China under a 30-year Build, Operate and Transfer agreement with the local Xinjin County government.

OUR VISION

We aim to be a growth-driven company supporting the oil and gas, energy and marine industries globally.

OUR MISSION

To be the preferred business partner and one-stop solutions provider, delivering quality and innovative products and services to our customers.

OUR MOTTO

We are committed to providing quality products and reliable services to our customers at competitive prices.

We adopt new mindsets and innovative ideas.

We focus on continuous process improvements and the alignment of our strategies with our vision and mission so as to deliver value to our customers, shareholders and employees.



LETTER TO SHAREHOLDERS

"On the business front, we will continue to monitor the impact of the COVID-19 outbreak and proactively manage our risks. We will need to work hard to grow our order book. We believe that we can also increase our order flow through our strategic initiatives."



DEAR SHAREHOLDERS,

On behalf of the Board of Federal International (2000) Ltd ("**Federal**", or together with its subsidiaries, the "**Group**"), I am pleased to present our Annual Report 2019 for the financial year ended 31 December 2019 ("**FY2019**").

YEAR IN REVIEW

FY2019 has been a challenging year for the Group as we navigate through subdued oil prices and the Sino-US trade war which impacted overall business sentiments and capex spending in our industry.

Despite the major challenges in a tough operating environment, we have managed to deliver a net profit attributable to shareholders of S\$2.4 million in FY2019, reversing from a net loss attributable to shareholders incurred in FY2018. Group revenue has also surged 44.8% to S\$62.6 million in FY2019, mainly contributed by higher sales from our Trading business in China and Indonesia.

Our core competency and expertise have always been in our Trading business as a procurement specialist serving the offshore marine, infrastructure, oil and gas customers. Our Group will continue to focus on growing this pillar of strength as we look to build up new capabilities and to add on new customer base from other industries.

LETTER TO SHAREHOLDERS

BUILDING NEW CAPABILITIES AND EXPERTISE

In September 2019, our Group acquired a 60.0% stake in Cornerstone Offshore Pte. Ltd. (“**Cornerstone**”). Incorporated in Singapore, Cornerstone provides engineering design and consultancy services in the offshore marine, oil and gas industry. This acquisition would enable the Group to move up the value chain and provide consultancy services to our existing customers and new customers. In addition, the Group would be able to develop a new stream of fee-based income plus acquiring new capabilities and skillsets.

ENTERING INTO VIETNAM OFFSHORE OIL & GAS

In April 2019, our Group secured a major offshore oil and gas project in Vietnam. The US\$6.0 million procurement contract is for the plugging and abandonment of three subsea oil wells at the Dai Hung (“DH”) field in offshore Vietnam.

Based on data from the General Statistics Office of Vietnam, Vietnam exported approximately 4.0 million tonnes of crude oil, fetching US\$2.03 billion, and imported 7.6 million tonnes for US\$3.6 billion in 2019. Import of refined petroleum products was 9.8 million tonnes worth around US\$6.0 billion.¹ In addition, Vietnam Oil and Gas Group (“**PVN**”) reported that it had surpassed its oil and gas exploration target by 11.5% in the first two months of 2020.² The well-publicised Spratly Islands dispute in the South China sea has also revealed much potential in the region. The Geology and Mineral Resources Ministry of China estimated that the Spratly area holds oil and natural gas reserves of 17.7 billion tonnes placing it as potentially the fourth largest reserve bed in the World.³

Our Group is excited to work on such opportunities in Vietnam’s growing oil and gas industry and is hopeful of more similar projects as we look to grow our presence in Vietnam and enhance our reputation as a procurement specialist in the region.



PGN SAKA-EPIC SIDAYU Wellhead Platforms and Pipelines Project



Solar Street Light

SOLUTIONS PROVIDER IN RENEWABLE ENERGY

In November 2019, our Group was awarded a US\$17.8 million procurement contract to supply solar street lamps in Indonesia. The project’s main aim is to provide renewable energy, clean, affordable and efficient street lighting for rural areas in Indonesia.

Our Group made a strategic decision to diversify into renewable energy space to mitigate the impact that lower oil prices may cause. The Indonesian government sets a target for 23% renewables in the national energy mix by 2025. Indonesia has previously issued policies to help achieve that target, for instance a 2018 ministry-level decree regulating the installation of solar rooftops.⁴ Every year, about 8.5 million motor vehicles are added to Indonesia’s roads.⁵ Industrial renewable energy usage is also increasing along with Indonesia’s economic growth. We foresee a huge potential to be tapped in the growing demand for solar street lamps as more roads are being built to cater to increased traffic conditions and accessibility in Indonesia.

Our Group seeks an active role in providing solutions and procurement services as its government steers the country away from coal-fired energy source to reduce its carbon emissions and generate significant cost savings in the long run.



1 General Statistics Office, Vietnam

2 vietnamnews.vn/economy/653399/pvn-oil-and-gas-exploitation-exceeds-115-of-the-plan.html

3 nationalinterest.org/feature/beijing-needs-the-south-china-sea-stay-top-17223

4 www.eco-business.com/news/new-renewables-bill-may-give-indonesia-chance-to-move-away-from-coal/

5 www.cekindo.com/sectors/renewable-energy

LETTER TO SHAREHOLDERS



FPSO UWILD Project

REGIONAL PROCUREMENT SPECIALIST

In February 2020, our Group secured procurement contracts from customers in Thailand and Malaysia valued at US\$11.3 million and letters of intent valued at US\$1.8 million from customers in Thailand, Malaysia and Vietnam to supply flow control products for deployment at oil and gas sites. These contracts are expected to be completed and delivered by November 2020. Despite weaker oil prices, these contracts are crucial in gaining a foothold in the region and further enhanced our reputation as a procurement specialist in the region.

OIL & GAS MARKET OUTLOOK

Brent crude prices had been trading in a range of US\$60 to US\$70 per barrel for most parts of 2019. However, due to the Covid-19 pandemic, many asset classes including commodity prices underwent a sharp downturn in early 2020. Brent crude prices plunged from US\$68.91 per barrel on 6 January 2020 to a recent low of US\$25.80 per barrel on 27 March 2020.⁶

International Energy Agency and OPEC estimated that developing nations' oil and gas income will fall by 50% to 85% this year to a more than two-decade low if current market conditions persist.⁷

Our Group is cautiously optimistic that oil prices will recover to some extent during the course of the year. On the business front, we will continue to monitor the impact of the COVID-19 outbreak and proactively manage our risks. We will need to work hard to grow our order book. We believe that we can also increase our order flow through our strategic initiatives.

Our strategic tie-up with PT Gunanusa Utama Fabricators ("PTG") cemented our Group as their sole exclusive procurement agent. PTG is an established EPCIC contractor serving many major and national oil and gas players. The order flow at PTG's yard has continued to be strong through 2020.

⁶ Brent crude prices, Bloomberg data, 27 March 2020

⁷ www.reuters.com/article/us-global-oil-opec-iaa/developing-nations-may-lose-up-to-85-of-oil-and-gas-income-this-year-iaa-opec-idUSKBN213332?feedType=RSS&feedName=newsOne

LETTER TO SHAREHOLDERS



FSO "Federal II"

OFFSHORE MARINE MARKET OUTLOOK

Shipowners across the world have placed orders for hundreds of scrubbers that allow them to continue using high sulphur fuels even after a new International Maritime Organisation ("IMO") regulation limited the sulphur cap in shipping fuels to 0.5% from 2020.⁸ Shipowners would continue to invest in scrubbers as they form a vital part of their IMO 2020 compliance strategy. Vessels with scrubbers can also command a higher charter rate for example as a scrubber-fitted and non-scrubber VLCC is currently being offered around US\$44,500 per day and US\$38,000 per day respectively. Because of the IMO regulation, shipyards are experiencing high demand for retrofitting of scrubbers on vessels.

Our Group's Trading operation in China has been active since 4Q2019 in procuring scrubbers for shipyards in China. Geographic revenue contribution from China leaped 170% from S\$7.2 million in FY2018 to S\$19.5 million in FY2020. Our Group expects the demand for scrubbers to continue in 2020 due to IMO regulations.

INDONESIA'S INFRASTRUCTURE SPENDING⁹

In May 2019, President Joko Widodo ("Jokowi") announced an ambitious US\$412.0 billion plan to build and develop infrastructure in Indonesia. Jokowi's strategy is to use infrastructure as a springboard to boost economic growth and spread wealth beyond the main island-powerhouse of Java, where the capital is located. The administration believed that the only way for Indonesia to have higher economic growth is through higher connectivity especially in remote areas.

According to the plan, 40% of the total will be funded directly by the government, 25% through state-owned enterprises and the rest through the private sector. About 60% of the spending will go towards transportation-related infrastructure like toll roads, street lamps and bridges etc. In October 2018, we have secured three procurement supply contracts for toll roads projects in Indonesia. With this experience and track record established, our Group will continue to bid for similar infrastructure-related projects in Indonesia to beef up our order book.

FSO CHARTER (FEDERAL II)

The Group owns a floating, storage and offloading ("FSO") vessel – Federal II. Federal II was chartered out for 5 years since 6 September 2018 for US\$51.3 million with PT Pertamina Hulu Energi OSES. Federal II will continue to be deployed at the Widuri Field in Indonesia.

APPRECIATION

On behalf of the Board, I would like to express my gratitude to our valued customers, bankers and business partners for their unwavering support throughout the years.

I would also like to take this opportunity to thank all my fellow Board members, management and all staff for their hard work and relentless commitment to contribute to the Group in these exciting but challenging times.

Last but not least, I would like to extend my appreciation to our valued shareholders for displaying faith in the strategic direction of the Group as we strive towards generating greater long-term shareholder returns and sustainable future. Thank you.

MR. KOH KIAN KIONG

Executive Chairman and CEO

31 March 2020

⁸ www.hellenicshippingnews.com/shipowners-forge-ahead-with-scrubbers-despite-narrowing-high-low-sulfur-spread/

⁹ <https://www.bloomberg.com/news/articles/2019-05-16/indonesia-has-a-412-billion-plan-to-rebuild-the-country>

BOARD OF DIRECTORS



1. Mr. Koh Kian Kiong

2. Ms. Maggie Koh

3. Mr. Koh Beng Guan, Don



4. Mr. Heng Lee Seng

5. Mr. Yee Kee Shian, Leon

6. Mr. Khoo Boo Yeow, Andrew

7. Mr. Loh Eu Tse, Derek

BOARD OF DIRECTORS

1. MR. KOH KIAN KIONG

EXECUTIVE CHAIRMAN AND CHIEF
EXECUTIVE OFFICER

MR. KOH was first appointed to the Board of Directors on 13 November 1999 and was last re-elected on 27 April 2018. Mr. Koh is also the Executive Chairman and Chief Executive Officer of the Company. He will be standing for re-election on 27 April 2020. He is also a member of the Executive Committee and Nominating Committee. He is one of the founders of the Group and has more than 45 years of experience in the oil and gas industry. Mr. Koh oversees the formulation of the Group's corporate strategies and expansion plans. Mr. Koh holds directorships in various subsidiaries and associated companies of the Group.

Present Directorships (as at March 2020)

Listed companies:

Federal International (2000) Ltd

Others (Non-listed companies):

Subsidiaries and associated companies
of the Federal Group
Gunanusa Utama Pte Ltd

Past Directorships in listed companies held over the preceding five years

(from March 2015 to March 2020)

NIL

Other Principal Commitments

NIL

2. MS. MAGGIE KOH

EXECUTIVE DIRECTOR

MS. MAGGIE KOH was first appointed to the Board of Directors on 19 June 2000 and was last re-elected on 28 April 2017. She will be standing for re-election on 27 April 2020. She is also a member of the Executive Committee. She has more than 20 years of experience in the oil and gas industry. She oversees the trading business of the Group and holds directorship in various subsidiaries and associated companies of the Group. She also serves as Vice-Chairman at the Tanjong Katong Girls' School Advisory Committee. Ms. Koh holds a Master in Business Administration.

Present Directorships (as at March 2020)

Listed companies:

Federal International (2000) Ltd

Others (Non-listed companies):

Subsidiaries and associated companies of
the Federal Group

Past Directorships in listed companies held over the preceding five years

(from March 2015 to March 2020)

NIL

Other Principal Commitments

NIL

3. MR. KOH BENG GUAN, DON

EXECUTIVE DIRECTOR

MR. DON KOH was first appointed to the Board of Directors on 1 January 2017 and was last re-elected on 30 April 2019. He is also a member of the Executive Committee. He joined the Group in 1999 and is the Managing Director of Alton International (S) Pte Ltd ("Alton"). He holds directorships in selected subsidiaries of the Group. He is responsible for the operations and business development of the Alton group of companies including but not limited to Alton International (S) Pte Ltd, Alton International (Thailand) Co., Ltd., PT Fedsin Rekayasa Pratama and other Indonesia subsidiaries. He is also the Executive Director of Federal Hardware Engineering Co Pte Ltd. He has a Bachelor in Business Administration from the Southern Cross University, Australia.

Present Directorships (as at March 2020)

Listed Companies:

Federal International (2000) Ltd

Others (Non-listed companies):

Subsidiaries and associated Companies
of the Federal Group
Gunanusa Utama Pte Ltd

Past Directorships in listed companies held over the preceding five years

(from March 2015 to March 2020)

NIL

Other Principal Commitments

NIL

BOARD OF DIRECTORS

4. MR. HENG LEE SENG

LEAD INDEPENDENT DIRECTOR

MR. HENG was first appointed to the Board of Directors on 22 August 2000 and was last re-elected on 28 April 2017. He will be standing for re-election on 27 April 2020. He is the Chairman of the Audit Committee and a member of the Remuneration Committee and the Nominating Committee. He is a practising Chartered Accountant with more than 40 years' experience. Mr. Heng is a member of CPA Australia, Chartered Institute of Management Accountants, Association of Chartered Certified Accountants and Chartered Institute of Secretaries and Administrators. He is a holder of the designation CGMA (Chartered Global Management Accountant).

Present Directorships (as at March 2020)

Listed companies:

Federal International (2000) Ltd
Winas Limited

Others (Non-listed companies):

HLS Tax Advisory Services Pte Ltd
HLS Corporate Services Pte Ltd
HLS Risk Advisory Services Pte Ltd
Safe & Sound Pte Ltd

Past Directorships in listed companies held over the preceding five years

(from March 2015 to March 2020)
NIL

Other Principal Commitments

Heng Lee Seng LLP, Partner
HLS Corporate Services Pte Ltd,
Director
HLS Tax Advisory Services Pte Ltd,
Director
HLS Risk Advisory Services Pte Ltd,
Director

5. MR. YEE KEE SHIAN, LEON

INDEPENDENT DIRECTOR

MR. LEON YEE was first appointed to the Board of Directors on 23 March 2010 and he was last re-elected on 27 April 2018.

Mr. Yee is the Chairman and the Managing Director of Duane Morris & Selvam LLP. He serves as the Global Head of Corporate for Duane Morris & Selvam and leads the Banking & Finance and Energy Practice Groups. He is also Head of the Firm's China Practice Group. Mr. Yee has extensive corporate law expertise and regularly advises ultra-high net worth individuals, private equity funds, investment banks, listed and private companies on corporate finance, venture capital, capital markets, takeovers, cross-border mergers and acquisitions, corporate governance, corporate restructurings and joint ventures. He has also advised banks and project companies on complex financing transactions and has a particular focus on Korea, Indonesia and PRC related deals.

Mr. Yee is consistently recognised as a highly regarded lawyer by the IFLR1000 and The Legal 500 Asia Pacific for Banking & Finance, Corporate and M&A and Projects & Energy.

Mr. Yee serves as an Independent Director of SGX-listed Federal International (2000) Ltd. He is the Chairman of the Nominating Committee as well as the Remuneration Committee and also a member of the Audit Committee of SGX-listed Federal International (2000) Ltd. He is also an Independent Director of Laura Ashley Holdings PLC which is listed on the London Stock Exchange and SGX-listed FJ Benjamin Holdings Ltd.

He has deep industry knowledge in global fashion businesses, real estate development and the oil & gas sectors and also has extensive experience in corporate governance. He also works closely with venture firms and private equity firms on advising technology, life sciences and other growth enterprises worldwide.

He is a member of the Tan Kah Kee International Society and a Visiting Professor of Law at Jimei University, China. He is also the Honorary Legal Adviser to the Char Yong (Dabu) Hakka Clan Association.

Mr. Yee sits on the Board of Governors, St. Joseph's Institution (SJI), Singapore, which was founded in 1852 and is the oldest catholic school in Singapore. He is the President of the St. Joseph's Institution Foundation (Singapore), a registered charity in Singapore.

Mr. Yee read Law at Christ's College, Cambridge University on a Cambridge Commonwealth Trust scholarship where he graduated with Honours. Mr. Yee also founded and chaired the Cambridge University Asian Lawyers Association.

He is an Advocate & Solicitor of the Supreme Court of Singapore and a Solicitor of England and Wales.

Present Directorships (as at March 2020)

Listed companies:

Federal International (2000) Ltd
FJ Benjamin Holdings Ltd

BOARD OF DIRECTORS

6. MR. KHOO BOO YEOW, ANDREW

INDEPENDENT DIRECTOR

7. MR. LOH EU TSE, DEREK

INDEPENDENT DIRECTOR

Others (Non-listed companies):

Cambridge Alliance Capital Pte. Ltd.
Cambridge Alliance Fund No. 1 Pte. Ltd.
Selvam LLC
Cambridge RE Assets Fund No. 2 Pte. Ltd.
Cambridge RE Assets Fund No. 3 Pte. Ltd.
Cambridge RE Assets Fund No. 5 Pte. Ltd.
Cambridge RE Assets Fund No. 7 Pte. Ltd.
Ladderman Limited
Ladderman (HK) Limited
Caelius Pte. Ltd.
Knightsbridge Auto Pte. Ltd.
St. Joseph's Institution Foundation for the Lasallian Mission Ltd.
Christ's College, Cambridge, Foundation (Singapore) Limited
Duane Morris & Selvam LLP

Past Directorships in listed companies held over the preceding five years

(from March 2015 to March 2020)
Pacific Star Development Limited
Laura Ashley Holdings PLC

Other Principal Commitments

Duane Morris & Selvam LLP, Chairman & Managing Director
Selvam LLC, Managing Director

MR. KHOO was first appointed to the Board of Directors on 10 August 2012 and was last re-elected on 30 April 2019. Mr. Khoo is also a member of the Audit Committee and Remuneration Committee. He is currently the Chairman and Chief Executive Officer of Malayan United Industries Berhad, the Chief Executive Officer and Executive Director of MUI Properties Berhad, an Executive Director of Pan Malaysia Corporation Berhad and Network Foods International Ltd and a Non-Executive Chairman of Laura Ashley Holdings PLC. Previously, he was the Chief Operating Officer and Director of Group Business Developments of a Singapore Listed Company. He was also the Director of Corporate Affairs in a UK and Malaysian Listed company. Mr. Khoo holds a degree in law from Cambridge University and a Master of Business Administration from Seattle Pacific University. He was called to the Bar at Lincoln's Inn in 2002.

Present Directorships (as at March 2020)

Listed companies:

Malayan United Industries Berhad
MUI Properties Berhad
Pan Malaysia Corporation Berhad
Federal International (2000) Ltd

Others (Non-listed companies):

Subsidiaries of the MUI Group
Subsidiaries of the Pan Malaysian Industries Berhad Group
Laura Ashley Holdings PLC and its subsidiaries

Past Directorships in listed companies held over the preceding five years (from March 2015 to March 2020)
NIL

Other Principal Commitments

Chairman and Chief Executive Officer, the MUI Group
Non-Executive Chairman, Laura Ashley Holdings PLC
President, Franchise and Licensing Association (Singapore)

MR. LOH was first appointed to the Board of Directors as Non-Executive and Independent Director on 1 November 2018 and is a member of the Audit Committee and Nominating Committee. Mr. Loh was last re-elected on 30 April 2019. He graduated with honours from the University of Cambridge and practices law in Singapore as a Partner of TSMP Law Corporation. He is an Advocate and Solicitor of the Supreme Court of Singapore. Mr Loh is also an Independent Director of Adventus Holdings Ltd, DISA Limited, Vibrant Group Ltd, Vietnam Enterprise Investments Ltd. and K2 F&B Holdings Limited. He is a member of the Board of Governors of SJI International and also a trustee and a member of the Management Committee of the SJI Foundation, a registered charity in Singapore.

Present Directorships (as at March 2020)

Listed companies:

Adventus Holdings Ltd
DISA Limited
Vibrant Group Ltd
Vietnam Enterprise International Ltd
Federal International (2000) Ltd
K2 F&B Holdings Limited

Others (Non-listed companies):

St Joseph's Institution International Ltd.
St Joseph's Institution Foundation for the Lasallian Mission Ltd.
Camembert Holdings Pte. Ltd.
St Joseph's Institution International Lasallian School Ltd.
TSMP Law Corporation
Lasallian Asia Partnership for International Schools Pte. Ltd.

Past Directorships in listed companies held over the preceding five years (from March 2015 to March 2020)
Metech International Limited

Other Principal Commitments

Partner, TSMP Law Corporation
Director, St Joseph's Institution International Elementary School Ltd
Director, St Joseph's Institution International Ltd
Trustee, St Joseph's Institution Foundation For The Lasallian Mission Ltd.

KEY EXECUTIVES AND MANAGEMENT

MR. SAM KWAI HOONG

GROUP CHIEF FINANCIAL OFFICER
AND COMPANY SECRETARY,
FEDERAL INTERNATIONAL (2000) LTD

MR. SAM joined the Group as the Group Chief Financial Officer in November 2018 and is responsible for the management of the Group's financial, treasury, taxation and IT matters. He has also been appointed as the Company Secretary. Prior to his appointment, Mr. Sam had held various senior finance positions in listed companies in the oil and gas industries. He has extensive experiences in accounting, finance and general management. Mr. Sam holds a Degree of Bachelor of Accountancy with National University of Singapore and is a Chartered Accountant with the Institute of Singapore Chartered Accountants.

MR. DENG GUAN QUN

CHIEF EXECUTIVE OFFICER,
FEDERAL ENVIRONMENTAL & ENERGY
PTE LTD

MR. DENG joined the Group in 1995 and is the Chief Executive Officer of Federal Environmental & Energy Pte Ltd ("FEE"). He is also the Chief Executive Officer of Federal International (Shanghai) Co., Ltd ("FIS") and holds directorships in various subsidiaries of FEE. Mr. Deng is responsible for the operations of FIS and the FEE group of companies, providing strategic planning and business development leadership. He is also responsible for the Group's environmental protection business in People's Republic of China, including the management of the Group's industrial water plant and environmental engineering company. Mr. Deng holds a Master in Mechanical Engineering from the Shanghai Jiao Tong University and an Executive Master in Business Administration from United Business Institutes, Brussels, Belgium.

MR. RICHARD DOCHERTY

MANAGING DIRECTOR, KVC (UK) LTD

MR. DOCHERTY joined the Group in 2004 and is the Managing Director of KVC (UK) Ltd. Mr. Docherty is responsible for the operations and business development of KVC (UK) Ltd, the manufacturing arm of the group for Pipeline Ball Valves. His career in the Valve Industry spans over 40 years which has seen him being extensively involved in the supply of valves to the UK and Norwegian Sector Offshore Industry. In more recent times, Mr. Docherty and his Scottish Manufacturing Team have projected the KVC (UK) Ltd Pipeline Ball Valve on a global scale with numerous appointed agents and distributors worldwide. The KVC (UK) Ltd Pipeline Ball Valve is now a widely used and specified product in the global oil and gas industries.

MS. NG GEOK LAN, TINA

GENERAL MANAGER, GROUP HR
AND QUALITY LOGISTICS, FEDERAL
INTERNATIONAL (2000) LTD

MS. NG joined the Company in September 2011 and is the General Manager, Group HR and Quality Logistics of Federal International (2000) Ltd. She has more than 25 years of experience in operational HR management, with focus on solutions and service deliverables for short-term and long-term objectives; cross functional exposure, ranging from human resource development to leading strategic roles in operations management, including warehouse & logistics management, facilities management, security and quality management. She is appointed as the Management Representative for the Group's Quality, Environmental, Occupational Health & Safety ("QEHS") Management Systems. She holds a Master of Business Administration from the University of Chester, UK.



KEY EXECUTIVES AND MANAGEMENT

MR. QUEK CHENG HOCK

MANAGING DIRECTOR,
FEDERAL FIRE ENGINEERING PTE LTD

MR. QUEK joined the Group in November 2013 and is the Managing Director of Federal Fire Engineering Pte Ltd, a wholly-owned subsidiary of the Company. He has been in the fire protection industry since 1990, with experience in fire suppression products, its engineering and applications. His fire protection experience covers industries such as telecommunications, pharmaceutical, petroleum, oil and gas, power generation and other high value facilities in Singapore and in the Asia Pacific. He holds a First Class Honors degree in Manufacturing and Mechanical Engineering.

MR. TAY HANG HEE, MICHAEL

PROJECT DIRECTOR,
FEDERAL INTERNATIONAL (2000) LTD

MR. TAY joined the Group in 2001 and is the Project Director of Federal International (2000) Ltd. He also holds directorships in various subsidiaries of the Group. With over 30 years of experience in the oil and gas industry, he is responsible for overseeing the operations of the Group's international markets, including operations in Indonesia. He is also the Business Development Director of Federal Hardware Engineering Co Pte Ltd. He holds a Master in Business Administration from the University of South Australia, Adelaide.

MR. SIM WAI HAN, PHILIP

MANAGING DIRECTOR,
CORNERSTONE OFFSHORE PTE LTD

MR. SIM joined the Group in September 2019 and is the Managing Director of Cornerstone Offshore Pte Ltd, incepted in July 2017, which is now a subsidiary of Federal International (2000) Ltd since September 2019. He has been in the offshore and subsea industry since 2008, with experience that include provision of marine, surface, seabed and underwater services. His experience covers industries that includes Oil & Gas, telecommunications, power utilities and mining in the Asia Pacific region. Since Cornerstone Offshore Pte Ltd's inception, Mr. Sim has established strategic and sustainable joint ventures in Malaysia and Indonesia through Cornerstone Offshore Pte Ltd to provide innovative solutions to the Oil & Gas and Telecommunications industry, with a vision to expand into the other countries in the Asia Pacific region. He holds an Honour Degree in Mechanical Engineering from the University of Glasgow, United Kingdom.



BUSINESS AND FINANCIAL REVIEW

FY2019 has been a challenging year for the Group as we navigate through subdued oil prices and the Sino-US trade war which impacted overall business sentiments and capex spending in our industry. Despite a tough operating environment, we are heartened to deliver a net profit after tax of \$2.4 million in FY2019, reversing from a net loss after tax of \$6.5 million incurred in FY2018.

REVENUE

Group revenue of \$62.6 million was 44.8% higher compared with the revenue for FY2018 of \$43.2 million. This was due mainly to higher sales from the Trading business in China and Indonesia.

The Group's Trading business in China in 4Q2019 contributed to the Group's revenue arising from an increase in demand for ship scrubbers. Under new International Maritime Organization ("IMO") regulation limiting the sulphur cap in shipping fuels to 0.5% from 2020, shipyards would need to help vessels to retrofit scrubbers to comply with IMO 2020 regulations.

The Indonesian government's continued spending on onshore mega projects drove demand for our services. The provision of procurement services to the infrastructure sector provided a source of revenue offsetting a weak demand in flow control products locally.

The Trading business continued to be its key revenue driver, contributing 90.6% of total revenue in FY2019. Revenue contribution from Trading climbed 42.5% to \$56.7 million in FY2019 (FY2018: \$39.8 million). However, Manufacturing/Design/Research and Development business saw its revenue contribution dipped 17.2% to \$2.4 million in FY2019 (FY2018: \$2.9 million) due to continued weak demand for flow



control products. Energy and Utilities business generated an increase of 180% to \$1.4 million in FY2019 (FY2018: \$0.5 million) due mainly to increased work orders for water treatment projects in China during the year. Corporate & Other businesses delivered \$1.7 million in FY2019 with the deployment of the Group's land drilling rig in Indonesia. This land rig was employed 200 days during the year.

REVENUE BY BUSINESS SEGMENTS Gross profit

Higher revenue resulted in higher gross profit of \$14.1 million which was 37.5% higher than that for FY2018 (FY2018: \$10.2 million). But gross profit margin for FY2019 was 22.5% (FY2018: 23.7%) due to the relatively lower margins for trading business in China and Indonesia.

BUSINESS AND FINANCIAL REVIEW



SSI Cable Trencher – Commissioning



FPSO UWILD Project – ROV operations

Other income

Other income of \$2.7 million was comparable to the \$2.7 million for FY2018. Other income for FY2019 includes rental income, foreign currency exchange gain, LC handling fee, interest income and late payment charges.

Selling and distribution costs

Selling and distribution costs of \$5.2 million (FY2018: \$5.0 million) were higher mainly due to higher marketing fees and sales related expenses in line with higher revenue.

Administrative and general costs

Administrative and general costs of \$10.4 million (FY2018: \$11.8 million) were lower due mainly to lower professional fees of \$0.9 million (FY2018: \$1.6m), lower depreciation charges of \$1.6 million (FY2018: \$1.9 million) and lower rental expenses of \$118,000 (FY2018: \$639,000).

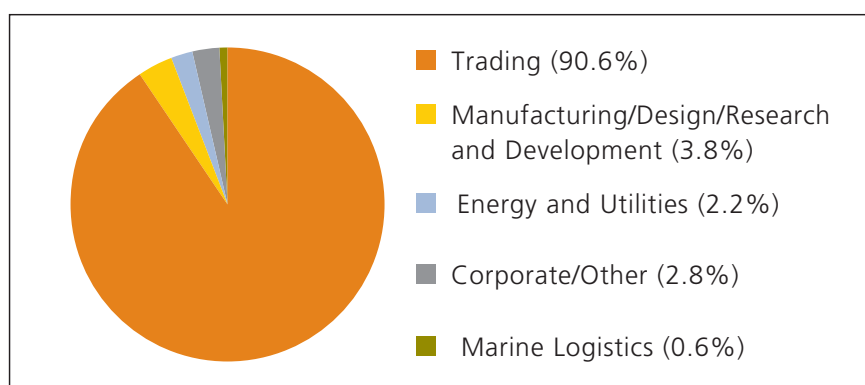
Other operating income/(expenses)

For FY2019, the Group registered an other operating income of \$3.0 million (FY2018: operating expenses of \$2.2 million). The income was mainly due

to the full and final settlement of a dispute with a vendor which resulted in a reversal of accruals amounting to \$4.5 million in FY2019.

Net impairment loss on financial assets

For FY2019, net impairment loss on financial assets of \$4.8 million (FY2018: \$275,000) were higher as a result of an impairment loss on non-current other receivables of \$2.0 million (FY2018: nil) and higher net impairment loss on current receivables of \$2.8 million (FY2018: \$0.3 million).



BUSINESS AND FINANCIAL REVIEW



Finance costs

Finance costs of \$1.4 million were higher than the costs incurred in FY2018 of \$1.1 million. The increase was mainly due to the recognition of interest expense on lease liabilities of \$204,000.

Share of results of associates and joint venture

The Group's share of results of its associates and joint venture decreased marginally to \$0.9 million (FY2018: \$1.0 million) mainly due to an associated company in Japan reporting a loss for FY2019 compared to a profit in FY2018.

Income tax credit

The Group recorded a tax credit of \$3.6 million in FY2019 as compared to \$103,000 for FY2018 as a result of write back of prior years' tax overprovision by a subsidiary after finalisation of prior years' tax assessment in 2Q2019.

STATEMENT OF FINANCIAL POSITION FOR THE GROUP

Net assets attributable to owners of the Company

As at 31 December 2019, the net assets attributable to owners of the Company amounted to \$83.2 million, which translates to a net asset value per ordinary share of 59.17 cents.

Non-current assets

Non-current assets increased by \$1.7 million to \$55.0 million (31 December 2018: \$53.3 million). The increase was mainly due to:

- (a) Recognition of right-of-use assets amounting to \$3.6 million due to adoption of financial reporting standard SFRS(I) 16;
- (b) Increase in investment properties of \$11.5m as a result of reclassification of a subsidiary's freehold land and buildings from property, plant and equipment to investment properties; and



- (c) Increase in investment in associates and joint venture of \$0.8 million mainly attributable to share of associates' results for the year.

BUSINESS AND FINANCIAL REVIEW

The above is partially offset by:

Decrease in property, plant and equipment of \$12.0 million mainly due to reclassification of a subsidiary's freehold land and buildings to investment properties and lower other receivables of \$11.1 million (31 December 2018: \$13.1 million) due to impairment loss of \$2.0 million.

Current assets

Current assets decreased by \$2.9 million to \$61.5 million (31 December 2018: \$64.4 million). The decrease was mainly due to:-

- (a) Decrease in inventories of \$2.5 million due mainly to higher sales and allowance for slow moving inventories of \$1.4 million;
- (b) Decrease in other receivables of \$4.0 million due mainly to settlement received during the year; and
- (c) Decrease in cash and bank balances of \$1.8 million mainly due to the longer credit period particularly for the Indonesian infrastructure projects.

The above is partially offset by the following:-

- (a) Increase trade receivables of \$5.2 million mainly due to the longer credit period particularly for the Indonesian infrastructure projects and the increase in sales in China in the 4Q2019.

Current liabilities

Current liabilities decreased by \$4.8 million to \$35.5 million (31 December 2018: \$40.3 million). The decrease was mainly due to:

- (a) Decrease in trade and other payables of \$5.5 million mainly due to reversal of accruals with the full and final settlement of a dispute with a vendor;
- (b) Decrease in provision for taxation of \$2.6 million mainly due to write back of prior years' tax overprovision by a subsidiary after finalisation of prior years' tax assessment; and
- (c) Decrease in term loan of \$1.0 million due to repayments during the year.

The above was partially offset by:-

- (a) Increase in contract liabilities of \$0.6 million relating to advance payment received from customers; and
- (b) Increase in amounts due to bankers mainly relates to trust receipts for trade activities.

Non-current liabilities

Non-current liabilities increased by \$0.8 million to \$10.8 million (31 December 2018: \$10.0 million) mainly due to the recognition of lease liabilities amounting to \$3.4 million partially offset by a \$2.4 million decrease in term loans.

STATEMENT OF FINANCIAL POSITION FOR THE COMPANY

Non-current assets

Non-current assets decreased by \$2.2 million to \$90.0 million (31 December 2018: \$92.2 million) due mainly to impairment loss on other receivable of \$2.0 million.

Current assets

Current assets increased by \$0.8 million to \$4.4 million. The increase was due mainly to an advance to a subsidiary.

Current liabilities

Current liabilities increased marginally by \$26,000 to \$1.9 million. The increase was due mainly to higher other payables as a result of higher accrued staff related costs.

Non-current liabilities

Non-current liabilities decreased by \$0.2 million to \$19.5 million. The decrease was due mainly to a repayment to a subsidiary.

CONSOLIDATED STATEMENT OF CASH FLOWS

As at 31 December 2019, the Group's cash and cash equivalents (excluding pledged deposits), amounted to \$7.2 million. For the FY2019, operating activities generated cash of \$178,000. Investing activities and financing activities utilised cash of \$626,000 and \$1.4 million respectively.

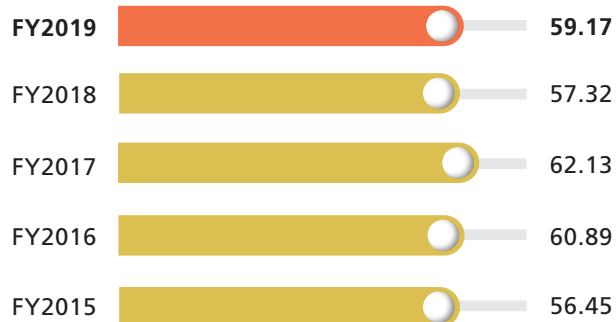
The net cash generated from operating activities was mainly due to a decrease in inventories, increase in contract liabilities (advances from customers), interest income and tax refund received, partially offset by an increase in trade and other receivables and a decrease in trade and other payables.

The net cash used in investing activities was due mainly to purchase of equipment during the year.

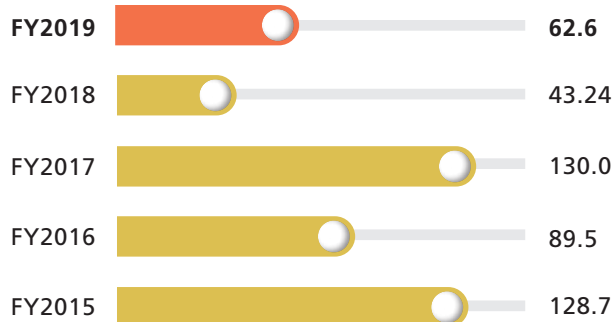
The net cash used in financing activities was due mainly to the net repayment of term loans partially offset by an increase in trust receipts used to finance the trading business as well as payment of interests.

FINANCIAL HIGHLIGHTS

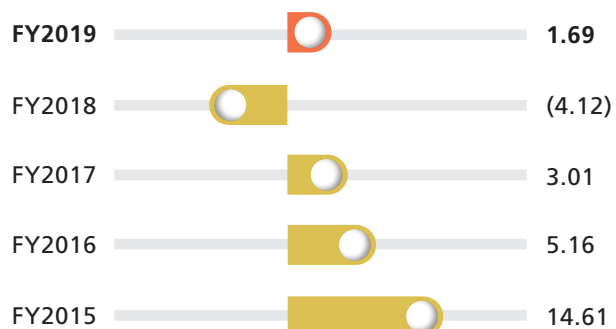
NET ASSETS VALUE PER SHARE (CENTS)



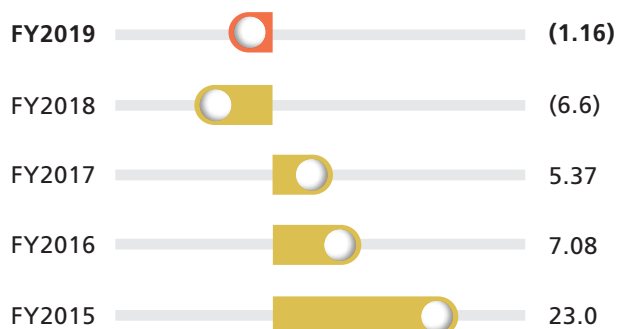
TURNOVER (\$MIL)



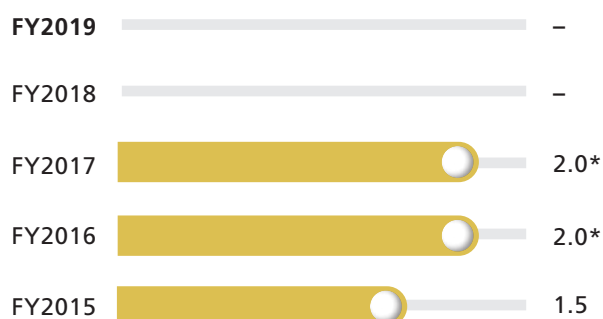
EARNINGS/(LOSS) PER SHARE (CENTS)



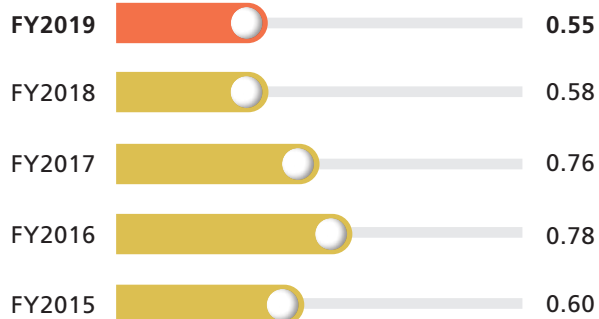
PROFIT/(LOSS) BEFORE TAX (\$MIL)



PROPOSED DIVIDEND PER SHARE (CENTS)



DEBT/EQUITY RATIO



* Comprise of final dividend per share of 1.5 cents and special dividend per share of 0.5 cents

SUSTAINABILITY REPORT

BOARD STATEMENT

Dear Stakeholders,

Creating long-term sustained value for all of our stakeholders is at the heart of our activities. We strive to achieve sustained growth and at the same time mindful of the impact that we are likely to cause to the environment, community and other stakeholders.

The oil and gas industry that the Group operates in continues to face uncertainties and intense competition. As part of our operating strategies to build a resilient business, we focus on forming strategic alliances and relationships with key local partners who shares our values. At the same time, we place strong emphasis on employee development to delivery performance in the markets we operate.

As we look to the future, our commitment to sustainability remains embedded in our business strategies and core values. We aim to actively contribute in enhancing our society while we continue to grow.

Federal constantly monitors emerging risks and their impacts on our clients. Our approach to the outbreak of the Covid-19 coronavirus, is no different. The current Covid-19 outbreak has triggered our business continuity plan to ensure continuity of our business activities.

On that note, we are pleased to present our sustainability report, a testament of our commitment to good governance. This sustainability report serves as a platform for us to share our sustainability progress and milestones that we have achieved and has been prepared in accordance with the Global Reporting Initiative (GRI) Standards: Core option. We will continue to innovate and implement our strategies to ensure that we attain our sustainability objectives and create greater value for all our stakeholders.

For and on behalf of the Board of Directors

KOH KIAN KIONG

Executive Chairman and CEO
Federal International (2000) Ltd

SUSTAINABILITY REPORT

OUR APPROACH TO SUSTAINABILITY

Our Board has overall oversight of the sustainability management supported by a Sustainability Committee which is headed by our Executive Director, Ms. Maggie Koh. The Committee consists of Department Heads and representatives from Human Resources, Customer Service, Quality Assurance (QA)/Quality Control (QC) and Logistics departments.

The responsibilities of the Sustainability Committee are as follow:

- oversee and provide inputs to management on the Company's policies, strategies and programmes related to matters of sustainability and Corporate Social Responsibility including but not limited to matters related to environment, local community, human rights, supply chains, customer feedbacks and philanthropy.
- set and review the goals established for its performance with respect to matters of sustainability and corporate social responsibility and monitor the Company's progress against those goals.
- receive and act on periodic feedbacks from the Company's management regarding relationships with key external stakeholders that may have a significant impact on the Company's business activities and performance.
- works with the ERM officer on the management of enterprise risks.
- ensure timely disclosure of the sustainability report.

STAKEHOLDER ENGAGEMENT

Engagements with our stakeholders are important as they guide our decision-making process and assist us in achieving our sustainability commitments. The following table summarises the concerns of our stakeholders which we incorporate into our sustainability approach:

STAKEHOLDERS KEY CONCERNS FEEDBACK PLATFORMS

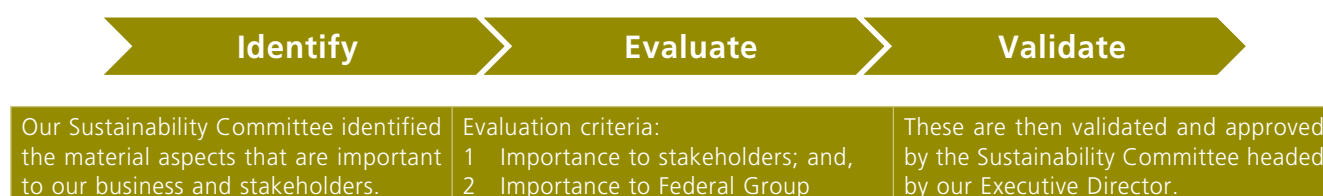
STAKEHOLDER GROUP	KEY CONCERNS	OUR RESPONSE
Employees	<ul style="list-style-type: none"> ■ Staff training and development ■ Workplace safety ■ Work-life balance ■ Fair and competitive employment practices 	<ul style="list-style-type: none"> ■ On-going training program ■ Suggestion box ■ Code of Conduct ■ Policies and procedures ■ Annual performance appraisals ■ Recreation and social activities
Investors, Analysts & Media	<ul style="list-style-type: none"> ■ Growth ■ Returns on investment ■ Dividend ■ Corporate governance ■ Market diversification ■ Timely, complete and transparent reporting 	<ul style="list-style-type: none"> ■ General meetings ■ Announcements on website and the Singapore Exchange portal ■ Press releases ■ Annual report/sustainability report ■ Company website
Customers	<ul style="list-style-type: none"> ■ Timely delivery of products and services ■ Quality of products and services ■ Product safety ■ Competitive pricing 	<ul style="list-style-type: none"> ■ Annual customer satisfaction survey ■ Project milestone meetings ■ Dedicated sales team
Vendors	<ul style="list-style-type: none"> ■ Maintaining good relationship ■ Fair business practices ■ Environmental compliance ■ Certification compliance 	<ul style="list-style-type: none"> ■ Annual vendor evaluation ■ Quality control inspections ■ Regular meetings with key suppliers
Government/National Agencies	<ul style="list-style-type: none"> ■ Sustainable operations ■ Compliance with laws and regulations ■ Safe working environment 	<ul style="list-style-type: none"> ■ Annual sustainability report ■ Meetings and regular reporting ■ Annual ISO certification audits
The Community	<ul style="list-style-type: none"> ■ Corporate philanthropy and engagement ■ Responsible business conduct 	<ul style="list-style-type: none"> ■ Annual sustainability report ■ Community outreach initiatives

SUSTAINABILITY REPORT

MATERIALITY ASSESSMENT

We periodically perform materiality analysis to identify sustainability issues that are of importance to our business and stakeholders in accordance with the GRI guidelines. This assessment helps us bring focus to key areas that we seek to improve on as we make progress in achieving the long-term sustainability of our business.

Methodology



Material Topics

Our review focuses on 4 key aspects with 11 identified material topics. For each material topic, we report on the relevance of it to our business and stakeholders, and the measures in place to address it.

The four key aspects and eleven material topics



Material Topics	Why is this important for us and our stakeholders	How we are addressing the issue
Economic Aspect		
Creating Economic Value	Strong and sustained economic performance is important to our business success and continuity.	Covered in page 20
Environmental Aspect		
Resource and Waste Management	We recognise the importance of prompt respond to customers' requirement and manage our inventory level based on customers' demand and market trends. Inventory order and re-order are subjected to robust checks and evaluation to avoid excesses and waste. With a managed level of inventory, resulting packing, packaging and storage materials are also managed.	Covered in page 21
Energy Efficiency	As part of the energy supply chain, we recognise the importance in reducing the carbon footprint. We recognise that investing in energy conservation not only reduces our carbon footprint but also reduces business costs. Hence, we are committed to minimising our energy consumption and improving energy efficiency.	Covered in page 21

SUSTAINABILITY REPORT

Material Topics	Why is this important for us and our stakeholders	How we are addressing the issue
Water Stewardship	At Federal's water treatment plant in China, we recognise that proper water stewardship is essential in managing the complexities of balancing our water usage with the needs of our environment and communities.	Covered in page 21
Environmental Compliance	Laws and regulations on the environmental performance of businesses are increasingly becoming stricter. In addition to more stringent regulations, stronger enforcement of laws are also being discussed and enacted in the emerging economies of Asia. Being a responsible corporation, we seek to comply with all environmental regulations implemented in the jurisdictions that we operate in.	Covered in page 21
Social Aspect		
Labour Practices and Work	We operate in an intensely competitive environment. A motivated workforce drives up productivity which in turn improves quality and lowers unit costs.	Covered in page 23
Product Responsibilities	We believe that product quality and integrity form the foundation of the reputation and trust that we seek to earn in the markets that we operate in. Product safety and reliability are of paramount importance to our customers who operate in the oil and gas industry where occupational health and safety are of their top priority. We seek to develop and deliver quality products that are compliant with the highest standards of product certification.	Covered in page 24
Community	As we draw resources from the community we operate in, we strive to contribute back to it.	Covered in page 24
Governance Aspect		
Corporate Governance	We believe that well established corporate governance processes are essential in enhancing corporate accountability and long-term sustainability to preserve and maximise shareholder value.	Covered in page 26
Business Conduct and Ethics	We believe that upholding our reputation and fostering stakeholders' trust in our business is fundamental to our growth as a company. Therefore, we are committed to building a positive corporate image through exemplary business ethics and integrity.	Covered in page 26
Risk Management	Risk management is recognised as an integral component of good management and governance. Engaging in an iterative risk management process will enable us to provide greater assurance to stakeholders in our pursuit of growth for the Group.	Covered in page 27

1. ECONOMIC

Objective

We seek to create long-term economic value for our stakeholders through the building of a sustainable business and brand.

Approach

At Federal, we focus on value creation for our stakeholders by placing their interests at the heart of what we do to generate growth that is sustainable, profitable and responsible. To achieve our business and growth objectives, we adopt the following strategies:–

- i. Develop strategic partnerships and alliances with regional partners to leverage on the strengths of our partners to secure high value contracts. Building a chain of partnerships throughout the region also enables the Group to participate in markets where cabotage regulation prohibits foreign participation.

SUSTAINABILITY REPORT

- ii. Building a team with strong market and product knowledge that focus on developing best sources of supplies and excellent client service focus.

Our Performance

Our operations span across different geographical locations globally and provide employment for local communities, contracts for local suppliers, and revenue for governments of the jurisdictions that we operate in. FY2019 had seen an increase in business activities but competition remains intense during the year. Through continuous marketing efforts and stringent cost management we have continued to generate value for stakeholders.

Target & Plans

- Establish more strategic partnerships with regional partners
- Secure long-term contracts or investments to generate sustainable revenue stream
- Attain an average customer satisfaction rate of $\geq 80\%$ (FY2019: achieved 80%)

2. ENVIRONMENT

Objective

We are committed to managing and minimising our ecological footprint across our value chain, which includes our business operations, suppliers and customers.

Approach

(a) Waste and Resource Management

We recognise the importance of prompt respond to customers' requirement and manage our inventory level based on customers' demand and market trends. Inventory order and re-order are subjected to robust checks and evaluation to avoid excesses and waste. With a managed level of inventory, resulting packing, packaging and storage materials are also managed.

Avoiding waste extends every employee's everyday work life where each is encouraged to 'reduce, reuse, and recycle' paper and packaging materials whenever possible. We have recycling bins placed in the office for the recycling of paper and plastic. Used papers are usually shredded and used as packaging material for our products. Pallets and boxes used in packaging are also often reused. Employees are also encouraged to opt for electronic modes of transmission when forwarding documents to clients and suppliers. An electronic-filing system is established for mill certificates which not only reduces the amount of paper used, but also makes documentation and information sharing more efficient.

We ensure that all wastes are properly disposed by licensed third-party waste management vendor.

(b) Water Stewardship

Where viable, we invest in water saving installations to achieve better water efficiency at our facilities. As part of our ISO 14001 Environmental Management System objectives, we actively track our water consumption at our facilities to provide information for management decision making. Furthermore, we constantly remind our employees through posters and emails to adopt good practices in water conservation. Water for our main trading operations are provided by public water utilities, while our industrial water plant in Chengdu, China, mainly draw water from surface water sources. At the industrial water plant, we ensure that by-products of the water treatment are processed in accordance to local regulatory requirements before disposal. All mud and silts generated from the water treatment process is directed to a pool within our facility.

(c) Energy Efficiency

In the conduct of our business, the main areas of energy usage are predominantly across our offices and warehouse operations. For our offices and warehouses, we have installed energy efficient LED lightings and motion-activated lightings to reduce energy consumption. We also have employee awareness initiatives to encourage them to turn off lights and air-conditioning in offices when they are not in use. Furthermore, to improve energy and operational efficiency, we have centralised all our Singapore operating entities to the Chin Bee property in 2019.

SUSTAINABILITY REPORT

(d) Environmental Compliance

Federal is committed to comply with all applicable environmental legal requirements enforced by local authorities in all jurisdictions we operate in. The Environment, Health and Safety ("EHS") Committee monitors our operations and performs monthly reviews to ensure that we comply with relevant environmental requirements and regulations. Annually, we also undergo certification audits by third-party auditors to ensure that our processes adhere to international certification standards.

Our Performance

In FY2019, we have complied with all environmental laws and regulations in the jurisdictions we operate in and there were no fines or penalties incurred for non-compliance. Based on our annual water sampling, there is no incident of contamination or waste spillage at our industrial water plant in Chengdu, China. In FY2019, this water plant approximately 400 m³ of wastewater residue is produced and deposited into our wastewater pool.

We have continued to monitor our electricity and water consumption. In FY2019, we managed to reduce our energy usage by 18% and water by 21% as per our set target of 2% in FY2018. In FY2019, we have withdrawn approximately 1.8 million m³ of water from surface water sources for treatment at our industrial water plant and 2,632 m³ of water from public water utilities.

Chart: water consumption & electricity consumption



Target & Plans

- Improve energy and water efficiency – reduce electricity and water intensity by 2% in the following year
- Zero incident of environmental regulations non-compliance

SUSTAINABILITY REPORT

3. SOCIAL

Objective

We seek to empower people and be socially responsible in the communities we operate in.

Approach

(a) Labour Practices & Work Environment

(i) Talent Attraction and Retention

We are committed to providing all employees with equal opportunities for compensation, promotion and training on a meritocratic basis. Annually, we review employee benefits to ensure that they remain competitive and aligned with manpower regulations in the jurisdictions we operate in. As at 31 December 2019, the Group employs 160 individuals.

On a yearly basis, our performance appraisal system allows employees to receive formal feedback from their supervisors on their job performance based on the key performance indicators ("KPI") established, to encourage continual improvement and development. The open performance appraisal system helps both employees and their supervisors understand their respective expectations and align them with the needs of the organisation.

For employees who have reached the retirement age, we have been actively extending re-employment to them, in accordance to the Retirement and Re-employment Act. Additionally, a one-off Employee Assistance Payment ("EAP") is provided to employees who have reached the retirement age but are not eligible for re-employment. Federal celebrates employees who have been with us for every 5-year milestone with us by presenting long service awards. Our heartfelt appreciation goes out to this group of valued and loyal employees.

(ii) Training & Development

In addition to on-the-job training, we also send our employees for training by external vendors to equip our employees with the relevant skill sets to advance in their expertise. The types of training encompass those relevant to ISO standards for safety, first aid, technical competencies and soft skills. We also support our employees in their personal development by granting qualified employees who are sitting for examinations with examination leave.

(iii) Occupational Health & Safety

The framework for our health and safety management is modelled after international standards. We have attained certifications such as the ISO 14001 and OHSAS 18001. As part of our orientation programme, new hires will attend safety courses to ensure that they have the necessary training and skills relating to workplace safety. We also conduct annual emergency response drill and fire drill to prepare our employees in handling emergency situations. Monthly safety inspections are performed on all of our premises and to follow up on any rectification actions required subsequently, if there are any safety hazards identified. To ensure that equipment and machinery are operating safely, we perform periodical maintenance and repairs as well.

All our employees are offered outpatient medical and dental claims and any unused credits can be utilised by their immediate family members.

Moreover, we provide basic employment insurance program which covers any injury or illness sustained in the course of employment that requires medical, surgical or hospital treatment. Travel insurance will be provided to employees who regularly travel overseas for business.

(iv) Benefits & Welfare

We have welfare practices in-line with the Singapore legislations. Mothers and fathers of new-borns, who are Singapore Citizens, are entitled to maternity leave of 16 weeks and paternity leave of 2 weeks respectively, and the Company will also present a small congratulatory token. For children who are not Singapore Citizens, mothers get to enjoy 12 weeks of maternity leave. We also provide eligible employees with childcare leave and extended childcare leave to manage their commitments in raising a young family. To encourage a healthy work environment, we provide employees with flexi-time and part-time work arrangement to suit their work and personal commitments. We have also established a Recreation Committee (RC) to coordinate work-life balance initiatives and events for the Company.

SUSTAINABILITY REPORT

(v) Diversity and Equality

We see great strength in the diversity of our workforce and the potential in each and every one of our employees. Diversity provides different perspectives and fosters innovative thinking to solve business challenges. Our Employee Code of Conduct guides us towards this aspiration. We hire people from different backgrounds and have a diversified workforce across all age groups, races and genders as we value the experiences and knowledge that different individuals bring to the Group. We adopt a firm stance against human rights infringement and discrimination to ensure a conducive work environment for our employees.

We respect the principles of freedom of association, the right to collective bargaining, non-discrimination and harassment, meritocratic and progressive human resource practices, and advocates the elimination of forced or child labour. All employees under the Group are entitled to practice freedom of association, within regulatory limits of each jurisdiction which we operate in.

(b) Product Responsibilities

Providing quality products and services to our customers is our utmost priority. We have established formal quality system in compliance with ISO 9001 standards to ensure that we maintain and make continuous improvements in our processes. Our ISO Committee monitors and ensures that we adhere to the ISO standards. For products under our in-house brand, KVC (UK), we have obtained several product quality control accreditations, such as American Petroleum Institute ("API") Specification Q1 and 6D monogram, Fire Test Certification to API 607, Atmospheres Explosives ("ATEX") marking, Safety Integrity Level II and Conformité Européene ("CE") marking as per Pressure Equipment Directive ("PED"), to assure customers of our product's reliability and safety.

We value all feedbacks provided by our customers and our Sales team work closely with our customers to address any product quality and safety issues. Furthermore, we also perform annual customer satisfaction survey to gather feedbacks from our customers.

(c) Community

As a socially conscious business and part of a larger community, we believe that we have a responsibility to do our part for the betterment of the community. Apart from job creation, through donations and sponsorships, we seek to empower the less fortunate or provide support to children or youths-at-risk.

Our Performance

(a) Labour Practices & Work Environment

In the reporting period, there were no fines or penalties incurred for non-compliance to labour laws and regulations in the various jurisdictions we have presence in. Furthermore, we have not received any reports of labour malpractice or unfair treatment through our employee grievance channel. There were also no reported workplace injury, fatality, occupational diseases, or cases of non-compliance in health and safety regulations. In FY2019, we have participated in an initiative by Workforce Singapore ("WSG"), which included work shop training for key management skills, for Professionals, Managers, Executives and Technicians ("PMET"), in addition to staff training in various aspects such as safety and financial reporting. In FY2019, our employees have completed an average of 4 training hours per employee.

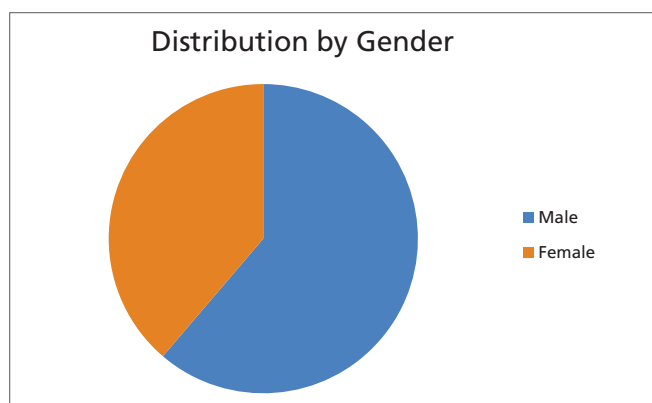
Healthy Lifestyle

We believe that a healthy state of body and mind will bring forth greater contribution and productivity to the organisation. Federal Group conducts the following activities regularly for our employees to enjoy.

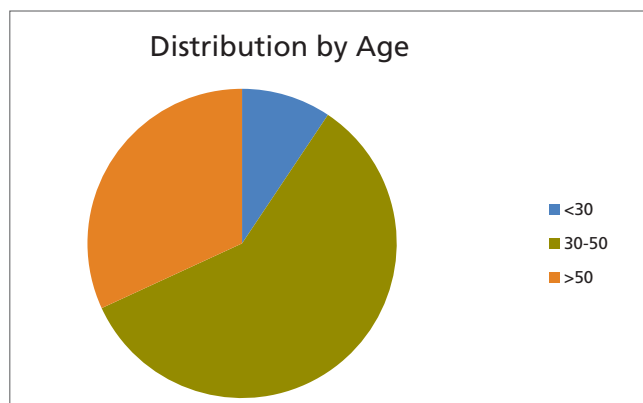


SUSTAINABILITY REPORT

Profile of our workforce



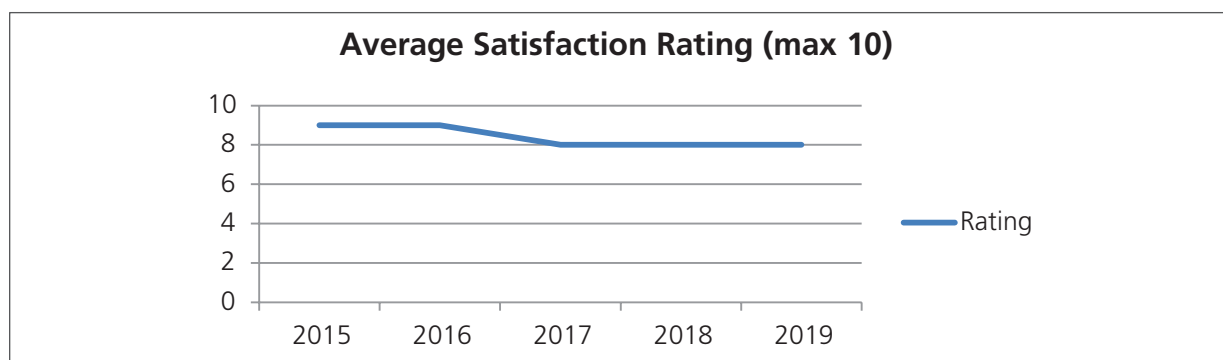
Distribution by Age



(b) Product and Customer Service Quality

Over the years, we have performed customer satisfaction surveys annually to gather customer feedback and address any potential product quality and safety issues. In the survey, customers are asked to evaluate our products' reliability, timeliness in delivery, and support services. Overall, we have maintained a customer satisfaction rate of more than 80% over the years, and there are no reported accidents caused by our products in 2019.

In FY2019, there were no incidents of non-compliance concerning product and service information and labelling, and marketing communication. There were also no complains concerning breaches of customer privacy and loss of customer data.



(c) Community

At Federal, we recognise that businesses have a part to play in nation-building especially in providing assistance to people who are less fortunate than others. As such, we work closely with charitable organisations in finding ways for us to contribute to society. These come not just in the form of monetary contribution but also in committing time and effort in participating in these organisations' activities.

The following are some community service efforts by the Group in FY2019.

- Donated S\$500 to Autism Association (Singapore), which aims to raise fund for individuals with autism.
- Donated S\$500 to St. Joseph's Institution Foundation for the Lasallian Mission Ltd, fundraising project for its scholarship initiatives.
- Visited AWWA Ltd to provide meals.

SUSTAINABILITY REPORT



Targets & Plans

- To continue free health screening programme for our employees in 2020.
- Zero workplace incident.
- To migrate to ISO45001:2018 by end of 2020.
- To participate in community service and make monetary contributions to programs for children and the elderly welfare.

4. GOVERNANCE

Objective

We seek to uphold the highest standard of governance through our commitment to transparency and accountability to our stakeholders.

Approach

(a) Corporate Governance

We ensure that the business is carried on and conducted in a proper and efficient manner adhering to the principles and guidelines of the Code of Corporate Governance 2018 issued by the Monetary Authority of Singapore ("MAS") on 16 August 2018.

To serve the interests of the Group and its stakeholders, each Director capitalises on his strong operational skills and his strategic networking relationship to consider issues that are brought before the Board of Directors (the "Board"). We conduct orientation programmes for all newly appointed Directors. Formal letters, which include details of the duties, are also issued to newly appointed Directors upon their appointment. All directors are required to submit themselves for re-nomination and re-election once every three years. An annual performance evaluation process is carried out to assess the effectiveness of the Board, by obtaining insights from each Director on amongst others to propose changes which may be made to enhance the performance of the Board and the Board Committees.

For more information on the Directors, Board committees and our corporate governance practices, please refer to the Corporate Governance Statement, pages 37 to 56 of the Annual Report.

(b) Business Conduct and Ethics

We strive to inculcate a strong corporate culture within our Group and have zero tolerance towards corruption and fraud. The employee handbook is made available to all employees, which covers penalties for misconduct and fraud, and guides all employees in their everyday conduct. For new hires, they are made aware of our stance against corruption and fraudulent activities during the orientation programme.

SUSTAINABILITY REPORT

A Code of Ethics has been established to provide guidance to our employees. It consists of guidelines to define such conflicts of interests and the necessary actions that the employee should undertake. On an annual basis, we require all employees to declare any conflict of interests. We have whistle blowing policy and channels to allow employees to report concerns over any unlawful conduct, financial malpractice or other wrong-doings that poses risks to the Group, the public or the environment. Through our independent whistle blowing channels, including the direct contacts of the Audit Committee, employees are able to report any suspected misconducts without reprisal. Upon investigation, we will ensure that the outcome of the investigation is communicated to the whistleblower.

In Singapore, all our operations are conducted in compliance with the Personal Data Protection Act ("PDPA"), which includes rules governing the collection, use and disclosure of personal data. We have appointed our Group Human Resource Manager as the Company's Data Protection Officer to oversee data protection responsibilities within the Group and ensure compliance with the PDPA.

(c) Risk Management

Our Enterprise Risk Management ("ERM") framework outlines the process of identifying, analysing and managing strategic risks. It provides the methodology for integrating risk into the strategic planning and resource allocations processes at the strategic level.

The Risk Management Committee, headed by our Executive Director, was appointed by the Board to fulfil its risk management responsibilities. To generate and preserve value without compromising on potential opportunities, the Risk Management Committee will evaluate benefits and associated risks, and seek to optimise returns within the agreed risk appetite levels. Besides monitoring the effectiveness of the Risk Management Framework, the Risk Management Committee is also responsible for reviewing any incidents involving fraud or breakdown of the Group's internal controls, reviewing the Group's insurance programme and reviewing public statements to be made by the Group.

Our Performance

For the reporting period, there was no disciplinary case for corruption and fraud; no instance where contract with business partners terminated due to violations related to corruption; and there was no whistle blowing incident. We have also complied with all listing requirements and legal regulations.

Target & Plans

- Zero incidents of bribery or corruptions
- Zero non-compliance breaches
- Zero complaints received relating to breaches of customer privacy
- Expand on the risk register for a more comprehensive assessment of risks and their treatment to manage the Group's risk exposure

SUSTAINABILITY REPORT

GRI CONTENT INDEX

GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
1. Organisational profile	Disclosure 102-1	Name of the organisation	AR – Corporate Profile	1
	Disclosure 102-2	Activities, brands, products, and services	AR – Corporate Profile	1
	Disclosure 102-3	Location of headquarters	AR – Corporate Information	IBC
	Disclosure 102-4	Location of operations	AR – Corporate Information	IBC
	Disclosure 102-5	Ownership and legal form	AR – Corporate Structure	36
	Disclosure 102-6	Markets served	AR – Notes to FS (segment information)	149 to 152
	Disclosure 102-7	Scale of the organisation	AR – Business and Financial Review	12 to 15
	Disclosure 102-8	Information on employees and other workers	SR – Social	23
	Disclosure 102-9	Supply chain	AR – Letter to Shareholders	2 to 5
	Disclosure 102-10	Significant changes to the organisation and its supply chain	AR – Letter to Shareholders	2 to 5
			AR – Business and Financial Review	12 to 15
	Disclosure 102-11	Precautionary Principle or approach	SR – Governance	26
	Disclosure 102-12	External initiatives	SR – Board Statement	17
	Disclosure 102-13	Membership of associations	None.	–
2. Strategy	Disclosure 102-14	Statement from senior decision maker	SR – Board Statement	17
	Disclosure 102-15	Key impacts, risks and opportunities	SR – Materiality assessment	19
3. Ethics and integrity	Disclosure 102-16	Values, principles, standards, and norms of behaviour	AR – Corporate Profile (Vision, Mission, Motto)	1
	Disclosure 102-17	Mechanisms for advice and concerns about ethics	SR – Stakeholder engagement	18
4. Governance	Disclosure 102-18	Governance structure	AR – Board of directors, Key Executives	6 to 11
			AR – Corporate Governance Statement	37 to 56
	Disclosure 102-19	Delegating authority	SR – Sustainability Committee	18
	Disclosure 102-20	Executive-level responsibility for economic, environmental, and social topics	SR – Sustainability Committee	18
	Disclosure 102-21	Consulting stakeholders on economic, environmental, and social topics	SR – Stakeholder engagement	18
	Disclosure 102-22	Composition of the highest governance body and its committees	AR – Board of directors, Key Executives	6 to 11

SUSTAINABILITY
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GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
	Disclosure 102-23	Chair of the highest governance body	AR – Corporate governance statement	37 to 56
			AR – Board of directors, Key Executives	6 to 11
	Disclosure 102-24	Nominating and selecting the highest governance body	AR – Corporate Governance Statement	37 to 56
	Disclosure 102-25	Conflicts of interest	AR – Corporate Governance Statement	37 to 56
			SR – Governance	26
	Disclosure 102-26	Role of highest governance body in setting purpose, values, and strategy	SR – Sustainability Committee	18
	Disclosure 102-27	Collective knowledge of highest governance body	AR – Corporate Governance Statement	37 to 56
			SR – Stakeholder engagement	18
	Disclosure 102-28	Evaluating the highest governance body's performance	SR – Sustainability Committee	18
	Disclosure 102-29	Identifying and managing economic, environmental, and social impacts	SR – Materiality assessment	19
	Disclosure 102-30	Effectiveness of risk management processes	AR – Board of directors, Key Executives	6 to 11
			AR – Corporate Governance Statement	37 to 56
	Disclosure 102-31	Review of economic, environmental, and social topics	AR – Board of directors, Key Executives	6 to 11
			AR – Corporate Governance Statement	37 to 56
	Disclosure 102-32	Highest governance body's role in sustainability reporting	SR – Sustainability Committee	18
	Disclosure 102-33	Communicating critical concerns	SR – Stakeholder engagement	18
	Disclosure 102-34	Nature and total number of critical concerns	None	–
	Disclosure 102-35	Remuneration policies AR – Board of directors, Key Executives Statement	AR – Corporate Governance Statement	37 to 56
	Disclosure 102-36	Process for determining remuneration	AR – Board of directors, Key Executives	6 to 11
			AR – Corporate Governance Statement	37 to 56
	Disclosure 102-37	Stakeholders' involvement in remuneration	AR – Corporate Governance Statement	37 to 56
	Disclosure 102-38	Annual total compensation ratio	We choose not to disclose as we reward based on meritocracy	–
	Disclosure 102-39	Percentage increase in annual total compensation ratio	We choose not to disclose as we reward based on meritocracy	–

SUSTAINABILITY REPORT

GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
5. Stakeholder engagement	Disclosure 102-40	List of stakeholder groups	SR – Stakeholder engagement	18
	Disclosure 102-41	Collective bargaining agreements		
	Disclosure 102-42	Identifying and selecting stakeholders		
	Disclosure 102-43	Approach to stakeholder engagement		
	Disclosure 102-44	Key topics and concerns raised		
6. Reporting practice	Disclosure 102-45	Entities included in the consolidated financial statements	AR – Notes to FS: Investments in subsidiaries, Associates and Joint Venture	101 to 111
	Disclosure 102-46	Defining report content and topic Boundaries	SR – Board Statement	17
	Disclosure 102-47	List of material topics	SR – Materiality Table	19 to 20
	Disclosure 102-48	Restatements of information	None.	–
	Disclosure 102-49	Changes in reporting	None.	–
	Disclosure 102-50	Reporting period	FY2019	–
	Disclosure 102-51	Date of most recent report	Released on SGX on 29 May 2019	–
	Disclosure 102-52	Reporting cycle	Annual	–
	Disclosure 102-53	Contact point for questions regarding the report	SR – Sustainability Committee	18
	Disclosure 102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option	–
	Disclosure 102-55	GRI content index	GRI content index	–
	Disclosure 102-56	External assurance	AR – Independent Auditor's Report	59 to 62
Topic-Specific Disclosures				
GRI 201: Economic Performance	Disclosure 201-1	Direct economic value generated and distributed	AR – Business and Financial Review	12 to 15
			AR – Consolidated income statement, Consolidated statement of cash flows	63 to 71
	Disclosure 201-2	Financial implications and other risks and opportunities due to climate change	N/A, Impact of business on environment and climate is insignificant.	–
	Disclosure 201-3	Defined benefit plan obligations and other retirement plans	AR – Business and Financial Review	12 to 15
	Disclosure 201-4	Financial assistance received from government	AR – Consolidated income statement, Consolidated statement of cash flows	63 to 71

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GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
GRI 202: Market Presence	Disclosure 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	N/A, no minimum wage law.	–
	Disclosure 202-2	Proportion of senior management hired from the local community	AR – Key Executives and Management	10 to 11
GRI 203: Indirect Economic Impacts	Disclosure 203-1	Infrastructure investments and services supported	SR – Economic	20
	Disclosure 203-2	Significant indirect economic impacts		
GRI 204: Procurement Practices	Disclosure 204-1	Proportion of spending on local suppliers	N/A, our principals mainly determine our suppliers.	–
GRI 205: Anti-Corruption	Disclosure 205-1	Operations assessed for risks related to corruption	SR – Governance	26
	Disclosure 205-2	Communication and training about anti-corruption policies and procedures		
	Disclosure 205-3	Confirmed incidents of corruption and actions taken		
	Disclosure 206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices		
GRI 206: Anti-Competitive Behaviour	Disclosure 206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices		
GRI 301: Materials	Disclosure 301-1	Materials used by weight or volume	SR – Environment	21
	Disclosure 301-2	Recycled input materials used		
	Disclosure 301-3	Reclaimed products and their packaging materials		
GRI 302: Energy	Disclosure 302-1	Energy consumption within the organisation	SR – Environment	21
	Disclosure 302-2	Energy consumption outside of the organisation		
	Disclosure 302-3	Energy intensity		
	Disclosure 302-4	Reduction of energy consumption		
	Disclosure 302-5	Reductions in energy requirements of products and services		

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GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
GRI 303: Water	Disclosure 303-1	Water withdrawal by source	SR – Environment	21
	Disclosure 303-2	Water sources significantly affected by withdrawal of water		
	Disclosure 303-3	Water recycled and reused		
	Disclosure 303-4	Water discharge		
	Disclosure 303-5	Water consumption		
GRI 304: Biodiversity	Disclosure 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A, Our offices and operations are not carried out in protected areas and areas of high biodiversity.	–
	Disclosure 304-2	Significant impacts of activities, products, and biodiversity services on		
	Disclosure 304-3	Habitats protected or restored		
	Disclosure 304-4	IUCN Red List species and national conservation list species with IUCN Red List species and national conservation list species with habitats in areas affected by operations		
GRI 305: Emissions	Disclosure 305-1	Direct (Scope 1) GHG emissions	N/A, Our offices and operations do not produce significant levels of GHG.	–
	Disclosure 305-2	Energy indirect (Scope 2) GHG emissions		
	Disclosure 305-3	Other indirect (Scope 3) GHG emissions		
	Disclosure 305-4	GHG emissions intensity		
	Disclosure 305-5	Reduction of GHG emissions		
	Disclosure 305-6	Emissions of ozone-depleting substances (ODS)		
	Disclosure 305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		
GRI 306: Effluents and Waste	Disclosure 306-1	Water discharge by quality and destination	SR – Environment	21
	Disclosure 306-2	Waste by type and disposal method		
	Disclosure 306-3	Significant spills		
	Disclosure 306-4	Transport of hazardous waste		
	Disclosure 306-5	Water bodies affected by water discharges and/or runoff		
GRI 307: Environmental Compliance	Disclosure 307-1	Non-compliance with environmental laws and regulations	SR – Environment	21

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GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
GRI 308: Supplier Environmental Assessment	Disclosure 308-1	New suppliers that were screened using environmental criteria	N/A, Being a procurement specialist, most of our suppliers are designated/appointed by our clients.	–
	Disclosure 308-2	Negative environmental impacts in the supply chain and actions taken		
GRI 401: Employment	Disclosure 401-1	New employee hires and employee turnover	SR – Social	23
	Disclosure 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		
	Disclosure 401-3	Parental leave		
GRI 402: Labor/ Management Relations	Disclosure 402-1	Minimum notice periods regarding operational changes	N/A, No collective bargaining agreements.	–
GRI 403: Occupational Health and Safety	Disclosure 403-1	Workers representation in formal joint management-worker health and safety committees	SR – Social	23
	Disclosure 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		
	Disclosure 403-3	Workers with high incidence or high risk of diseases related to their occupation		
	Disclosure 403-4	Health and safety topics covered in formal agreements with trade unions		
	Disclosure 403-5	Worker training on occupational health and safety		
	Disclosure 403-6	Promotion of worker health		
	Disclosure 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		
	Disclosure 403-8	Workers covered by an occupational health and safety management system		
	Disclosure 403-9	Work-related injuries		
	Disclosure 403-10	Work-related ill health		

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GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
GRI 404: Training and Education	Disclosure 404-1	Average hours of training per year	SR – Social	23
	Disclosure 404-2	Programs for upgrading employee skills and transition assistance programs		
	Disclosure 404-3	Percentage of employees receiving regular performance and career development reviews		
GRI 405: Diversity and Equal Opportunity	Disclosure 405-1	Diversity of governance bodies and employees	AR – Board of Directors	6 to 11
			AR – Key Executives and Management	
			SR – Social	23
	Disclosure 405-2	Ratio of basic salary and remuneration of women to men	SR – Social	23
GRI 406: Non-discrimination	Disclosure 406-1	Incidents of discrimination and corrective actions taken	No reported cases during reported period.	–
GRI 407: Freedom of Association and Collective Bargaining	Disclosure 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	N/A, No collective bargaining agreements.	–
GRI 408: Child Labour	Disclosure 408-1	Operations and suppliers at significant risk for incidents of child labour	We have not identified this risk in our course of normal operations.	–
GRI 409: Forced or Compulsory Labour	Disclosure 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	We have not identified this risk in our course of normal operations.	–
GRI 410: Security Practices	Disclosure 410-1	Security personnel trained in human rights policies or procedures	N/A, Security is outsourced and not relevant to operations.	–
GRI 411: Rights of Indigenous Peoples	Disclosure 411-1	Incidents of violations involving rights of indigenous peoples	N/A, Operations do not involve interactions with indigenous people	–
GRI 412: Human Rights Assessment	Disclosure 412-1	Operations that have been subject to human rights reviews or impact assessments	SR – Social	23
	Disclosure 412-2	Employee training on human rights policies or procedures		
	Disclosure 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		

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GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
GRI 413: Local Communities	Disclosure 413-1	Operations with local community engagement, impact assessments, and development programs	SR – Social	23
	Disclosure 413-2	Operations with significant actual and potential negative impacts on local communities		
GRI 414: Supplier Social Assessment	Disclosure 414-1	New suppliers that were screened using social criteria	N/A, Being a procurement specialist, most of our suppliers are designated/appointed by our clients.	–
	Disclosure 414-2	Negative social impacts in the supply chain and actions taken		
GRI 415: Public Policy	Disclosure 415-1	Political contributions	N/A, No contributions made to political parties.	–
GRI 416: Customer Health and Safety	Disclosure 416-1	Assessment of the health and safety impacts of product and service categories	SR – Social	23
	Disclosure 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No incident of non-compliance.	–
GRI 417: Marketing and Labelling	Disclosure 417-1	Requirements for product and service information and labelling	SR – Social	23
	Disclosure 417-2	Incidents of non-compliance concerning product and service information and labelling	No reported cases during reported period.	–
	Disclosure 417-3	Incidents of non-compliance concerning marketing communications		
GRI 418: Customer Privacy	Disclosure 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No reported cases during reported period.	–
GRI 419: Socioeconomic Compliance	Disclosure 419-1	Non-compliance with laws and regulations in the social and economic area	SR – Economics and Social	20 and 23

CORPORATE STRUCTURE



CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the “**Board**”) of Federal International (2000) Ltd (the “**Company**” together with its subsidiaries the “**Group**”) is committed to maintain a high standard of corporate governance. The Board and Management have taken steps to align its corporate governance framework with the principles and guidelines of the Code of Corporate Governance 2018 (the “**Code**”). Unless otherwise stated, the Group has generally adhered to the principles and guidelines as set out in the Code during the financial year ended 31 December 2019 (“**FY2019**”).

PRINCIPLE 1: THE BOARD’S CONDUCT OF AFFAIRS

The Company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the Company.

Guidelines Federal Corporate Governance Practices

- 1.1 The Board is primarily responsible for directing the affairs of the Company in order to achieve the goals set for the Group. The responsibility includes setting the strategic direction and long term goals, internal controls and risk management, corporate governance and financial performance of the Group.

The Board works closely with Management ensuring that their duties and responsibilities stipulated under the Companies Act and applicable rules and regulations are complied with and their obligations towards shareholders and other stakeholders are met. The Board will hold management accountable for performance.

The Board has adopted a policy where the Directors who are interested in any matter being considered, recuse themselves from discussion and decision-making involving the issue of conflict.

- 1.2 With assistance of the Company Secretaries, the Board and the Management are continually apprised of their compliance obligations and responsibilities arising from regulatory requirements and changes in the Listing Manual of Singapore Exchange Securities Trading Limited (“**SGX-ST**”).

The Company also has in place a budget for the Directors’ training programmes on an annual basis and the Directors are encouraged to participate in industry conferences, seminars, courses or training programmes in connection with their duties and responsibilities as the Directors of the Board and Board Committees, in order to keep abreast of the latest rules, regulations and accounting standards in Singapore.

The Directors have been keeping themselves abreast with the latest rules, regulations and accounting standards applicable to the Group during the course of their principal commitments, in addition to the regular digest provided by the Company Secretaries and external auditors.

It is noted that there is no new director appointed to the Board of the Company in FY2019.

Please also refer to Guideline 4.5.

CORPORATE GOVERNANCE STATEMENT

1.3 The Board comprises the following members:

Executive Directors

Mr Koh Kian Kiong (Executive Chairman and Chief Executive Officer ("CEO"))

Ms Maggie Koh

Mr Koh Beng Guan, Don

Non-Executive and Independent Directors

Mr Heng Lee Seng (Lead Independent Director)

Mr Yee Kee Shian, Leon

Mr Khoo Boo Yeow, Andrew

Mr Loh Eu Tse, Derek

The matters specifically reserved for the Board's decision include but are not limited to:

- (1) Approving the Group's goals, strategies and objectives;
- (2) Monitoring the performance of Management;
- (3) Overseeing the processes for evaluating the adequacy and effectiveness of internal controls, risk management systems, financial reporting and compliance of the Group;
- (4) Approving the appointment of Directors of the Company and Key Management Personnel of the Group;
- (5) Approving the announcement of unaudited quarterly financial results, unaudited full year financial results and audited financial statements;
- (6) Endorsing remuneration framework and key human resource matters of the Group;
- (7) Convening of general meetings;
- (8) Approving annual budgets, major funding proposals, major acquisition and major disposal of investments according to the Listing Manual of the SGX-ST; and
- (9) Assuming responsibility for corporate governance and compliance with the Companies Act, Chapter 50 and the rules and regulations applicable to a public listed company.

1.4 To facilitate effective management, certain functions have been delegated to various Board Committees i.e., Audit Committee ("AC"), Nominating Committee ("NC") and Remuneration Committee ("RC"), each of which has its own clear written terms of reference ("TOR"). The TORs are reviewed on a regular basis to ensure their continued relevance with the Code.

In addition, an Executive Committee which comprises the Executive Directors, namely Mr Koh Kian Kiong, Ms Maggie Koh and Mr Koh Beng Guan, Don, meets and performs the following key duties:

- (1) to approve investment/divestment proposals within 5% of NTA;
- (2) to review and submit the Group's business plans to the Board;
- (3) to establish guidelines and approval limits for the management and operation of the Group's businesses;

CORPORATE GOVERNANCE STATEMENT

- (4) to review budget against performance of each business unit; and
- (5) to ensure interested person transactions are undertaken at arm's length and on commercial terms.

The Management together with the Board Committees support the Board in discharging its duties and responsibilities. The roles and powers of the Board Committees are set out separately in this Statement.

- 1.5 The Board meets at least quarterly and more frequently as and when required, to review and evaluate the Group's operations and performance and to address key policy matters of the Group, where necessary.

The Constitution of the Company allows Board and Board Committees meetings to be conducted by way of teleconferencing to facilitate Board participation.

In the absence of Board and Board Committees meetings, the Board and the Board Committees discuss, deliberate and approve the matters specially reserved to them by way of resolutions in writing in accordance with the Company's Constitution and Board Committees' term of references where applicable.

The number of Board and Board Committee meetings held during FY2019 and the attendance of each Director, where relevant, are set out as follows:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nominating Committee Meetings
Mr Koh Kian Kiong	4	Not Applicable	Not Applicable	1
Ms Maggie Koh	4	Not Applicable	Not Applicable	Not Applicable
Mr Koh Beng Guan, Don	4	Not Applicable	Not Applicable	Not Applicable
Mr Heng Lee Seng	4	4	1	1
Mr Yee Kee Shian, Leon	4	4	1	1
Mr Khoo Boo Yeow, Andrew	4	4	1	Not Applicable
Mr Loh Eu Tse, Derek	4	4	Not Applicable	1
No. of Meetings held in FY2019	4	4	1	1

Directors with multiple board representation are to disclose such board representations and ensure that sufficient time and attention are given to the affairs of the Company.

- 1.6 Board papers for Board and Board Committee meetings are supplied to the Directors prior to meetings in order for the Directors to be adequately prepared for meetings, including all relevant documents, materials, background or explanatory information relating to matters to be brought before the Board and Board Committees.

CORPORATE GOVERNANCE STATEMENT

- 1.7 The Board, the Board Committees and the Directors have separate and independent access to Management, the Company Secretary and external advisors (where necessary) at the Company's expense and are entitled to request from Management such information or clarification as required.

Professional advisors may be invited to advise the Board, or any of its members, if the Board or any individual member thereof needs independent professional advice.

The Company Secretary attends all Board and Board Committees meetings and is responsible for ensuring that Board procedures are followed and the minutes of all Board and Board Committees meetings are recorded and circulated to the Board and Board Committees.

The appointment and the removal of each Company Secretary is subject to the approval of the Board pursuant to the Constitution of the Company.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the Company.

Guidelines Federal Corporate Governance Practices

- 2.1 The Board comprises four (4) Non-Executive and Independent Directors and three (3) Executive Directors in FY2019.

The directors in the office at the date of the Annual Report are:

Name of Director	Role undertaken	Board Committee Membership
Mr Koh Kian Kiong	Chairman & CEO	EC NC
Ms Maggie Koh	Executive Director	EC
Mr Koh Beng Guan, Don	Executive Director	EC
Mr Heng Lee Seng	Lead Independent Director	AC NC RC
Mr Yee Kee Shian, Leon	Non-Executive Independent Director	AC NC RC
Mr Khoo Boo Yeow, Andrew	Non-Executive Independent Director	AC RC
Mr Loh Eu Tse, Derek	Non-Executive Independent Director	AC NC

CORPORATE GOVERNANCE STATEMENT

As of the date of the Annual Report, the Company has not appointed any Alternate Director.

The Board is of the view that a strong element of independence is present in the Board with Non-Executive and Independent Directors making up majority of the Board. The Board exercises objective and independent judgement on the Group's corporate affairs. No individual or group of individuals dominates the Board's decision-making.

2.2 & 2.3 The Board complies with the Guideline by having majority of the Board made up of Non-Executive and Independent Directors as the Chairman of the Board and the CEO is the same person.

2.4 The composition of the Board is reviewed annually by the NC and the Board to ensure that there is an appropriate mix of expertise and experience to enable the Management to benefit from a diverse perspective of issues that are brought before the Board.

Given the diverse qualifications, experience, background, gender and profile of the Directors, including the Independent Directors, the NC is of the view that the current Board members as a group provides an appropriate balance and diversity of relevant skills, experience and expertise required for effective management of the Group.

The Board is of the view that the current size, composition, range of experience and the varied expertise of the current Board members provides core competencies in business, investment, industry knowledge, legal, regulatory matters, audit, accounting and tax matters which are necessary to meet the Group's needs.

Key information regarding the Directors is set out on pages 7 to 9 of the Annual Report.

2.5 Non-Executive and Independent Directors contribute to the Board process by monitoring and reviewing the Group's performance against goals and objectives in a timely manner. Their views and opinions provide alternative perspectives to the Group's businesses and bring independent judgement on business activities and transactions involving conflicts of interest and other complexities.

The Non-Executive and Independent Directors will at the direction of the Lead Independent Director meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

Guidelines Federal Corporate Governance Practices

3.1 Mr Koh Kian Kiong is the Executive Chairman and CEO of the Company.

The Board is of the view that having Mr Koh Kian Kiong assume the roles of both Executive Chairman and CEO has not compromised overall accountability and independent decision-making as there is a majority number of Independent Directors versus Executive Directors on the Board.

Notwithstanding the Company has benefited from having an Executive Chairman and CEO who is knowledgeable about the businesses and operations of the Company and of the Group, the Board will address the segregation of such positions when it is appropriate.

CORPORATE GOVERNANCE STATEMENT

- 3.2 As the founder of the Group, Mr Koh Kian Kiong has been responsible for leading the Board and has assumed full executive responsibilities over the directions and operational decisions of the Group since 1974, when operations first began as a hardware trading business.

The Chairman also ensure that Board meetings are held every quarter and as and when necessary. The Management, who can provide additional insight into the matters to be discussed, are invited to attend the relevant Board or Board Committees meetings.

- 3.3 In compliance with the Code, Mr Heng Lee Seng has been appointed as Lead Independent Director to act as the principal liaison to address shareholders' concerns, in the case direct contact through normal channels of the Chairman/CEO or Management fails to resolve or is inappropriate.

The role as Lead Independent Director includes but is not limited to:

- (1) Act as liaison between the Independent Directors of the Board and the Chairman of the Board and lead the Independent Directors to provide a non-executive perspective in circumstances where it would be inappropriate for the Chairman to serve in such capacity and to contribute a balanced viewpoint to the Board;
- (2) Advise the Chairman of the Board as to the quality, quantity and timeliness of information submitted by Management that is necessary or appropriate for the Independent Directors to effectively and responsibly perform their duties;
- (3) Assist the Board in ensuring compliance with and implementation of governance guidelines;
- (4) Lead the meetings of Non-Executive Directors (without the presence of the Executive Directors), where necessary, and to provide feedback to the Chairman after such meetings; and
- (5) Serve as principal liaison for consultation and communication with shareholders.

PRINCIPLE 4: BOARD MEMBERSHIP

The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

Guidelines Federal Corporate Governance Practices

- 4.1 The NC is responsible for reviewing the composition and effectiveness of the Board and determining whether the Directors possess the requisite qualifications and expertise and whether the independence of the Directors is compromised pursuant to the guidelines set out in the Code.

The key duties of the NC includes but not limited to the following:

- (1) To review annually the independence of each Director with reference to the guidelines set out in the Code;
- (2) To review all nominations for new appointments and re-election of Directors, put forth their recommendations for approval by the Board and ensure the new directors are aware of their duties and obligation;

CORPORATE GOVERNANCE STATEMENT

- (3) To determine whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly, when a Director has multiple Board representations;
- (4) To review Board succession plans, in particular, the Chairman and CEO;
- (5) To assess the effectiveness of the Board as a whole and NC; and
- (6) To review training and professional development programmes for the Board.

Each member of the NC abstains from voting on any resolution and making any recommendation or participating in any deliberations of the NC in respect of matters concerned him, if any.

4.2 The members of the NC of the Company are:

Mr Yee Kee Shian, Leon (Chairman)
Mr Heng Lee Seng
Mr Koh Kian Kiong
Mr Loh Eu Tse, Derek

The majority of the NC members, including the Chairman of the NC, are Non-Executive and Independent Directors. The Lead Independent Director, Mr Heng Lee Seng, is a member of the NC.

4.3 The NC has formalised a procedure for the selection, appointment and re-election of Directors. Letters of appointment will be issued to new Non-Executive and Independent Directors setting out their duties, obligations and terms of appointment as appropriate while a service agreement accompanied with supporting documents setting out duties, responsibilities and terms of appointment will be given to new Executive Director.

In the case of a new Director to be appointed, inter alia, an evaluation of a candidate's qualifications and experience with due consideration being given to ensure that the Board consists of members who as a whole will collectively possess the relevant core competencies in areas such as accounting or finance, legal and regulatory matters, risk management, business or management experience and industry knowledge. The search for new Directors, if any, will, if considered necessary, be made through executive search companies, contacts and/or recommendations. Shortlisted persons will be evaluated by the NC before being recommended to the Board for consideration.

In accordance with the Constitution of the Company, one-third of Directors for the time being, or, if their number is not a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation at the annual general meeting of the Company, and a Director appointed during the year shall hold office until the next annual general meeting of the Company. The retiring Directors may offer themselves for re-election.

The NC has reviewed and recommended the nomination of Ms Maggie Koh, Mr Heng Lee Seng and Mr Koh Kian Kiong who will be retiring by rotation in accordance with Regulation 91 of the Constitution of the Company, for re-election as Directors of the Company at the forthcoming Annual General Meeting of the Company scheduled for 27 April 2020.

CORPORATE GOVERNANCE STATEMENT

Set out below are the names, positions, dates of appointment and last re-election of each Director of the Company:

Name	Position	Date of First Appointment	Date of Last Re-election
Mr Koh Kian Kiong	Chairman & CEO	13 November 1999	27 April 2018
Ms Maggie Koh	Executive Director	19 June 2000	28 April 2017
Mr Koh Beng Guan, Don	Executive Director	1 January 2017	30 April 2019
Mr Heng Lee Seng	Lead Independent Director	22 August 2000	28 April 2017
Mr Yee Kee Shian, Leon	Non-Executive Independent Director	23 March 2010	27 April 2018
Mr Khoo Boo Yeow, Andrew	Non-Executive Independent Director	10 August 2012	30 April 2019
Mr Loh Eu Tse, Derek	Non-Executive Independent Director	01 November 2018	30 April 2019

- 4.4 The Board and the NC review on annual basis whether or not a Director is independent, taking into account the definition of independence under the Code, inter alia, one who is independent in conduct, character and judgement, and has no relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company.

The NC and the Board have formed a view that none of the Non-Executive and Independent Directors has any relationship with the Company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement with a view to the best interests of the Company.

The Board and the NC also reviewed each individual Director's judgement and conduct in carrying out his duties for FY2019. Together with the NC, the Board affirmed that Mr Heng Lee Seng, Mr Yee Kee Shian, Leon, Mr Khoo Boo Yeow, Andrew and Mr Loh Eu Tse, Derek continue to be independent pursuant to the definition of Independence under the Code.

The Board and the NC have assessed the independence of each Director, including Directors whose tenure had exceeded nine years from the date of his first appointment. The independency has been subjected to a vigorous review by the NC.

In this regard, Mr Heng Lee Seng and Mr Yee Kee Shian, Leon have served beyond nine years from the date of their first appointment on 22 August 2000 and 23 March 2010 respectively. In addition to the declarations of independence pursuant to the definition of "Independent Director" under the Code, Mr Heng Lee Seng and Mr Yee Kee Shian, Leon had submitted additional justifications and reasons for their independence to the NC.

The NC reviewed their independent thoroughly to determine whether each of them had continuously exercised independence judgement in the best interest of the Company and of the Group while discharging their duties and responsibilities as Directors of the Company despite their extended tenure in office.

CORPORATE GOVERNANCE STATEMENT

Based on the Board's and the NC's observations during the tenure of office occupied by Mr Heng Lee Seng and Mr Yee Kee Shian, Leon for FY2019, Mr Heng Lee Seng and Mr Yee Kee Shian, Leon distinctively demonstrated independent mindedness and conduct at Board and Board Committees meetings. Together with the NC, the Board, is of the firm view and opinion that Mr Heng Lee Seng and Mr Yee Kee Shian, Leon continue to exercise independent judgement in the best interest of the Company in the discharge of their duties as Director, despite their extended tenure in office.

- 4.5 New Directors will undergo an orientation programme whereby they are briefed by the Company Secretary of their obligations as Directors, as well as the Group's corporate governance practices, and relevant statutory and regulatory compliance issues, as appropriate. They will also be briefed by Management on the Group's industry and business operations.

It is noted that there is no new director appointed to the Board of the Company in FY2019.

The NC has reviewed the multiple board representations of the Directors and whether competing time commitments were faced when the Directors serve on multiple boards, in addition to the principal commitments of Directors on annual basis.

The NC has received assurance from the Directors who are holding multiple board representations, in particular the Directors holding listed company board representations, that their time and effort in carrying out their duties as Directors of the Company will not be compromised. The NC has also considered the number of listed company board representations held by each Director. In FY2019, all Non-Executive and Independent Directors held up to not more than six (6) listed company board representations. Notwithstanding the foregoing, each of them contributes his time, resources and commitment to the Group.

The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding multiple listed company board representations and principal commitments of some Directors of the Company, as the Board and the Board Committees experienced minimal competing time commitments among its Board and Board Committees meetings in FY2019, which are planned and scheduled in advance.

Please refer to Annual Report pages 7 to 9 for listed company directorships and principal commitments of each director.

PRINCIPLE 5: BOARD PERFORMANCE

The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its Board Committees and individual directors.

Guidelines Federal Corporate Governance Practices

- 5.1 The NC has in place a performance evaluation process where the effectiveness of the Board as a whole and each Board Committee as a whole is carried out on annual basis following the conclusion of each financial year.
- 5.2 The annual evaluation exercise provides an opportunity to obtain constructive feedback from each Director on amongst others to propose changes which may be made to enhance the performance of the Board and the Board Committees, to provide their views on the functions of the Board and Board Committees including its procedures and processes and if any of these may be improved upon.

CORPORATE GOVERNANCE STATEMENT

The collective assessment is conducted by means of a confidential questionnaire to be completed by each Director before such assessment results are collated, analysed and reported to the respective Board Committees for their deliberation prior to the report to the Board. Individual evaluation of each Director is also conducted on an annual basis. The aim of the assessment is to assess whether each Director is able to and continues to contribute effectively and demonstrate commitment to his/her role.

Recommendations to further enhance the effectiveness of the Board and Board Committees are implemented as and when appropriate, if any.

The performance evaluation of the Board and the Board Committees as a whole for FY2019 had been conducted. It was satisfied that all Directors individually and severally contributed effectively and demonstrated full commitment to their roles, accordingly, the performance of the Board and the Board Committees for FY2019 were satisfactory. In addition, a performance appraisal of the CEO has also been conducted. No external facilitator had been engaged for this purpose.

The annual evaluation process is undertaken as an internal exercise and involves Board members completing a questionnaire covering areas relating to but not limiting to:

- (1) Board/Board Committees composition
- (2) Information to the Board/Board Committees
- (3) Board/Board Committees procedures
- (4) Board accountability
- (5) Interactions with CEO
- (6) Standards of conduct by the Board/Board Committees

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

Guidelines Federal Corporate Governance Practices

- 6.1 In consultation with the Chairman of the Board, the key responsibilities of the RC include but not limited to the following:
 - (1) To recommend to the Board a framework of remuneration for Executive Directors and Key Management Personnel of the Group that is aligned with the interests of shareholders and ensure that such remuneration is appropriate to attract, motivate and retain the right talents for the Group;
 - (2) To review and recommend to the Board for their endorsement on the annual remuneration packages for Executive Directors, Key Management Personnel and employees related to Directors or controlling shareholder of the Group, if any, which include a performance-related variable bonus component;
 - (3) To review and recommend to the Board the benefits under any long-term incentive schemes, if any, for Executive Directors and Key Management Personnel of the Group;

CORPORATE GOVERNANCE STATEMENT

- (4) To review and recommend the remuneration package of employees related to Directors or controlling shareholder of the Group, if any; and
- (5) To review the contracts of service of the Executive Directors and Key Management Personnel of the Group.

Each member of the RC will abstain from voting on any resolution and making any recommendation or participating in any deliberations of the RC in respect of matters concerned him, if any.

6.2 The members of the RC of the Company are:

Mr Yee Kee Shian, Leon (Chairman)
Mr Heng Lee Seng
Mr Khoo Boo Yeow, Andrew

The RC comprises entirely Non-Executive and Independent Directors.

6.3 In reviewing the remuneration packages for Executive Directors and Key Management Personnel of the Group, as well as employees related to the Directors and controlling shareholders of the Group, if any, the RC will consider their contributions as well as the financial performance and the commercial needs of the Group and ensure that they are adequately but not excessively remunerated by the Group.

Further, the RC will take into consideration remuneration packages and employment conditions within the industry and within similar organisation structure as well as the Group's relative performance and the performance of individual employee.

The RC ensures that the remuneration packages of employees relating to the Directors and controlling shareholders of the Group, if any, are in line with the Group's staff remuneration guidelines and commensurate with their respective job scopes and levels of responsibilities.

The RC aims to be fair and avoid rewarding poor performance during the course of RC's duties including in the event of termination, termination clauses should be fair and not overly generously in respect of contract services entered into with Executive Directors and Key Management Personnel of the Group.

6.4 The RC has access to expert advice from external remuneration consultant, where required. In FY2019, Aon Hewitt Singapore Pte Ltd was engaged to conduct a review of executive remuneration for the Executive Directors. Aon Hewitt Singapore Pte Ltd is an external professional firm with no relationship with the Company and, hence, its independence and objectivity in the said remuneration review has been maintained.

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

The level and structure of remuneration of the Board and Key Management Personnel are appropriate and proportionate to the sustained performance and value creation of the Company, taking into account the strategic objectives of the Company.

Guidelines Federal Corporate Governance Practices

7.1 The Company adopts a remuneration policy for Executive Directors and Key Management Personnel of the Group that comprise a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of profit-sharing or a variable bonus that is linked to the performance of the Group and the individual performance for the preceding financial year.

CORPORATE GOVERNANCE STATEMENT

The Company does not have a long-term incentive, share option scheme or share award scheme within the Group.

Even though there are no contractual provisions allowing the Company to reclaim incentive components of remuneration from Executive Directors or Key Management Personnel of the Group in exceptional circumstances of misstatement of financial results or of misconduct resulting financial loss to the Group, the Group will not hesitate to take legal actions against the personnel responsible in the event of such exceptional circumstances or misconduct resulting financial loss to the Group.

- 7.2 Directors' fees payable/paid to the Non-Executive and Independent Directors are set in accordance with a remuneration framework comprising a basic fee and increment fixed fee, taking into account of the level of responsibilities such as taking the roles of chairman and member of Board Committees.

The Board, after the recommendation of the RC, has recommended the aggregate Directors' fees of S\$240,000 to Non-Executive and Independent Directors of the Company for financial year ending 31 December 2020, to be paid quarterly in arrears, for shareholders' approval at the forthcoming Annual General Meeting of the Company scheduled for 27 April 2020.

- 7.3 The Board is of the view that the current remuneration structure is appropriate to attract, retain and motivate Directors to provide good stewardship of the Company and key management personnel to successfully manage the Company for the long term.

PRINCIPLE 8: DISCLOSURE ON REMUNERATION

The Company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationship between remuneration, performance and value creation.

Guidelines Federal Corporate Governance Practices

- 8.1 The following information relates to the remuneration received or to be received by the Directors from the Company and its subsidiaries for FY2019:

Directors of the Company	Salary	Bonus	Other Benefits	Fees				Total
				Director	AC Chairman	NC Chairman	RC Chairman	
S\$500,000 to S\$750,000								
Mr Koh Kian Kiong	95%	—	5%	—	—	—	—	100%
S\$250,000 to S\$499,999								
Ms Maggie Koh	94%	—	6%	—	—	—	—	100%
Mr Koh Beng Guan, Don	94%	—	6%	—	—	—	—	100%
Less than S\$250,000								
Mr Heng Lee Seng	—	—	—	S\$50,000	S\$20,000	—	—	S\$70,000
Mr Yee Kee Shian, Leon	—	—	—	S\$50,000	—	S\$10,000	S\$10,000	S\$70,000
Mr Khoo Boo Yeow, Andrew	—	—	—	S\$50,000	—	—	—	S\$50,000
Mr Loh Eu Tse, Derek	—	—	—	S\$50,000	—	—	—	S\$50,000

CORPORATE GOVERNANCE STATEMENT

In view of confidentiality and sensitivity attached to remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose exact remuneration received by each Executive Director of the Company, but in the bands of S\$250,000 disclosed as above.

In view of the confidentiality and sensitivity attached to remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose exact names and exact remuneration and the breakdown of remuneration in the forms of salary, bonus or other benefits received by the top five Key Management Personnel of the Group during FY2019. Accordingly, the aggregate remuneration paid to the top five Key Management Personnel for FY2019 will also not be provided in the Annual Report.

The following information relates to the remuneration received by the top five Key Management Personnel of the Group from the Company and its subsidiaries for FY2019 in the bands of S\$250,000 without the disclosure of exact names:

Remuneration Bands	Number of Key Management Personnel
S\$250,000 to S\$499,999	1
Less than S\$250,000	4
Total	5

- 8.2 Mr Koh Kian Kiong, Ms Maggie Koh and Mr Koh Beng Guan, Don, being the Directors of the Company, are immediate family members defined under the Listing Manual of SGX-ST. Save as disclosed, there were no employees who are immediate family members of a director or CEO, and whose remuneration exceeds S\$100,000 during FY2019.
- 8.3 The Company does not have a long-term incentive scheme, share option scheme or share award scheme within the Group.

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

The Board is responsible for the governance of risk and ensure that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the Company and its shareholders.

Guidelines Federal Corporate Governance Practices

- 9.1 The Board acknowledges the ultimate responsibility for the governance of risk and sets the tone and direction for the Group in the way risks are managed in the Group's businesses. The Board approves the strategy of the Group in a manner which stakeholders' expectations are addressed and does not expose the Group to an unacceptable level of risk determined by the Board.

The Board after the recommendation of the AC approves the key risk management policies and ensures a sound system of risk management and internal controls and monitors performance against them. In addition to determining the approach to risk governance, the Board sets and instills the right risk focused culture throughout the Group for effective risk governance.

The Board together with the AC oversee the Group's risk management framework and policies, pursuant to which, their roles and responsibilities including but not limiting to the following:–

- (1) To propose the risk governance approach and risk policies for the Group;
- (2) To review the risk management methodology adopted by the Group;

CORPORATE GOVERNANCE STATEMENT

- (3) To review the strategic, financial, operational, regulatory compliance, information technology and other emerging risks relevant to the Group identified by Management; and
- (4) To review Management's risk assessment and Management's action plans to mitigate such risks.

In 2019, the Management carried out an annual review of the Group's key risks and the effectiveness of the key internal controls of the Group.

- 9.2 The Board has received assurance from the CEO and CFO that, as at 31 December 2019, the Group's financial records have been properly maintained, and the financial statements give a true and fair view of Group's operations and finances.

The Board has also received assurance from the CEO and the key management personnel responsible for risk management and internal control systems that, as at 31 December 2019, the Group's risk management and internal control systems were adequate and effective to address financial, operational, compliance and information technology risks which the Group considers relevant and material to its operations.

Based on the internal controls established and maintained by the Group, work performed by internal and external auditors, reviews performed by management and various Board Committees as well as the said assurances received, the Board, with the concurrence of the AC, is of the opinion that the Group's internal controls and risk management systems were adequate and effective as at 31 December 2019 to address financial, operational, compliance risks and information technology risks which the Group considers relevant and material to its operations.

The Board notes that the internal controls and risk management systems provide reasonable, but not absolute, assurance that the Group will not be affected by any event that could be reasonably foreseen as it strives to achieve its business objectives. In this regard, the Board also notes that no system can provide absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, fraud or other irregularities.

PRINCIPLE 10: AUDIT COMMITTEE

The Board has an Audit Committee ("AC") which discharges its duties objectively.

Guidelines Federal Corporate Governance Practices

- 10.1 The AC is empowered to investigate any matter relating to the Group's accounting, auditing, internal controls and financial practices brought to its attention, with full access to records, resources and personnel of the Group, to enable them to discharge its functions properly.

The AC has full access to Management and full discretion to invite any Director and officer to attend AC meetings held from time to time.

The key responsibilities of the AC include but not limited to the following:–

- (1) To review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and the Group and the announcements relating to the Group's financial performance;
- (2) To review the assurance from the CEO and the Group CFO on the financial records and financial statements;

CORPORATE GOVERNANCE STATEMENT

- (3) To review scope, audit plans and reports of the external auditor and the internal auditor;
- (4) To review and report to the Board on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance, information technology controls and risk management system;
- (5) To review interested person transactions in accordance with the requirements of the Listing Manual of the SGX-ST;
- (6) To review and recommend to the Board of the release of the unaudited quarterly financial results and unaudited full year financial results;
- (7) To review and recommend the re-appointment of the external auditor, and approve the remuneration of the external auditor;
- (8) To oversee co-ordination where more than one auditing firm or auditing corporation is involved in the Group's external audit;
- (9) To review the independence of the external auditor annually;
- (10) To review all non-audit services provided by the external auditor to determine if the provision of such services will affect the independence of the external auditor; and
- (11) To review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on.

Each member of the AC will abstain from voting on any resolution and making any recommendation or participating in any deliberations of the AC in respect of matters concerned him, if any.

The AC has reviewed the non-audit services provided by the external auditor, Baker Tilly TFW LLP ("**BT**") and is satisfied that the non-audit services will not affect the independence and objectivity of BT as external auditor of the Company.

The AC has also considered the performance of BT based on factors such as performance, adequacy of resources and experience of the audit engagement partner and audit team assigned to the Company's and the Group's audit as well as the size and complexity of the Company and of the Group. Accordingly, the AC has recommended the re-appointment of BT as external auditor of the Company for the ensuing year. The aggregate amount of fees paid to external auditor, as well as its fees for non-audit services is disclosed in page 124 of the Annual Report.

The Group has complied with Rules 712 and 715 of the Listing Manual of SGX-ST as the Group's Singapore-incorporated subsidiaries and significant associated companies were audited by BT and the significant foreign-incorporated subsidiary was audited by an independent overseas member firm of Baker Tilly International for FY2019.

The AC has adopted a whistle-blowing policy pursuant to which an appropriate channel has been established for the Group's employees to report and to raise, in good faith and in confidence, their concerns about possible improprieties in matters of financial reporting or other matters of the Group through emails.

The whistle-blowing policy was last reviewed by the AC in 2017 to ensure that the Group's whistle-blowing policy staying relevant and reaching out to the Group's employees in Singapore and overseas.

CORPORATE GOVERNANCE STATEMENT

During FY2019, the key activities carried out by AC included but is not limited to:

- (1) Reviewed and recommended unaudited quarterly financial results and unaudited full year financial results to the Board for approval;
- (2) Reviewed annual audit plans and reports presented by the internal auditor and external auditor;
- (3) Received and discussed with the external auditor on the changes of Singapore Financial Reporting Standards (International) that may have a direct impact on the Group's financial statements ahead of the effective dates;
- (4) Reviewed re-appointment of the external auditor and determining its independence before making a recommendation for Board's approval;
- (5) Reviewed and reported to the Board on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance and information technology controls and risk management system;
- (6) Reviewed interested person transactions in accordance with the requirements of the Listing Manual of the SGX-ST; and
- (7) Reviewed the Group's audited financial statements with Management and external auditor of the Company. Accordingly, the AC is of the view that the Group's financial statements for FY2019 are fairly presented in conformity with relevant Singapore Financial Reporting Standards (International) in all material aspects.

10.2 The members of the AC of the Company are:-

Mr Heng Lee Seng (Chairman)
Mr Yee Kee Shian, Leon
Mr Khoo Boo Yeow, Andrew
Mr Loh Eu Tse, Derek

The AC comprises entirely Non-Executive and Independent Directors.

The AC Chairman is a practising Chartered Accountant while each of the three AC members holds a law degree from the University of Cambridge. Each of them has extensive knowledge and experience in the fields of corporate finance, law and business. The Board is of the view that the AC members are appropriately qualified in discharging their duties and responsibilities and are capable of exercising sound and independent judgement in view of their requisite expertise and experience.

10.3 None of the members of the AC is a partner or director of the Group's auditing firms or auditing corporations or was a former partner or former director of the Group's auditing firms or auditing corporations. None of them has any financial interest in the Group's auditing firms or auditing corporations.

CORPORATE GOVERNANCE STATEMENT

- 10.4 The Company has outsourced its internal audit function to RSM Risk Advisory Pte Ltd ("**RSM**"). RSM is a corporate member of the Institute of Internal Auditors Singapore, and is staffed with professionals with relevant qualifications and experience. The internal audit function primary line of reporting would be to the AC.

RSM carry out their internal audit functions based on work plan agreed with the AC, where different aspects of internal control are reviewed for each year, and also take into consideration key risk facts identified. RSM have submitted a report dated 31 October 2019 to the AC, reporting, inter alia, that (i) having performed the system review procedures of the Company's internal controls and (ii) save for certain matters highlighted to the Company which have been duly noted by Management, based on their review of the adequacy and effectiveness of the Company system of internal controls or measures, they did not identify any significant deficiencies or non-compliance of controls or measures implemented by Management under such procedures and systems.

The Company cooperates fully with RSM in terms of allowing unfettered access to all the Company's documents, records, properties and personnel, including access to the AC.

- 10.5 In performing its functions, the AC reviews the overall scope of both internal audit and external audit, and the assistance and resources given by Management to the internal auditor and the external auditor.

The AC also meets with the internal auditor and the external auditor annually after the conclusion of each financial year, without the presence of Management, to discuss the results of their respective audit findings and their evaluation of the Group's system of accounting and internal controls.

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

The Company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the Company. The Company gives shareholders a balanced and understandable assessment of its performance, positions and prospects.

Guidelines Federal Corporate Governance Practices

- 11.1 The shareholders of the Company are entitled to receive notice of general meetings, annual report, offer information statement or circulars, whichever is applicable via mail. Such documents are also made available at SGXNET. To facilitate shareholders to exercise their ownership rights, the Board ensures adequate and material information concerning to the Group's business development in accordance with disclosure requirements of the Listing Manual of the SGX-ST are released to SGX-ST through SGXNET in a timely and fair manner.

All resolutions put forth at general meetings to be voted are by a poll and the results of each resolution is announced at general meetings and released subsequently to SGX-ST.

- 11.2 Resolutions on each distinct issue are tabled separately at general meetings. For resolutions tabled under special business, a descriptive explanation of the effects of a resolution will be disclosed in the notice of general meeting.

CORPORATE GOVERNANCE STATEMENT

- 11.3 The Chairmen of the EC, AC, NC and RC are available to address shareholders' questions at general meetings like Annual General Meetings and Extraordinary General Meetings. The Management will be present to facilitate in addressing shareholders' queries at general meetings. All the Directors were present at the last Annual General Meeting held on 30 April 2019.

The external auditor of the Company will also be present at the Annual General Meeting of the Company to address any shareholders' queries that they may have on the consolidated audited financial statements of the Group.

- 11.4 Individual shareholders and corporate shareholders, who are unable to attend general meetings of the Company, are entitled to appoint not more than two proxies to vote on their behalf at the general meetings of the Company.

With effect from 3 January 2016, those shareholders whose shares held under the names of relevant intermediaries as defined under Section 181 of the Companies Act, Chapter 50 of Singapore, such as nominees or custodial institutions, are allowed to attend the general meetings of the Company personally as the relevant intermediaries are allowed to appoint more than two proxies ie. individual shareholders, corporate shareholders or their representatives to attend and vote at the general meetings of the Company.

- 11.5 The proceedings of general meetings, including questions and answers exchanged among the Board, the Management and the shareholders, will be recorded in minutes and made available to the shareholders of the Company upon their request.

- 11.6 The Company currently does not have a fixed dividend policy. The dividend that the Directors of the Company may recommend or declare in respect of any particular financial year or period will be subject to the factors outlined below as well as any other factors deemed relevant by the Directors of the Company:–

- (1) the level of the earnings of the Group;
- (2) the financial condition of the Group;
- (3) the projected levels of the Group's capital expenditure and other investment plans;
- (4) the restrictions on payment of dividends imposed on the Group by the Group's financing arrangements (if any); and
- (5) other factors as the Directors of the Company may consider appropriate.

It is noted that there was no dividend declared to the shareholders of the Company for FY2018.

The Company has decided not to recommend any dividend for FY2019 at the forthcoming Annual General Meeting of the Company as working capital is required for the Group's business activities.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

The Company communicates regularly with its shareholders and facilitates the participation of shareholder during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the Company.

Guidelines **Federal Corporate Governance Practices**

- 12.1 to 12.3 The Board is committed to maintain a high standard of corporate governance by disclosing to its stakeholders, including its shareholders and investors, with adequate and material information concerning the Group's business development in accordance with disclosure requirements of the Listing Manual of the SGX-ST through SGXNET to SGX-ST in a timely and fair manner.

The Board is mindful of its obligation to provide adequate and timely disclosure of all material and price-sensitive information to SGX-ST through SGXNET.

The announcements, including but not limiting to the Group's unaudited financial results for each of the first three quarters of its financial year, the Group's unaudited full year financial results, and the material updates of the Group's business development prepared in accordance with disclosure requirements of the Listing Manual of the SGX-ST are also released through SGXNET in a timely manner.

Following the amendments to Rule 705 of the Listing Manual which took effect as of 7 February 2020, the Board has, after due deliberations (including taking into consideration, inter alia, the compliance efforts required in connection therewith), decided not to continue with quarterly reporting of the Company and the Group's unaudited financial statements, and instead, the Company will announce the unaudited financial statements of the Company and the Group on a half-yearly basis, as required under the revised Listing Manual.

The Board believes that announcement of financial statements on a half-yearly basis coupled with enhanced disclosure requirements is sufficient to keep Shareholders and potential investors updated on the Company's and the Group's state of affairs.

The corporate profile and announcements of the Company are also available at <http://www.federal-int.com.sg>.

The Company does not practice selective disclosure as the relevant material and price-sensitive information are released to SGX-ST through SGXNET in a timely and fair manner.

The shareholders of the Company, including institutional investors and retail investors, are encouraged to attend general meetings, especially Annual General Meeting which serves as the primary channel to express their views and raise their questions regarding the Group's businesses and prospects.

In addition, the Management will address shareholders' questions and concerns in respect of the Group's businesses should they approach the Company through emails or calls.

The Annual General Meeting of the Company serves as the primary channel for the Management to solicit and collate the views of the shareholders of the Company, including institutional investors and retail investors. The Company also through its external investor relations firm engages shareholders, institutional investors and retail investors at analyst briefings or investors roadshow on occasional basis.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders, as part of its overall responsibility to ensure that the best interests of the company are served.

Guidelines *Federal Corporate Governance Practices*

- 13.1 The Company's engagement with its material stakeholders is set out in detail in the Sustainability Report on pages 17 to 35 of Annual Report.
- 13.2 The Company's efforts on sustainability are focused on creating sustainable value for key stakeholders, which include communities, customers, staff, regulators, shareholders and vendors.
- 13.3 The Company maintains a corporate website at <http://www.federal-int.com.sg> to communicate and engage stakeholders.

Dealings in Securities

The Group has adopted an internal policy on securities transactions which provide a guidance to Directors and officers of the Group. Under this internal policy, Directors and officers of the Group are not permitted to deal in the Company's securities, while in possession of unpublished price-sensitive information and for the periods commencing two (2) weeks before the release of announcement of the Group's unaudited financial results for each of the first three quarters of its financial year; and one (1) month before the release of announcement of the Group's unaudited full year financial results till the release of announcement; and they are not expected to deal in the securities of the Company on short-term considerations.

Interested Person Transactions

The Company has adopted an internal policy outlining procedures for review and approval of the interested person transactions entered into between the Company and the interested persons. All interested person transactions are subject to the review by the AC.

The Company does not have a shareholders' mandate for interested person transactions. The Company confirms that the aggregate value of all interested person transactions during FY2019 is less than S\$100,000/-.

Material Contracts

No other material contracts were entered into between the Company and any of the subsidiaries of the Group with any CEO, Director or controlling shareholder of the Company either subsisting or during FY2019, except as disclosed in the Notes to the Financial Statements (Note 45).

DIRECTORS' STATEMENT

The directors present their statement to the members together with the audited consolidated financial statements of Federal International (2000) Ltd (the "Company") and its subsidiary corporations (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2019.

In the opinion of the directors:

- (i) the accompanying balance sheets, consolidated income statement, consolidated statement of comprehensive income, statements of changes in equity and consolidated statement of cash flows together with the notes thereto 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 2019 and of the financial performance, changes in equity and cash flows of the Group and the changes in equity of the Company for the financial year ended on that date in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International); and
- (ii) at the date of this statement, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due.

Directors

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

Koh Kian Kiong
Maggie Koh
Koh Beng Guan, Don
Heng Lee Seng
Yee Kee Shian, Leon
Khoo Boo Yeow, Andrew
Loh Eu Tse, Derek

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

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

Name of directors	Direct interest			Deemed interest		
	At 1.1.2019	At 31.12.2019	At 21.1.2020	At 1.1.2019	At 31.12.2019	At 21.1.2020
Ordinary shares of the Company						
Koh Kian Kiong	9,500,000	9,500,000	9,500,000	18,150,000	18,150,000	18,150,000
Maggie Koh	400,000	470,000	470,000	—	—	—
Heng Lee Seng	12,999	12,999	12,999	—	—	—
Koh Beng Guan, Don	100,000	100,000	100,000	—	—	—

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

DIRECTORS' STATEMENT

Options

No share option has been granted at the date of this statement.

Audit Committee

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

Heng Lee Seng
Yee Kee Shian, Leon
Khoo Boo Yeow, Andrew
Loh Eu Tse, Derek

The Audit Committee carried out its functions in accordance with Section 201B(5) of the Companies Act, Chapter 50. The functions performed are detailed in the Corporate Governance Statement, set out in the Annual Report of the Company.

The Audit Committee is satisfied with the independence and objectivity of the independent auditor and has nominated Baker Tilly TFW LLP for re-appointment as independent auditor of the Company at the forthcoming Annual General Meeting.

Independent auditor

The independent auditor, Baker Tilly TFW LLP, has expressed its willingness to accept re-appointment.

On behalf of the board of directors:

Koh Kian Kiong
Director

Maggie Koh
Director

Singapore
31 March 2020

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FEDERAL INTERNATIONAL (2000) LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements Federal International (2000) Ltd (the "Company") and its subsidiaries as set out on pages 63 to 153 (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2019, and the consolidated income statement, 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 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 balance sheet 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 Singapore Financial Reporting Standards (International) ("SFRS(I)") 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 2019 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

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.

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 year. 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.

Impairment review of other receivables (non-current) of \$11,022,000

(Refer to Note 11 to the financial statements)

Description of key audit matter

Included in the other receivables (non-current) of the Group and Company as at 31 December 2019 is an amount of \$11,022,000 (2018: \$13,022,000) due from a shareholder of an investee company. The amount is secured by the shareholder's shares in the investee company.

Management assessed impairment of the receivable using expected credit loss model and noted significant increase in credit risk during the year for the receivable. Accordingly, the impairment assessment is assessed by taking into consideration the fair value of the pledged shares. The fair value of the pledged shares is determined by reference to the equity value of the investee company based on valuation performed by an independent external valuer.

The equity value of the investee company is determined by the independent external valuer by applying income approach using the discounted cash flow ("DCF"). The valuer has also valued the pledged shares based on market approach as a cross check. The parameters and key assumptions used in the methodologies involve significant judgements and estimates. The use of different valuation methodologies and assumptions could produce significantly different estimates of equity value which would impact the impairment allowance determination.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FEDERAL INTERNATIONAL (2000) LTD

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Impairment review of other receivables (non-current) of \$11,022,000 (Continued)

(Refer to Note 11 to the financial statements)

Our audit procedures to address the key audit matter

We reviewed management's assessment of the impairment of the receivable.

We evaluated competency, capability and objectivity of the independent external valuer. We engaged our internal valuation specialist to assist in assessing the assumptions, methodologies and parameters adopted in the valuation against general market practice.

We have also assessed the reasonableness of key inputs and assumptions in the DCF with a focus on forecast revenue.

We also reviewed the adequacy of disclosures in the financial statements.

Other Information

Management is responsible for the other information. The other information comprises the information included in the 2019 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.

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 SFRS(I), 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.

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.

The directors' responsibilities include overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FEDERAL INTERNATIONAL (2000) LTD

Report on the Audit of the Financial Statements (Continued)

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.

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.

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.

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.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FEDERAL INTERNATIONAL (2000) LTD

Report on the Audit of the Financial Statements (Continued)

Auditor's Responsibilities for the Audit of the Financial Statements (Continued)

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 year 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.

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.

The engagement partner on the audit resulting in this independent auditor's report is Khor Boon Hong.

Baker Tilly TFW LLP

Public Accountants and
Chartered Accountants
Singapore

31 March 2020

**BALANCE
SHEETS**

AS AT 31 DECEMBER 2019

		Group		Company	
	Note	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-current assets					
Property, plant and equipment	4	19,203	31,316	–	–
Right-of-use assets	5	3,599	–	–	–
Investment properties	6	11,500	–	–	–
Investment in subsidiaries	7	–	–	77,838	77,876
Investment in associates and joint venture	8	6,783	5,994	732	732
Intangible assets	9	1,523	1,650	–	–
Financial assets at fair value through other comprehensive income	10	406	538	381	538
Other receivables	11	11,097	13,095	11,022	13,022
Deferred tax assets	12	839	722	–	–
		54,950	53,315	89,973	92,168
Current assets					
Inventories	13	10,149	12,625	–	–
Trade receivables	14	29,050	23,867	–	–
Other receivables	15	2,897	6,859	9	46
Advance payment to suppliers		956	779	–	–
Prepayments		738	250	14	16
Deposits		46	78	4	24
Financial receivable	16	–	300	–	–
Amounts due from subsidiaries	17	–	–	2,857	1,875
Amounts due from associates	18	2,892	2,979	–	50
Amount due from a related party	19	6,246	6,327	–	–
Fixed and bank deposits	37	1,383	1,398	1,346	1,363
Cash and bank balances	37	7,123	8,968	179	188
		61,480	64,430	4,409	3,562
Current liabilities					
Trade payables		7,285	8,233	–	–
Other payables	20	5,424	10,007	696	649
Contract liabilities	21	1,512	924	–	–
Amounts due to subsidiaries	22	–	–	1,205	1,226
Amounts due to associates	23	10	10	–	–
Amount due to a related party	24	1,876	1,926	–	–
Amounts due to bankers	25	11,523	8,067	–	–
Term loans	26	7,570	8,535	–	–
Lease liabilities	5	279	–	–	–
Provision for taxation		49	2,620	–	–
		35,528	40,322	1,901	1,875
Net current assets		25,952	24,108	2,508	1,687

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

BALANCE SHEETS

AS AT 31 DECEMBER 2019

	Note	Group		Company	
		2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-current liabilities					
Amounts due to subsidiaries	22	–	–	19,463	19,716
Term loans	26	4,996	7,352	–	–
Provision for post employment benefits		290	211	–	–
Lease liabilities	5	3,414	–	–	–
Deferred tax liabilities	12	2,108	2,390	–	–
		10,808	9,953	19,463	19,716
Net assets		70,094	67,470	73,018	74,139
Equity attributable to owners of the Company					
Share capital	27(a)	144,099	144,099	144,099	144,099
Treasury shares	27(b)	(25)	(25)	(25)	(25)
Foreign currency translation reserve	28	(3,892)	(3,748)	–	–
Capital reserve	29	5	5	–	–
Revaluation reserve	30	18,301	17,782	–	–
Other reserves	31	(1,133)	(976)	(157)	–
Accumulated losses		(74,122)	(76,506)	(70,899)	(69,935)
		83,233	80,631	73,018	74,139
Non-controlling interests		(13,139)	(13,161)	–	–
Total equity		70,094	67,470	73,018	74,139

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

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

		Group	
	Note	2019 \$'000	2018 \$'000
Revenue	32	62,599	43,235
Cost of sales		(48,543)	(33,009)
Gross profit		14,056	10,226
Other income		2,681	2,669
Selling and distribution costs		(5,222)	(5,019)
Administrative and general costs		(10,381)	(11,806)
Other operating income/(expenses)		2,968	(2,237)
Net impairment loss on financial assets		(4,757)	(275)
Finance costs		(1,360)	(1,148)
Share of results of associates and joint venture		857	986
Loss before tax	33	(1,158)	(6,604)
Income tax credit	35	3,565	103
Profit/(loss) net of tax		2,407	(6,501)
Attributable to:			
Owners of the Company		2,384	(5,802)
Non-controlling interests		23	(699)
		2,407	(6,501)
Earnings/(loss) per share attributable to owners of the Company (cents per share)	36		
Basic		1.69	(4.12)
Diluted		1.69	(4.12)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	Group	
Note	2019 \$'000	2018 \$'000
Profit/(loss) net of tax	2,407	(6,501)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Net surplus on revaluation of freehold land and buildings, and leasehold buildings	–	709
Net surplus on revaluation of leasehold buildings	519	–
Financial assets at fair value through other comprehensive income – fair value loss of equity instruments	(157)	–
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation	(74)	451
Share of other comprehensive (loss)/income of associates and joint venture	(68)	159
Foreign currency translation on loss of control/disposal of associates reclassified to profit or loss	7(c) (5)	697
Other comprehensive income for the financial year, net of tax	215	2,016
Total comprehensive income/(loss) for the financial year	2,622	(4,485)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	2,602	(3,981)
Non-controlling interests	20	(504)
	2,622	(4,485)

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Attributable to the owners of the Company								
	Share capital	Treasury shares	Accumulated losses	Foreign currency translation reserve	Capital reserve	Revaluation reserve	Other reserves	Non-controlling interests	Total equity
	(Note 27(a))	(Note 27(b))		(Note 28)	(Note 29)	(Note 30)	(Note 31)		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2019	144,099	(25)	(76,506)	(3,748)	5	17,782	(976)	80,631	67,470
Profit net of tax	-	-	2,384	-	-	-	-	2,384	2,407
Other comprehensive income/(loss):									
Items that will not be reclassified subsequently to profit or loss:									
Net surplus on revaluation of leasehold buildings	-	-	-	-	-	519	-	519	519
Financial assets at fair value through other comprehensive income									
– fair value loss of equity instruments	-	-	-	-	-	-	(157)	(157)	(157)
Items that are or may be reclassified subsequently to profit or loss:									
Foreign currency translation	-	-	-	(73)	-	-	-	(73)	(74)
Share of other comprehensive loss of associates and joint venture	-	-	-	(68)	-	-	-	(68)	(68)
Foreign currency translation on loss of control reclassified to profit or loss (Note 7(c))	-	-	-	(3)	-	-	-	(3)	(5)
Total comprehensive income/(loss) for the financial year	-	-	2,384	(144)	-	519	(157)	2,602	2,622
Disposal of a subsidiary company (Note 7(c))	-	-	-	-	-	-	-	(22)	(22)
Acquisition of a subsidiary company (Note 7(d))	-	-	-	-	-	-	-	24	24
At 31 December 2019	144,099	(25)	(74,122)	(3,892)	5	18,301	(1,133)	83,233	70,094

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Group	Attributable to the owners of the Company								
	Share capital	Treasury shares	Accumulated losses	Foreign currency translation reserve	Capital reserve	Revaluation reserve	Other reserves	Non-controlling interests	Total equity
	(Note 27(a))	(Note 27(b))		(Note 28)	(Note 29)	(Note 30)	(Note 31)		
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
At 1 January 2018	144,099	–	(67,889)	(4,860)	5	17,073	(976)	87,452	74,795
Loss net of tax	–	–	(5,802)	–	–	–	–	(5,802)	(6,501)
Other comprehensive income:									
Items that will not be reclassified subsequently to profit or loss:									
Net surplus on revaluation of freehold land and buildings, and leasehold buildings	–	–	–	–	–	709	–	709	709
Items that are or may be reclassified subsequently to profit or loss:									
Foreign currency translation	–	–	–	256	–	–	–	256	451
Share of other comprehensive income of associates and joint venture	–	–	–	159	–	–	–	159	159
Foreign currency translation on disposal of associates reclassified to profit or loss	–	–	–	697	–	–	–	697	697
Total comprehensive (loss)/income for the financial year	–	–	(5,802)	1,112	–	709	–	(3,981)	(4,485)
Dividend paid (Note 38)	–	–	(2,815)	–	–	–	–	(2,815)	(2,815)
Purchase of treasury shares	–	(25)	–	–	–	–	–	(25)	(25)
At 31 December 2018	144,099	(25)	(76,506)	(3,748)	5	17,782	(976)	80,631	67,470

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

Company	Share capital (Note 27(a)) \$'000	Treasury shares (Note 27(b)) \$'000	Accumulated losses \$'000	Other reserves (Note 31) \$'000	Total equity \$'000
At 1 January 2019	144,099	(25)	(69,935)	–	74,139
Loss net of tax	–	–	(964)	–	(964)
Other comprehensive loss:					
Financial assets at fair value through other comprehensive income					
– fair value loss of equity instruments	–	–	–	(157)	(157)
Total comprehensive loss for the financial year	–	–	(964)	(157)	(1,121)
At 31 December 2019	144,099	(25)	(70,899)	(157)	73,018
At 1 January 2018	144,099	–	(64,645)	–	79,454
Loss net of tax and total comprehensive loss for the financial year	–	–	(2,475)	–	(2,475)
Dividend paid (Note 38)	–	–	(2,815)	–	(2,815)
Purchase of treasury shares	–	(25)	–	–	(25)
At 31 December 2018	144,099	(25)	(69,935)	–	74,139

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019 \$'000	2018 \$'000
Cash flows from operating activities		
Loss before tax	(1,158)	(6,604)
Adjustments for:		
Amortisation of intangible assets	136	136
Fair value gain on investment properties	(243)	–
Depreciation of property, plant and equipment	1,991	1,946
Depreciation of right-of-use assets	372	–
Loss/(gain) on disposal of property, plant and equipment (net)	10	(2)
Gain on disposal of a subsidiary	(3)	–
Impairment loss on other receivables (non-current)	2,000	–
Write back of impairment loss on amounts due from associates (net)	–	(1)
Implicit interest income	(4)	(4)
Interest expense	1,360	1,148
Interest income	(540)	(667)
Loss on disposal of associates	–	449
Loss on disposal of other investment	–	7
Share of results of associates	(857)	(986)
Foreign currency exchange gain	–	(223)
Operating cash flows before changes in working capital	3,064	(4,801)
Decrease in inventories	2,514	100
(Increase)/decrease in trade and other receivables	(1,143)	20,065
Decrease in financial receivable	296	394
(Increase)/decrease in advance payment to suppliers	(111)	952
(Increase)/decrease in prepayments	(484)	61
Decrease/(increase) in deposits	32	(16)
Decrease in amounts due from associates	49	4
Decrease in contract assets	–	104
Decrease in trade and other payables	(5,846)	(5,120)
Increase/(decrease) in contract liabilities	587	(514)
Increase in provision for post-employment benefits	79	19
Decrease in amounts due to associates	–	(967)
Decrease in amount due to a related party	–	(14)
Cash flows (used in)/generated from operations	(963)	10,267
Income taxes refund/(paid)	798	(1,019)
Interest income received	343	511
Net cash flows generated from operating activities	178	9,759

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

	2019 \$'000	2018 \$'000
Cash flows from investing activities:		
Interest income received	44	29
Investment in joint venture	–	(100)
Net cash inflow on acquisition of a subsidiary	10	–
Net cash outflow on disposal of a subsidiary	(24)	–
Purchase of property, plant and equipment	(656)	(300)
Proceeds from disposal of property, plant and equipment	–	3
Proceeds from disposal of other investment	–	13
Repayments of shareholder's loan from an associate	–	5,092
Net cash flows (used in)/generated from investing activities	(626)	4,737
Cash flows from financing activities:		
Dividend paid	–	(2,815)
Interest expense paid	(1,097)	(1,221)
(Repayments of)/proceeds from secured bank overdrafts	(54)	2,238
Drawdown of term loans	2,256	3,067
Repayments of term loans	(5,543)	(4,254)
Drawdown of trust receipts	23,282	26,393
Repayments of trust receipts	(19,754)	(39,733)
Purchase of treasury shares	–	(25)
Repayments of lease liabilities – principal	(294)	–
Repayments of lease liabilities – interest	(188)	–
Net cash flows used in financing activities	(1,392)	(16,350)
Net decrease in cash and cash equivalents	(1,840)	(1,854)
Effect of exchange rate changes on cash and cash equivalents	(3)	68
Cash and cash equivalents at 1 January	9,003	10,789
Cash and cash equivalents at 31 December (Note 37)	7,160	9,003

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

1. CORPORATE INFORMATION

Federal International (2000) Ltd (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Singapore Exchange Securities Trading Limited (SGX-ST).

The registered office and principal place of business of the Company is located at 12 Chin Bee Drive, Singapore 619868.

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 7.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with the provisions of the Companies Act, Chapter 50 and Singapore Financial Reporting Standards (International) ("SFRS(I)").

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

The financial statements are presented in Singapore Dollar ("SGD" or "\$") and all values in the tables are rounded to the nearest thousand (\$'000) as indicated.

The preparation of financial statements in conformity with SFRS(I) requires the use of estimates and assumption that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the financial year. Although these estimates are based on management's best knowledge of current events and actions and historical experiences and various other factors that are believed to be reasonable under the circumstances, actual results may ultimately differ from those estimates.

Use of estimates and judgements

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

The areas involving a higher degree of judgement in applying accounting policies, or areas where assumptions and estimates have a significant risk of resulting in material adjustment within the next financial year are disclosed in Note 3.

New and revised standards

In the current financial year, the Group has adopted all new and revised SFRS(I) and SFRS(I) Interpretations ("SFRS(I) INT") that are effective for the current financial year. The application of these new and revised SFRS(I) and SFRS(I) INT do not have a material effect on the financial position and results of the Group and the Company except as disclosed below.

New standards, amendments to standards and interpretations that have been issued at the balance sheet date but are not yet effective for the financial year ended 31 December 2019 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

New and revised standards (Continued)

SFRS(I) 16 Leases

(a) *When the Group is the lessee*

SFRS(I) 16 replaces the existing SFRS(I) 1-17 Leases for financial periods beginning 1 January 2019. It reforms lessee accounting by introducing a single lessee accounting model. Lessees are required to recognise all leases on their balance sheets to reflect their rights to use leased assets (a "right-of-use" asset) and the associated obligations for lease payments (a lease liability), with limited exemptions for short term leases (less than 12 months) and leases of low value items. In addition, the nature of expenses related to those leases will change as SFRS(I) 16 replaces the straight-line operating lease expense with depreciation charge of right-of-use asset and interest expense on lease liability.

On adoption of SFRS(I) 16, the Group recognised lease liabilities in relation to leases which had previously been classified as "Operating Leases" under SFRS(I) 1-17 Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate as at 1 January 2019. The weighted average lessee's incremental borrowing rate applied to the lease liabilities on 1 January 2019 was 5.5%.

	2019 \$'000
Operating lease commitments disclosed as at 31 December 2018:	6,428
Discounted using the weighted average lessee's incremental borrowing rate	3,998
Less: short term leases recognised on a straight-line basis as an expense	(84)
Less: low value asset leases recognised on a straight-line basis as an expense	(15)
Add: adjustments as a result of a different treatment of extension or termination options	31
Lease liability recognised as at 1 January 2019	3,930

The associated right-of-use assets were measured at the amount equal to the lease liability (adjusted for any prepaid or accrued lease payment) on adoption. Arising from the adoption of SFRS(I) 16, the rights-of-use asset and lease liability were recognised on the balance sheet on 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

New and revised standards (Continued)

SFRS(I) 16 Leases (Continued)

(a) When the Group is the lessee (Continued)

In applying SFRS(I) 16 for the first time, the Group has used the following practical expedients permitted by the standard:

- use of a single discount rate to a portfolio of leases with reasonably similar characteristics;
- rely on previous assessment of whether leases are onerous immediately before the date of initial application as an alternative to performing an impairment review;
- account for operating leases with a remaining lease term of less than 12 months as at 1 January 2019 as short-term leases;
- exclude initial direct costs for the measurement of the right-of-use asset at the date of initial application; and
- use of hindsight in determining the lease term where the contract contains options to extend or terminate the lease.

(b) When the Group is the lessor

There are no material changes to accounting by the Group as a lessor.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.2 Foreign currency

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

(a) *Transactions and balances*

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the financial year are recognised in profit or loss except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operations, which are recognised initially in other comprehensive income and accumulated under foreign currency translation reserve in equity. The foreign currency translation reserve is reclassified from equity to profit or loss of the Group on disposal of the foreign operation.

(b) *Consolidated financial statements*

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

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Basis of consolidation and business combinations

(a) *Basis of consolidation*

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

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

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

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

A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction. If the Group loses control over a subsidiary, it:

- De-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;
- De-recognises the carrying amount of any non-controlling interest;
- De-recognises the cumulative translation differences recorded in equity;
- Recognises the fair value of the consideration received;
- Recognises the fair value of any investment retained;
- Recognises any surplus or deficit in profit or loss;
- Re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

Any retained equity interest in the previous subsidiary is remeasured at fair value at the date that control is lost. The difference between the carrying amount of the retained interest at the date control is lost, and its fair value is recognised in profit or loss.

(b) *Business combinations and goodwill*

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Basis of consolidation and business combinations (Continued)

(b) *Business combinations and goodwill* (Continued)

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

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

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

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

The cash-generating units to which goodwill have been allocated is tested for impairment annually and whenever there is an indication that the cash generating unit may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of each cash-generating unit (or group of cash-generating units) to which the goodwill relates. An impairment loss recognised for goodwill is not reversed in subsequent periods.

2.4 Transactions with non-controlling interests

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to recognition, property, plant and equipment other than freehold land and buildings and leasehold buildings are measured at cost less accumulated depreciation and any accumulated impairment losses. The cost includes the cost of replacing part of the property, plant and equipment and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying property, plant and equipment. The accounting policy for borrowing costs is set out in Note 2.19. The cost of an item of property, plant and equipment is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably.

When significant parts of property, plant and equipment are required to be replaced in intervals, the Group recognises such parts as individual assets with specific useful lives and depreciation, respectively. Likewise, when a major inspection is performed, its cost is recognised in the carrying amount of the plant and equipment as a replacement if the recognition criteria are satisfied. All other repair and maintenance costs are recognised in profit or loss as incurred.

Freehold land are subsequently stated at revalued amount less accumulated impairment losses. Freehold buildings and leasehold buildings are subsequently carried at revalued amounts less accumulated depreciation and accumulated impairment losses. Valuations are performed with sufficient regularity to ensure that the carrying amount does not differ materially from the fair value of the freehold land and buildings, and leasehold buildings at the end of the reporting period.

Any revaluation surplus is recognised in other comprehensive income and accumulated in equity under the revaluation reserve, except to the extent that it reverses a revaluation decrease of the same asset previously recognised in profit or loss, in which case the increase is recognised in profit or loss. A revaluation deficit is recognised in profit or loss, except to the extent that it offsets an existing surplus on the same asset carried in the revaluation reserve.

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset. The revaluation surplus included in the revaluation reserve in respect of an asset is transferred directly to accumulated losses on retirement or disposal of the asset.

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

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

Leasehold buildings	–	Remaining leasehold period of 15 to 24 years
Freehold buildings	–	50 years (prior to being reclassified as investment properties in 2019)
Other plant and equipment	–	3 to 10 years

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

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

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

Fully depreciated assets are retained in the financial statements until they are no longer in use.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Investment properties

Investment properties include those portions of properties that are held to earn rental income and/or for capital appreciation. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties.

Investment properties are initially recognised at cost and subsequently carried at fair value, determined annually by independent professional valuers on the highest-and-best-use basis. Changes in fair values are recognised in profit or loss.

Cost includes expenditure that is directly attributable to the acquisition of the investment property. The cost of self-constructed investment property includes the cost of materials and direct labour, any other costs directly attributable to bringing the investment property to a working condition for their intended use and capitalised borrowing costs.

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

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

2.7 Intangible assets

Research and development costs

Research costs are expensed as incurred. Deferred development costs arising from development expenditures on an individual project are recognised as an intangible asset when the Group can demonstrate the technical feasibility of completing the intangible asset so that it will be available for use or sale, its intention to complete and its ability to use or sell the asset, how the asset will generate future economic benefits, the availability of resources to complete and the ability to measure reliably the expenditures during the development.

Following initial recognition of the deferred development costs as an intangible asset, it is carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of the intangible asset begins when development is complete and the asset is available for use. Deferred development costs have a finite useful life and are amortised on a straight-line basis over the estimated useful life of 10 years.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets

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

An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs to sell and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset or cash-generating unit exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows expected to be generated by the asset 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. In determining fair value less costs to sell, recent market transactions are taken into account, if available. If no such transactions can be identified, an appropriate valuation model is used. These calculations are corroborated by valuation multiples or other available fair value indicators.

The Group bases its impairment calculation on detailed budgets and forecast calculations which are prepared separately for each of the Group's cash-generating units to which the individual assets are allocated. These budgets and forecast calculations are generally covering a period of five years. For longer periods, a long-term growth rate is calculated and applied to project future cash flows after the fifth year.

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

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such indication exists, the Group estimates the asset's or cash-generating unit's recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss unless the asset is measured at revalued amount, in which case the reversal is treated as a revaluation increase.

2.9 Subsidiaries

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Associates and joint venture

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

A joint venture is an arrangement in which the Group has joint control, whereby the Group has rights to the net assets of the arrangement, rather than rights to its assets and obligations for its liabilities.

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

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

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

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

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

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

Upon loss of significant influence over the associate and joint venture, the Group measures any retained investment at its fair value. Any difference between the fair value of the aggregate of the retained investment and proceeds from disposal and the carrying amount of the investment at the date the equity method was discontinued is recognised in profit or loss.

In the Company's financial statements, investments in associates and joint venture are carried at cost less accumulated impairment loss. On disposal of investment in associates or joint venture, the difference between the disposal proceeds and the carrying amount of the investment is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets

Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade date – the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Financial assets are initially measured at fair value. Transaction costs that are directly attributable to the acquisition of financial assets (other than financial assets at fair value through profit or loss) are added to the fair value of the financial assets on initial recognition. Transaction costs directly attributable to acquisition of financial assets at fair value through profit or loss are recognised immediately in profit or loss. Trade receivables without a significant financing component is initially measured at transaction prices.

Classification and measurement

All financial assets are subsequently measured in their entirety at either amortised cost or fair value, depending on the classification of the financial assets.

The Group classifies its financial assets in the measurement categories:

- Amortised cost
- Fair value through profit or loss ("FVTPL")
- Fair value through other comprehensive income ("FVOCI")

The classification is based on the entity's business model for managing the financial asset and the contractual cash flow characteristics of the financial assets. The Group reclassifies financial assets when and only when its business model for managing those assets changes.

Subsequent measurement

(i) Debt instruments

Debt instruments include trade receivables, other receivables (excluding prepayments), amount due from a related party, subsidiaries, and associates, fixed and bank deposits and cash and bank balances on the balance sheet. The financial assets, depending on the Group's business model for managing the asset and cash flow characteristics of the asset, are subsequently measured at amortised cost.

Amortised cost

The Group measures financial assets at amortised cost if both of the following conditions are met:

- The financial asset is held within a business model with the objective to hold financial assets in order to collect contractual cash flows; and
- The contractual terms of the financial asset give rise on specific dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets at amortised cost are subsequently measured using the effective interest rate ("EIR") method and are subject to impairment. Gains and losses are recognised in profit or loss when the asset is derecognised, modified or impaired. Interest income from these financial assets is included in interest income using the EIR method.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

Subsequent measurement (Continued)

(ii) Equity instruments

The Group subsequently measures all its equity investments at their fair values. Equity investments are classified as FVTPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other income".

The Group has designated all of its equity investments that are not held for trading at FVOCI at initial recognition. Gains and losses arising from changes in fair value of these equity investments classified as FVOCI are presented as "fair value gains/losses" in other comprehensive income and accumulated in fair value reserve and will never be reclassified to profit or loss. On disposal of an equity investment, the difference between the carrying amount and sales proceed amount would be recognised in profit or loss except for equity investment designated at FVOCI which would be recognised in other comprehensive income. Fair value reserve relating to the disposed asset would be transferred to retained earnings upon disposal. Dividends from equity investments are recognised in profit or loss and presented in "other income". Equity investments classified as FVOCI are not subject to impairment assessment.

Offset

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

2.12 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for financial assets carried at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate.

The impairment methodology applied depends on whether there has been a significant increase in credit risk. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12 months (a 12-month ECL).

For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is required for credit losses expected over the remaining life of the exposure, irrespective of the timing of the default (a lifetime ECL).

For trade receivables and contract assets that do not have a significant financing component, the Group applies a simplified approach to recognise a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted as appropriate for current conditions and forward-looking factors specific to the debtors and the economic environment.

If the Group has measured the loss allowance for a financial asset at an amount equal to lifetime ECL in the previous reporting period, but determines at the current reporting date that the conditions for lifetime ECL are no longer met, the Group measures the loss allowance at an amount equal to 12-month ECL at the current reporting date.

The Group recognises an impairment in profit or loss for all financial assets with a corresponding adjustment to their carrying amount through a loss allowance account.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.13 Cash and cash equivalents in the consolidated statement of cash flows

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value.

2.14 Service concession arrangement

The Group has entered into service concession arrangement with the local government of the People's Republic of China (the "PRC") (the grantor) to supply raw water and treated industrial tap water, and operate waste water treatment plant. Under the concession arrangement, the Group will construct and/or operate the plant for concession period of 30 years. The grantor has control through ownership, beneficial entitlement or otherwise, any significant residual interest in the infrastructure at the end of the service arrangement. Such concession arrangement falls within the scope of SFRS(I) INT 12.

The Group recognises the consideration received or receivable to the extent that it has an unconditional right to receive cash or another financial asset for the construction services. Financial assets are accounted for in accordance with the accounting policy set out in Note 2.11. The receivable is presented as "financial receivable" on the balance sheet.

Operation or service revenue is recognised in the period in which the services are provided by the Group (see Note 2.22(b)). When the Group provides more than one service in a service concession arrangement, the consideration received is allocated by reference to the relative fair values of the services delivered.

2.15 Inventories

Inventories are stated at the lower of cost and net realisable value. Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Trading stocks: costs on a weighted average basis, except for fire detection and protection equipment, which is being determined on the first-in-first-out basis.
- Finished goods and work-in-progress: costs of direct materials and labour and other direct cost. These costs are assigned on a weighted-average-cost basis.
- Raw materials: purchase costs on a weighted average basis.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Provisions

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

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

2.17 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

2.18 Financial guarantee

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value plus transaction costs. Financial guarantees are classified as financial liabilities.

Subsequent to initial measurement, financial guarantees are stated at the higher of the initial fair values less cumulative amortisation and the expected loss computed using the impairment methodology under SFRS(I) 9. Financial guarantees contracts are amortised in the profit or loss over the period of the guarantee.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowing costs

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

2.20 Employee benefits

Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they are accrued to the employees. The estimated liability for leave is recognised for services rendered by employees up to the end of the reporting period.

Defined contribution plans

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

Defined benefit plans

The Group provides additional provisions for employee service entitlements in order to meet the minimum benefits required to be paid to qualified employees, as required under the Indonesian Labor Law No. 13/2003 (the "Labor Law"). The said additional provisions, which are unfunded, are estimated using the projected unit credit method based on the report prepared by an independent firm of actuaries.

Actuarial gains or losses are recognised in the profit or loss when the net cumulative unrecognised actuarial gains or losses at the end of the previous financial year exceed 10% of the higher of the present value of the defined benefit obligation or the fair value of the plan assets, if any, at that date. Such gains or losses in excess of the 10% corridor are amortised on a straight-line method over the expected average remaining service years of the covered employees.

Past service cost arising from the introduction of a defined benefit plan or changes in the benefit payable of an existing plan is required to be amortised over the period until the benefit becomes vested. To the extent that the benefit is already vested immediately following the introduction of, or changes to, the employee benefits program, the Group recognises past service cost immediately.

The related estimated liability for employee benefits is the aggregate of the present value of the defined benefit obligation at the end of the reporting period and actuarial gains and losses not recognised, less past service cost not yet recognised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases

The accounting policy for leases before 1 January 2019 are as follows:

(a) When the Group is the lessee

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

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

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

(b) When the Group is the lessor

Leases where the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(c).

Contingent rents are recognised as revenue in the period in which they are earned.

The accounting policy for leases after 1 January 2019 are as follows:

The Group assesses at contract inception whether a contract is, or contains, a lease. That is, if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

(a) When the Group is the lessee

The Group applies a single recognition and measurement approach for all contracts that are, or contain, a lease, except for short-term leases (i.e. for leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option) and leases of low-value assets (leases of office and warehouse space and office equipment). For these exempted leases, the Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (Continued)

The accounting policy for leases after 1 January 2019 are as follows: (Continued)

(a) *When the Group is the lessee* (Continued)

Lease liabilities

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise fixed lease payments (including in-substance fixed payments) less any lease incentives receivable, variable lease payments that depend on an index or a rate, and amounts expected to be paid under residual value guarantees. The lease payments also include the exercise price of a purchase option reasonably certain to be exercised by the Group and payments of penalties for terminating the lease, if the lease term reflects the Group exercising the option to terminate. Variable lease payments that do not depend on an index or a rate are recognised as expenses (unless they are incurred to produce inventories) in the period in which the event or condition that triggers the payment occurs.

The lease liability is presented as a separate line in the balance sheets.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability using the effective interest method, and reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever there is a modification, a change in the lease term, a change in the lease payments (e.g., changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Right-of-use assets

The Group recognises right-of-use assets at the commencement date of the lease (i.e., the date the underlying asset is available for use). The right-of-use assets comprise the initial measurement of the corresponding lease liability, lease payments made at or before the commencement date, initial direct cost, less any lease incentive received.

Right-of-use assets are subsequently measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. Right-of-use assets are depreciated on a straight-line basis over the shorter period of the lease term and useful life of the underlying asset. If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The depreciation starts at the commencement date of the lease.

The right-of use assets are presented as a separate line in the balance sheets.

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss as described in Note 2.8.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (Continued)

The accounting policy for leases after 1 January 2019 are as follows: (Continued)

(b) When the Group is the lessor

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease.

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct cost 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.

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance 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.

When a contract includes both lease and non-lease components, the Group applies SFRS(I) 15 to allocate the consideration under the contract to each component.

2.22 Revenue

(a) Sale of goods

Revenue from sale of goods in the ordinary course of business is recognised when the Group satisfies a performance obligation ("PO") by transferring control of a promised good to the customer. The amount of revenue recognised is the amount of the transaction price allocated to the satisfied PO. The transaction price is the amount of consideration in the sales contract to which the Group expects to be entitled in exchange for transferring the promised goods. Revenue is recognised at the point when the goods are delivered to the customer. A receivable is recognised when the goods are delivered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. For goods which require advance consideration from the customers, the advance consideration are recognised as contract liability at the time of the initial sales transaction and recognised as revenue when the Group satisfies the performance obligation under its contract.

(b) Revenue from service concession arrangement

Revenue from the service concession arrangement for water treatment is recognised in accordance with Note 2.14. When the Group receives a payment during the operation phase of the concession period, it will apportion such payment between; a repayment of the financial receivable, which will be used to reduce the carrying amount of the financial receivable on its balance sheet; interest income, which will be recognised as finance income in profit or loss; and revenue from operating and maintaining the plants in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue (Continued)

(c) *Charter income from land drilling rig*

Revenue from charter income from land drilling rig is recognised over time based on actual number of days that the land drilling rig is chartered to the customer. The Group has a right to invoice the consideration from a customer in an amount corresponds directly to period of chartering.

(d) *Rental income*

Rental income from operating leases are recognised on a straight-line basis over the lease term.

(e) *Dividend income*

Dividend income is recognised when the Group's right to receive payment is established, it is probable that the economic benefits associated with the dividend will flow to the Group, and the amount of the dividend can be reliably measured.

(f) *Interest income*

Interest income is recognised using the effective interest method.

2.23 Taxes

(a) *Current income tax*

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

Current income taxes are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss, either in other comprehensive income or directly in equity which the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity respectively). Management periodically evaluates positions taken in the tax returns with respect to situations in which applicable tax regulations are subject to interpretation. It establishes provisions, where appropriate, on the basis of amounts expected to be paid to the tax authorities.

(b) *Deferred tax*

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Taxes (Continued)

(b) *Deferred tax* (Continued)

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

Deferred tax assets and deferred tax liabilities are offset, if a legally enforceable right exists to set off current income tax assets against current income tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Deferred tax is measured based on the tax consequence that will follow the manner in which the Group expects, at the balance sheet date, to recover or settle the carrying amounts of its assets and liabilities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 44, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 Share capital and share issuance expenses

Ordinary shares

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

Treasury shares

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the consideration paid including any directly attributable incremental cost is presented as a component within equity attributable to the owners of the Company, until they are cancelled, sold or reissued.

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 the capital of the Company, or against the retained earnings of the Company if the shares are purchased out of earnings of the Company.

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

2.26 Dividend

Interim dividends are recorded during the financial year in which they are declared payable.

Final dividends are recorded in the Group's financial statements in the period in which they are approved by the Company's shareholders.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

In the process of applying the Group's accounting policies, which are described in Note 2, management has made the following judgements that have the most significant effect on the amounts recognised in the financial statements.

3.1 Judgement made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgement, apart from those involving estimations, which has the most significant effect on the amount recognised in the consolidated financial statements:

Deferred tax assets

The Group recognises deferred income tax assets on carried forward tax losses to the extent there are sufficient estimated future taxable profits and/or taxable temporary differences against which the tax losses can be utilised and that the Group is able to comply with certain provisions of the tax legislation of the respective countries in which the companies operate.

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. The carrying value of deferred tax asset recognised and the unrecognised tax losses of the Group at 31 December 2019 are disclosed in Note 12.

3.2 Key sources of estimation uncertainty

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

(a) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the asset's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within the years stated in Note 2.5. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at the end of each financial year is disclosed in Note 4. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 8.6% (2018: 1.5%) variance in the Group's loss before tax.

(b) Impairment of non-financial assets

The Group assesses whether there are any indicators of impairment for all non-financial assets at each reporting date. The non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or cash generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use.

When value in use calculations are undertaken, management is required to estimate the expected future cash flows from the asset and a suitable discount rate, in order to determine the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of non-financial assets and the carrying amount of the non-financial assets, are given in Note 7.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (CONTINUED)

3.2 Key sources of estimation uncertainty (Continued)

(c) *Income taxes*

The Group has exposure to income taxes in numerous jurisdictions. Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income and deductibility of certain expenditure. Accordingly, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be 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 provisions in the period in which such determination is made. The carrying amounts of the Group's and the Company's tax payables as at 31 December 2019 were \$49,000 (2018: \$2,620,000) and \$Nil (2018: \$ Nil) respectively. The carrying amount of the Group's deferred tax liabilities at 31 December 2019 was \$2,108,000 (2018: \$2,390,000).

(d) *Allowance for slow moving inventories*

Inventories are stated at the lower of cost and net realisable value. Where necessary, allowance is provided to adjust the carrying value of inventories to the lower of cost or net realisable value. Significant management judgement is required to determine the amount of allowance to be recognised. The carrying amount of inventories is disclosed in Note 13.

(e) *Revaluation of freehold land and buildings, and leasehold buildings*

The fair values of the freehold land and buildings, and leasehold buildings at 31 December 2019 are determined by independent professional valuer by reference to recent transactions of similar properties in the vicinity after adjusting for any differences in the nature, location and condition of the specific property.

The carrying amount and key assumptions used to determine the fair value of freehold land and buildings, and leasehold buildings are explained in Notes 4 and 6.

(f) *Calculation of allowance for impairment of financial assets at amortised cost*

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Probability of default constitutes a key input in measuring ECL. Probability of default is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

As the calculation of loss allowance on receivables and loans is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of receivables and loans. Details of ECL measurement and carrying values of financial assets are disclosed in Note 41(a).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

4. PROPERTY, PLANT AND EQUIPMENT

Group	At valuation			At cost			Total \$'000
	Freehold land \$'000	Freehold buildings \$'000	Leasehold buildings \$'000	Plant and machinery \$'000	Furniture and fittings and office equipment \$'000	Motor vehicles \$'000	
Cost or valuation:							
At 1 January 2018	9,000	2,000	14,300	12,901	5,310	546	44,057
Additions	–	–	8	179	66	47	300
Disposals/write off	–	–	–	–	(64)	–	(64)
Reclassification	–	–	447	–	(447)	–	–
Revaluation (Note 30)	300	–	(325)	–	–	–	(25)
Exchange differences	–	–	–	(494)	(24)	–	(518)
At 31 December 2018 and 1 January 2019	9,300	2,000	14,430	12,586	4,841	593	43,750
Additions	–	–	122	196	310	28	656
Disposals/write off	–	–	–	–	(2,413)	(83)	(2,496)
Reclassified as investment properties (Note 6)	(9,300)	(2,000)	–	–	–	–	(11,300)
Revaluation (Note 30)	–	–	(352)	–	–	–	(352)
Exchange differences	–	–	–	330	9	2	341
At 31 December 2019	–	–	14,200	13,112	2,747	540	30,599
Accumulated depreciation and impairment loss:							
At 1 January 2018	–	–	–	6,565	4,636	422	11,623
Depreciation charge for the financial year	–	122	654	1,032	98	40	1,946
Disposals/write off	–	–	–	–	(63)	–	(63)
Reclassification	–	–	41	–	(41)	–	–
Elimination of accumulated depreciation on revaluation (Note 30)	–	(122)	(695)	–	–	–	(817)
Exchange differences	–	–	–	(234)	(21)	–	(255)
At 31 December 2018 and 1 January 2019	–	–	–	7,363	4,609	462	12,434
Depreciation charge for the financial year	–	43	696	1,084	130	38	1,991
Disposals/write off	–	–	–	–	(2,403)	(83)	(2,486)
Reclassified as investment properties (Note 6)	–	(43)	–	–	–	–	(43)
Elimination of accumulated depreciation on revaluation (Note 30)	–	–	(696)	–	–	–	(696)
Exchange differences	–	–	–	187	7	2	196
At 31 December 2019	–	–	–	8,634	2,343	419	11,396
Net carrying amount:							
At 31 December 2018	9,300	2,000	14,430	5,223	232	131	31,316
At 31 December 2019	–	–	14,200	4,478	404	121	19,203

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Furniture and fittings and office equipment \$'000
Cost:	
At 1 January 2018, 31 December 2018 and 1 January 2019	66
Disposal/write off	(26)
At 31 December 2019	40
Accumulated depreciation:	
At 1 January 2018, 31 December 2018 and 1 January 2019	66
Disposal/write off	(26)
At 31 December 2019	40
Net carrying amount:	
At 31 December 2018	–
At 31 December 2019	–

Revaluation of leasehold buildings

Leasehold buildings relate to a single-storey detached factory situated at 12 Chin Bee Drive on leasehold land of 7,146.3 square metres and a single-storey factory situated at 11 Tuas Avenue 1 on a leasehold land area of 4,701.4 square metres. The lease tenure of the leasehold land is 30 years effective October 2013 and 22 years effective November 2012, respectively.

The fair values of the Group's leasehold buildings were determined based on the properties' highest and best use by an independent external valuer using direct comparison with recent transactions of comparable properties within the vicinity at 31 December 2019 and 31 December 2018. Adjustments are made for differences in location, land area, floor area, floor loading, ceiling height, tenure, size, shape, design and layout, age and condition of buildings, dates of transactions and the prevailing market conditions amongst other factors affecting its value.

The fair value measurement is categorised under Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Revaluation of freehold land and buildings (reclassified as investment properties in 2019)

Freehold land and buildings relate to two 3-storey terrace factories situated at 47 and 49 Genting Road on freehold land of 810.9 square metres.

The fair values of the Group's freehold land and buildings were determined based on the properties' highest and best use by an independent external valuer using market comparison approach and cost method.

Based on comparison approach, market comparison was made to recent transactions of comparable properties, prevailing market condition and underlying economic factors which may influence the trend of the market values.

For cost method, it involves the estimation of the value of the site as if it were vacant using the comparison method. The amount of depreciation and obsolescence is then estimated and deducted from the cost of improvements to arrive at the depreciated replacement or reproduction cost. This is then added to the land value to derive the capital value of the property.

The fair value measurement was categorised under Level 3 of the fair value hierarchy.

If the freehold land and buildings, and leasehold buildings were measured using the cost model, the carrying amounts would be as follows:

	Group	
	2019 \$'000	2018 \$'000
Freehold land at 31 December:		
Cost and net carrying amount ⁽¹⁾	–	2,562
Freehold buildings at 31 December:		
Cost	–	2,150
Accumulated depreciation	–	(1,526)
Net carrying amount ⁽¹⁾	–	624
Leasehold buildings at 31 December:		
Cost	6,715	6,594
Accumulated depreciation	(3,619)	(3,490)
Net carrying amount	3,096	3,104

Assets pledged as security

The Group's freehold land and buildings, and leasehold buildings with carrying amounts of approximately \$Nil (2018: \$9,300,000), \$Nil (2018: \$2,000,000) and \$14,200,000 (2018: \$14,430,000) respectively, are mortgaged to secure banking facilities and bank loans of certain subsidiaries (Note 25 and Note 26).

(1) Freehold land and buildings were reclassified as investment properties during the financial year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

5.1 The Group as a lessee

Nature of the Group's leasing activities

The Group's leasing activities comprise the following:

- (a) The Group leases various equipment and office units from non-related parties. The leases have an average tenure of between one to seven years;
- (b) The Group also makes monthly lease payments for land lease. The right-of-use of the land lease is classified as right-of-use assets;
- (c) In addition, the Group leases certain equipment, office units and warehouse with contractual terms of one month to five years. These leases are short-term and/or low-value items. The Group has elected not to recognise right-of-use assets and lease liabilities for these leases.

Information about leases for which the Group is a lessee is presented below:

Amounts recognised in balance sheet

	Group	
	31.12.2019	1.1.2019
	\$'000	\$'000
<u>Carrying amount of right-of-use assets</u>		
Land lease	3,102	3,212
Office units	430	598
Equipment	67	120
	<u>3,599</u>	<u>3,930</u>
<u>Carrying amount of lease liabilities</u>		
Current	279	296
Non-current	3,414	3,634
	<u>3,693</u>	<u>3,930</u>
		Group
		2019
		\$'000
Additions to right-of-use assets		<u>43</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

5.1 The Group as a lessee (Continued)

Amounts recognised in profit or loss

Depreciation charge for the year

	Group 2019 \$'000
Land lease	154
Office units	164
Equipment	54
	<u>372</u>
Lease expense not included in the measurement of lease liabilities:	
Lease expense – short term leases	81
Lease expense – low value assets leases	3
Total (Note 33)	<u>84</u>
Interest expense arising from lease liabilities (Note 33)	<u>204</u>

Total cash flow for leases during the financial year amounted to \$566,000.

As at 31 December 2019, the Group is committed to \$60,000 for short-term leases.

Reconciliation of movements of lease liabilities to cash flow arising from financing activities:

	2019 \$'000
Balance at 1 January 2019	–
Adoption of SFRS(I) 16	3,930
Changes from financing cash flows:	
– Repayments of principal	(294)
– Repayments of interest	(188)
Non-cash changes:	
– Interest expense	204
– Additions of new leases	43
Effect of changes in foreign exchange rates	(2)
Balance at 31 December 2019	<u>3,693</u>

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES (CONTINUED)

5.2 The Group as a lessor

Nature of the Group's leasing activities

The Group leased out its investment properties and plant and machinery to third parties for monthly lease payments. The lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred. Rental income from investment properties are disclosed in Note 6.

6. INVESTMENT PROPERTIES

	Group 2019 \$'000
Balance at beginning of year	–
Reclassified from property, plant and equipment (Note 4)	11,257
Fair value gain recognised in profit or loss	243
Balance at end of year	11,500

The investment properties are mortgaged to secure banking facilities and bank loans (Note 25 and 26).

The following amounts are recognised in profit or loss:

	Group 2019 \$'000
Rental income	78
Direct operating expenses arising from investment properties that generated rental income	(14)

Fair value adjustment of freehold land and buildings (reclassified from property, plant and equipment in 2019)

Freehold land and buildings relate to two 3-storey terrace factories situated at 47 and 49 Genting Road on freehold land of 810.9 square metres.

The fair values of the Group's freehold land and buildings were determined based on the properties' highest and best use by an independent external valuer using market comparison approach and cost method at 31 December 2019.

Based on comparison approach, market comparison was made to recent transactions of comparable properties, prevailing market condition and underlying economic factors which may influence the trend of the market values.

For cost method, it involves the estimation of the value of the site as if it were vacant using the comparison method. The amount of depreciation and obsolescence is then estimated and deducted from the cost of improvements to arrive at the depreciated replacement or reproduction cost. This is then added to the land value to derive the capital value of the property.

The fair value measurement is categorised under Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN SUBSIDIARIES

	Company	
	2019 \$'000	2018 \$'000
Unquoted shares, at cost:		
At 1 January	90,459	90,459
Acquisition of a subsidiary	45	–
At 31 December	90,504	90,459
Less: impairment losses	(29,289)	(29,289)
	61,215	61,170
Loans to subsidiaries:		
Gross amount	100,875	101,334
Less: impairment losses	(84,252)	(84,628)
	16,623	16,706
Net carrying amount	77,838	77,876

Except for loans to subsidiaries of \$3,768,000 (2018: \$3,817,000) which bear interest at rate of 5.0% (2018: 5.0%) per annum, all other amounts are interest-free and unsecured.

Management determined that the loans to subsidiaries are quasi-equity in nature and are therefore included in the investment in subsidiaries. The quasi-equity loans have no repayment terms and are repayable only when cash flows of the subsidiaries permit.

Loans to subsidiaries are denominated in the following currencies:

	Company	
	2019 \$'000	2018 \$'000
Singapore Dollar	10,292	10,292
United States Dollar	6,331	6,414
At 31 December	16,623	16,706

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31 December are:

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest	
		2019 %	2018 %
<i>Held by the Company</i>			
Federal Hardware Engineering Co Pte Ltd ⁽¹⁾ (Singapore)	Dealer in flowline control materials and services and investment holding (Singapore)	100	100
Alton International (S) Pte Ltd ⁽¹⁾ (Singapore)	Engineering and dealer in flowline control materials and services and investment holding (Singapore)	100	100
KVC (UK) Ltd ⁽²⁾ (United Kingdom)	Design, manufacture and assembly of valves (United Kingdom)	90	90
Federal Fire Engineering Pte Ltd ⁽¹⁾ (Singapore)	Supply and installation supervision of fire detection and protection systems and related products (Singapore)	100	100
Federal Offshore Services Pte. Ltd. ⁽¹⁾ (Singapore)	Dormant (Indonesia)	60	60
Federal Environmental & Energy Pte. Ltd. ⁽¹⁾ (Singapore)	Supply of flowline control products and investment holding (Singapore)	65	65
Federal Energi Pte. Ltd. ⁽¹⁾ (Singapore)	Dormant (Singapore)	100	100
Eastern Jason Fabrication Services Pte Ltd ⁽¹⁾ (Singapore)	Investment holding and offshore marine projects (Singapore)	100⁽³⁾	100 ⁽³⁾
Federal Capital Pte. Ltd. ⁽¹⁾ (Singapore)	Investment holding (Singapore)	100	100
PT Federal International ⁽²⁾ (Indonesia)	Provision of management and business consultation services, and operating and maintenance of oil and gas facility services (Indonesia)	100⁽⁴⁾	100 ⁽⁴⁾
Cornerstone Offshore Pte. Ltd. ⁽¹⁾ (Singapore)	Engineering design and consultancy (Singapore)	60	–
* FI (2000) UK Limited ⁽⁵⁾ (United Kingdom)	Manufacture of valves for the oil and petrochemical industries (United Kingdom)	100	100

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31 December are: (Continued)

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest	
		2019 %	2018 %
<i>Held by subsidiaries</i>			
PT Fedsin Rekayasa Pratama (Indonesia) ⁽²⁾	Hardware merchant and investment holding (Indonesia)	100	100
PT Federal International (Indonesia) ⁽²⁾	Provision of management and business consultation services and operating and maintenance of oil and gas facility services (Indonesia)	99⁽⁴⁾	99 ⁽⁴⁾
Federal International (Shanghai) Co., Ltd. ⁽²⁾ (PRC)	Trader and agent of flowline control products (PRC)	65	65
Alton International (Thailand) Co., Ltd ⁽⁶⁾ (Thailand)	Dealer in hardware and oilfield engineering materials (Thailand)	100	100
Alton International Resources Pte. Ltd. ⁽¹⁾ (Singapore)	Dormant (Singapore)	70	70
* PT Alton International Resources (Indonesia)	Dormant (Indonesia)	69.3	69.3
* PT Mega Federal Energy (Indonesia)	Dormant (Indonesia)	60	60
Federal Environmental Engineering (Shanghai) Co Ltd ⁽²⁾ (PRC)	Water and wastewater treatment projects (PRC)	65	65
FEE Investment Management Consultants (Shanghai) Co Ltd ⁽²⁾ (PRC)	Provision of management and consultancy services for environmental-related projects (PRC)	65	65
Federal Environmental Engineering (Suzhou) Co. Ltd ⁽²⁾ (PRC)	Provision of management and consultancy services for environmental-related projects (PRC)	65	65
Federal Environmental (Southwest China) Pte. Ltd. ⁽¹⁾ (Singapore)	Investment holding (Singapore)	65	65

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(a) Details of the subsidiaries as at 31 December are: (Continued)

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest	
		2019 %	2018 %
<i>Held by subsidiaries (cont'd)</i>			
Federal Environmental (Chengdu) Pte. Ltd. ⁽¹⁾ (Singapore)	Investment holding (Singapore)	65	65
Federal Water (Chengdu) Co., Ltd. ⁽²⁾ (PRC)	Supply of raw water, treated industrial tap water and project consultancy services (PRC)	58.5	58.5
* Federal-WH Marathon Ltd (British Virgin Islands)	Dormant (British Virgin Islands)	— ^(a)	51
Federal DNV India Private Ltd (India) ⁽⁷⁾	Dormant (India)	51	51

* Not required to be audited under the laws of the respective countries of incorporation

(1) Audited by Baker Tilly TFW LLP

(2) Audited by independent overseas member firms of Baker Tilly International

(3) This comprised 92.5% direct equity interest held by the Company and indirect equity interest of 7.5%

(4) This comprised 1% direct equity interest held by the Company and indirect equity interest of 99% held by a wholly-owned subsidiary

(5) No share capital is contributed into the subsidiary as at 31 December 2019 and 31 December 2018

(6) Audited by JTT Accounting & Auditing Partnership Limited, Thailand

(7) Audited by C. J. K. Associates, India

(a) The voluntary liquidation of a subsidiary, Federal-WH Marathon Ltd, has been completed during the financial year (Note 7(c))

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Summarised financial information of subsidiaries with material non-controlling interests ("NCI")

The Group has the following subsidiaries that have NCI that are considered by management to be material to the Group:

Name of subsidiary	Principal place of business/ Country of incorporation	Ownership interests held by NCI	
		2019 %	2018 %
FEE subgroup	Singapore and PRC	35	35
AIR subgroup	Singapore and Indonesia	30	30

FEE subgroup comprises Federal Environmental & Energy Pte. Ltd., Federal Environmental Engineering (Shanghai) Co Ltd., FEE Investment Management Consultants (Shanghai) Co Ltd., Federal Environmental Engineering (Suzhou) Co. Ltd., Federal Environmental (Southwest China) Pte. Ltd., Federal Water (Chengdu) Co., Ltd. and Federal Environmental (Chengdu) Pte. Ltd.

AIR subgroup comprises Alton International Resources Pte. Ltd. and PT Alton International Resources.

The following are the summarised financial information of each of the Group's subsidiaries with NCI that are considered by management to be material to the Group. These financial information include consolidation adjustments but before inter-company eliminations.

Summarised Balance Sheets

	FEE subgroup		AIR subgroup	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-current assets	125	79	21	21
Non-current liabilities	(3,752)	(4,906)	(11)	(11)
Current assets	10,890	9,669	–	–
Current liabilities	(30,683)	(28,250)	(33,480)	(33,475)
Net liabilities	(23,420)	(23,408)	(33,470)	(33,465)
Net liabilities attributable to NCI	(8,197)	(8,193)	(10,041)	(10,040)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) Summarised financial information of subsidiaries with material non-controlling interests ("NCI") (Continued)

Summarised Statements of Comprehensive Income

	FEE subgroup		AIR subgroup	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Revenue	9,757	4,558	–	–
(Loss)/profit before tax	(210)	(1,449)	1	(102)
Income tax (expense)/credit	(2)	17	–	–
(Loss)/profit after tax from continuing operations	(212)	(1,432)	1	(102)
Other comprehensive income/(loss)	201	169	(6)	9
Total comprehensive loss	(11)	(1,263)	(5)	(93)
Loss allocated to NCI	(74)	(501)	–	(31)

Summarised Statement of Cash Flows

	FEE subgroup		AIR subgroup	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Cash flows generated from/(used in) operating activities	750	(487)	(5)	(149)
Cash flows used in investing activities	(39)	–	–	–
Cash flows (used in)/generated from financing activities	(166)	387	5	149
Net increase/(decrease) in cash and cash equivalents	545	(100)	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Disposal of a subsidiary

The Members' Voluntary Liquidation of a subsidiary, Federal-WH Marathon Ltd, was completed during the financial year. The effect of the disposal on the financial position of the Group was as follows:

Effect of disposal on the financial position of the Group

	Group 2019 \$'000
Asset:	
Cash and bank balances	49
Net assets derecognised	49
Consideration received, satisfied in cash	25
Cash and bank balances disposed of	(49)
Net cash outflow on disposal	(24)
Gain on disposal:	
Consideration received	25
Net assets derecognised	(49)
Cumulative foreign currency exchange differences in respect of the net assets of the subsidiary reclassified to profit or loss on loss of control of subsidiary	5
	(19)
Non-controlling interest	22
	3

(d) Acquisition of a subsidiary

During the financial year, the Company subscribed for 205,000 ordinary shares, representing 60% of the total issued and paid-up share capital of Cornerstone Offstone Pte. Ltd. ("COS"). Upon the acquisition, COS became a 60%-owned subsidiary of the Group.

NOTES TO THE FINANCIAL STATEMENTS

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7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(d) Acquisition of a subsidiary (Continued)

	Fair value recognised on acquisition \$'000
Financial assets at fair value through other comprehensive income	25
Other receivables	65
Advance payment to suppliers	84
Cash and bank balances	55
Other payables	(169)
Total net identifiable assets at fair value	60
Non-controlling interest ("NCI") measured at the NCI's proportionate share of COS's net identifiable assets	(24)
Goodwill arising from acquisition	9
	45
	\$'000
<u>Effect of the acquisition of COS on cash flows</u>	
Total consideration for 60% equity interest acquired	(45)
Less: non-cash consideration	–
Consideration settled in cash	(45)
Less: Cash and bank balances of subsidiary acquired	55
Net cash inflow on acquisition	10

(e) Company level – Impairment review of investment in subsidiaries

In 2018, management performed an impairment test for the quasi-equity loan to PT Fedsin Rekayasa Pratama as this subsidiary incurred losses in the past few years. An impairment loss of \$3,400,000 was recognised for the year ended 31 December 2018 to write down this quasi-equity loan to its recoverable amount of \$7,032,000. The recoverable amount of the investment in this subsidiary was determined on the basis of its fair value less cost of disposal. The fair value less cost of disposal was determined based on the adjusted net assets of the subsidiary, which take into account potential fair value gain arising from property, plant and equipment. The fair value measurement is categorised in Level 3 of the fair value hierarchy.

(f) Significant restriction

Cash and cash equivalents of \$1,499,000 (2018: \$709,000) are held in the People's Republic of China and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends.

NOTES TO THE FINANCIAL STATEMENTS

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8. INVESTMENT IN ASSOCIATES AND JOINT VENTURE

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Unquoted shares, at cost	4,332	4,332	885	885
Share of post-acquisition reserves	2,952	2,095	–	–
Impairment loss	(575)	(575)	(153)	(153)
Currency realignment	74	142	–	–
Net carrying amount	6,783	5,994	732	732

Net carrying amount represented by:

Investment in associates	6,723	5,931	732	732
Investment in joint venture	60	63	–	–
	6,783	5,994	732	732

Analysis of impairment losses:

At 1 January	575	575	153	356
Disposal	–	–	–	(203)
At 31 December	575	575	153	153

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest	
		2019 %	2018 %
Associates			
Held by the Company			
*KVC Co., Ltd (Japan)	Manufacture and export of valves (Japan)	50	50
^Sapex International Pte. Ltd. (Singapore)	Dormant (Singapore)	50	50
Held by subsidiaries			
*Federal-Applied Industrial Services Co Ltd (Thailand)	Dormant (Thailand)	49	49
PT Eastern Jason ⁽¹⁾ (Indonesia)	Chartering of vessels (Indonesia)	30	30
*PT Fedco Rekayasa Indonesia (Indonesia)	Dormant (Indonesia)	— ^(a)	49
Joint venture			
Held by subsidiary			
#Federal Destini (S) Pte Ltd (Singapore)	Dormant (Singapore)	50	50

NOTES TO THE FINANCIAL STATEMENTS

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8. INVESTMENT IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

* Not required to be audited under the laws of the respective countries of incorporation

(1) Audited by Kosasih, Nurdiyaman, Tjahjo & Rekan, Indonesia

(a) The associated company was placed under members' voluntary liquidation and dissolved during the financial year

^ The associated company was struck off subsequent to financial year end

In the process of striking off

Summarised financial information for associates of the Group, which in the opinion of the management are material to the Group based on their IFRS financial statements (not adjusted for the Group's share of those amounts) and a reconciliation to the carrying amounts of the investments in the consolidated financial statements are as follows:

Summarised Statements of Comprehensive Income

	PT Eastern Jason		KVC Co., Ltd	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Revenue	13,669	19,909	9,472	12,938
Profit/(loss) after tax from continuing operations	2,923	3,041	(34)	222
Other comprehensive (loss)/income	(233)	290	4	145
Total comprehensive income/(loss)	2,690	3,331	(30)	367

Summarised Balance Sheets

	PT Eastern Jason		KVC Co., Ltd	
	2019	2018	2019	2018
	\$'000	\$'000	\$'000	\$'000
Non-current assets	41,581	46,122	1,018	1,280
Current assets	4,938	4,672	6,243	5,375
Non-current liabilities	(21,841)	(28,694)	(1,803)	(1,096)
Current liabilities	(7,738)	(7,849)	(2,176)	(2,247)
Net assets	16,940	14,251	3,282	3,312
Proportion of the Group's ownership	30%	30%	50%	50%
Group's share of net assets based on proportion of ownership interest	5,082	4,275	1,641	1,656
Carrying amount of investment	5,082	4,275	1,641	1,656

NOTES TO THE FINANCIAL STATEMENTS

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8. INVESTMENT IN ASSOCIATES AND JOINT VENTURE (CONTINUED)

Aggregate information about the Group's investments in associates and joint venture that are not individually material are as follows:

	2019 \$'000	2018 \$'000
Loss after tax		
– Joint venture	(6)	(75)
Other comprehensive loss	–	–
Total comprehensive loss	(6)	(75)

These associates and joint venture are measured using the equity method. The activities of the associates and joint venture are strategic to the Group.

The Group's share of unrecognised losses during the financial year and cumulatively were \$Nil (2018: \$2,000) and \$Nil (2018: \$22,000) respectively.

9. INTANGIBLE ASSETS

Group	Goodwill \$'000	Development costs \$'000	Total \$'000
Cost			
At 1 January 2018, 31 December 2018, and 1 January 2019	1,044	2,061	3,105
Additions (Note 7)	9	–	9
At 31 December 2019	1,053	2,061	3,114
Accumulated amortisation and impairment loss			
At 1 January 2018	1,044	275	1,319
Amortisation charge	–	136	136
At 31 December 2018 and 1 January 2019	1,044	411	1,455
Amortisation charge	–	136	136
At 31 December 2019	1,044	547	1,591
Net carrying amount:			
At 31 December 2018	–	1,650	1,650
At 31 December 2019	9	1,514	1,523

Development costs

Development costs relate to testing and design development projects/prototypes.

Impairment testing of goodwill

Goodwill arising from business combinations that was allocated to Manufacturing/Design/Research and Development segment, a single cash-generating unit ("CGU"), which is also a reportable operating segment has been fully impaired.

During the financial year, goodwill arising from acquisition of a 60% owned subsidiary, Cornerstone Offshore Pte Ltd, amounted to \$9,000 (2018: \$Nil).

NOTES TO THE FINANCIAL STATEMENTS

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10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
<i>Equity investments designated at FVOCI</i>				
Unquoted equity shares	406	538	381	538

These represent investments in unquoted equity shares in 2 companies incorporated in Indonesia and 1 company incorporated in Malaysia, which are not held for trading. Accordingly, management has elected to designate these investments in equity shares at fair value through other comprehensive income. It is the Group's strategy to hold these investments for long-term purposes. These investments are categorised under Level 3 fair value hierarchy.

11. OTHER RECEIVABLES (NON-CURRENT)

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Deposits	75	73	–	–
Loan to a shareholder of an investee company	13,022	13,022	13,022	13,022
Less: impairment loss	(2,000)	–	(2,000)	–
	11,097	13,095	11,022	13,022

The loan to a shareholder of an investee company is secured by the shareholder's shares of the investee company, bears interest at 7% (2018: 7%) per annum and is repayable at the fifth anniversary of the loan in financial year ending 2021.

Management assessed the loan to a shareholder of an investee company for impairment using the expected credit loss model and take into consideration the fair value of the pledged shares. An impairment loss of \$2,000,000 (2018: Nil) was made based on the fair value of the pledged shares.

The fair value of the pledged shares is determined by reference to the equity value of the investee company based on valuation performed by an independent external valuer using income approach. The valuer has also valued the pledged shares based on market approach as cross check.

The valuation using income approach has been determined based on discounted cash flow analysis from forecast provided by the investee company covering a five-year period. The pre-tax discount rate applied to the cash flow projection and forecasted growth rate used to extrapolate cash flow projection beyond five-year period are 17.5% (2018: 16.58%) and 1.5% (2018: 5.3%) respectively.

NOTES TO THE FINANCIAL STATEMENTS

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12. DEFERRED TAX

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
At 1 January	(1,668)	(1,702)	–	–
Movement in temporary differences:				
Recognised directly in profit or loss	203	145	–	–
Recognised directly in other comprehensive income (Note 30)	175	(83)	–	–
Exchange differences	21	(28)	–	–
At 31 December	(1,269)	(1,668)	–	–

Deferred tax as at 31 December relates to the following:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	47	46	–	–
Revaluations to fair value of freehold buildings and leasehold buildings	1,887	2,159	–	–
Other items	207	190	–	–
	2,141	2,395	–	–
Deferred tax assets				
Provisions	71	56	–	–
Difference in depreciation for tax purpose	780	647	–	–
Other items	21	24	–	–
	872	727	–	–

Deferred tax liabilities and assets are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The amounts determined after appropriate offsetting are included in the balance sheet as follows:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Deferred tax liabilities	(2,108)	(2,390)	–	–
Deferred tax assets	839	722	–	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

12. DEFERRED TAX (CONTINUED)

Unrecognised tax losses

At the end of the financial year, the Group has unabsorbed tax losses of approximately \$29,679,000 (2018: \$25,436,000) that are available for offset against future taxable profits of the subsidiaries in which the losses arose for which no deferred tax assets is recognised due to uncertainty of their recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

The income tax benefits from the unabsorbed tax losses carried forward is available for an unlimited period subject to the conditions imposed by law, except for unabsorbed tax losses of \$3,527,000 (2018: \$4,515,000) which will expire progressively over the next 5 years up till 2024, subject to the conditions imposed by the Indonesian tax authorities.

Deferred tax not recognised for undistributed earnings

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 \$209,000 (2018: \$338,000). 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.

13. INVENTORIES

	Group	
	2019 \$'000	2018 \$'000
Trading stocks	9,099	10,230
Goods-in-transit	298	1,636
Work-in-progress	650	652
Raw materials	102	107
	10,149	12,625
Income Statement:		
Inventories recognised as an expense in cost of sales	46,106	32,093
Allowance for slow moving inventories	1,396	927

The Group has subjected trading stocks amounting to \$9,468,000 (2018: \$9,802,000) to a floating charge as security for trust receipts and bank overdrafts (Note 25).

14. TRADE RECEIVABLES

	Group	
	2019 \$'000	2018 \$'000
Trade receivables		
– Third parties	34,271	26,357
Less: impairment loss	(5,221)	(2,490)
Trade receivables, net	29,050	23,867

NOTES TO THE FINANCIAL STATEMENTS

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15. OTHER RECEIVABLES (CURRENT)

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Amount due from an investee company	1,762	6,197	4	38
Recoverable	534	174	–	1
Sundry debtors	601	488	5	7
	2,897	6,859	9	46

Amount due from an investee company is non-trade in nature, unsecured, non-interest bearing and has no fixed repayment terms.

Sundry debtors are unsecured and non-interest bearing.

16. FINANCIAL RECEIVABLE

	Group	
	2019 \$'000	2018 \$'000
Financial receivable	–	300

Financial receivable is stated after netting off impairment loss allowance of \$3,298,000 (2018: \$3,385,000).

The Group has entered into a service concession arrangement with the local government of Xinjin for the construction of water treatment facility and provision of raw water and industrial tap water services over a concession period of 30 years (from year 2009 till year 2039) via its 58.5% owned subsidiary Federal Water (Chengdu) Co., Ltd., incorporated in the PRC. Based on the concession agreement, the Group is entitled to receive fixed minimum guaranteed fees during the concession period. Such concession arrangement falls within the scope of SFRS(I) INT 12 and the Group has accordingly recognised a financial receivable as the Group has a right to receive a fixed and determinable amount of payments during the concession period irrespective of the utilisation of the water treatment facility.

17. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2019 \$'000	2018 \$'000
Trade	869	724
Non-trade	3,757	2,928
	4,626	3,652
Allowance for impairment	(2,206)	(2,220)
	2,420	1,432
Dividend receivable	437	443
	2,857	1,875

The trade balances and transactions mainly relate to management fees while the non-trade balances and transactions mainly relate to loans, interest on loans and payments made on behalf of the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS

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17. AMOUNTS DUE FROM SUBSIDIARIES (CONTINUED)

Non-trade amounts due from subsidiaries are unsecured, interest-free except for an amount of \$155,000 (2018: Nil) which bear interest at rate of 7% per annum and expected to be settled in cash or via inter-company settlement within the next twelve months.

Amounts due from subsidiaries are denominated in the following currencies:

	Company	
	2019 \$'000	2018 \$'000
Singapore Dollar	1,802	1,026
United States Dollar	1,055	849
At 31 December	2,857	1,875

18. AMOUNTS DUE FROM ASSOCIATES

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Non-trade	2,892	2,979	–	50

Amounts due from associates are interest-free, unsecured and expected to be settled in cash within the next twelve months. The non-trade balances and transactions mainly relate to loans and payments made on behalf of the associates.

19. AMOUNT DUE FROM A RELATED PARTY

The related party refers to a non-controlling interest of a subsidiary.

Amount due from a related party is secured by corporate guarantee provided by the holding company of the related party, interest-free and is expected to be settled within the next twelve months.

20. OTHER PAYABLES

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Accruals	3,251	8,562	558	446
Sundry creditors	1,864	1,214	138	203
Accrual for foreign tax liabilities	297	212	–	–
Amount payable to non-controlling shareholder	12	19	–	–
	5,424	10,007	696	649

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21. CONTRACT LIABILITIES

Contract liabilities relate to advance consideration received from customers.

The following table provides information about contract liabilities from contracts with customers:

	2019 \$'000	Group 2018 \$'000	1.1.2018 \$'000
Trade receivables from contract with customers	29,050	23,867	46,370
Contract liabilities	1,512	924	1,841

There were no significant changes in the contract liabilities during the financial year.

22. AMOUNTS DUE TO SUBSIDIARIES

Non-current

The amount is non-trade related, unsecured, interest-free and repayment of this amount is neither planned nor likely to occur in the foreseeable future.

Current

Amounts due to subsidiaries are unsecured and interest-free.

The non-trade balance mainly relates to payments made on behalf of the Company by the subsidiaries.

Amounts due to subsidiaries are denominated in the following currencies:

	Company	
	2019 \$'000	2018 \$'000
Singapore Dollar	488	499
United States Dollar	20,180	20,443
At 31 December	20,668	20,942

23. AMOUNTS DUE TO ASSOCIATES

	Group	
	2019 \$'000	2018 \$'000
Trade	10	10

24. AMOUNT DUE TO A RELATED PARTY

	Group	
	2019 \$'000	2018 \$'000
Amount owing to a director of certain subsidiaries	1,876	1,926

Amount due to a related party is unsecured, interest-free, and expected to be settled in cash within the next twelve months.

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25. AMOUNTS DUE TO BANKERS

	Group	
	2019 \$'000	2018 \$'000
Bank overdrafts, secured	2,908	2,960
Trust receipts, secured	8,615	5,107
	11,523	8,067

Bank overdrafts bear interest at 3.40% – 6.00% (2018: 3.40% – 6.00%) per annum ("p.a.") and are repayable on demand. Trust receipts bear interest at 2.00% – 4.21% (2018: 2.77% – 4.92%) p.a..

Amounts due to bankers are denominated in the following currencies:

	Group	
	2019 \$'000	2018 \$'000
Singapore Dollar	10,387	4,993
United States Dollar	1,047	2,405
Euro	42	248
Great Britain Pound	47	421
At 31 December	11,523	8,067

Securities

Bank overdrafts and trust receipts of certain subsidiaries are secured by legal mortgages on the Group's freehold land and buildings, leasehold buildings and inventories (Note 4, Note 6 and Note 13).

The Group obtained other credit facilities from various financial institutions. Among others, one of the financial institutions, in its financial covenants requirements, sets a threshold of \$60,000,000 (2018: \$60,000,000) of minimum consolidated total net worth (defined as paid-up capital and capital reserves/revaluation reserves/accumulated losses/retained earnings) for the Group.

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25. AMOUNTS DUE TO BANKERS (CONTINUED)

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Bank overdrafts \$'000	Trust receipts \$'000	Sub-total \$'000	Bank overdrafts, trust receipts – Accrued interest* \$'000	Total \$'000
Balance at 1 January 2019	2,960	5,107	8,067	9	8,076
Changes from financing cash flows:					
– Proceeds	–	23,282	23,282	–	23,282
– Repayments	–	(19,754)	(19,754)	–	(19,754)
– Changes in bank overdrafts	(54)	–	(54)	–	(54)
– Interest paid	–	–	–	(385)	(385)
Non-cash changes:					
– Interest expense	–	–	–	448	448
Effect of changes in foreign exchange rates	2	(20)	(18)	–	(18)
Balance at 31 December 2019	2,908	8,615	11,523	72	11,595
Balance at 1 January 2018	738	18,573	19,311	102	19,413
Changes from financing cash flows:					
– Proceeds	–	26,393	26,393	–	26,393
– Repayments	–	(39,733)	(39,733)	–	(39,733)
– Changes in bank overdrafts	2,238	–	2,238	–	2,238
– Interest paid	–	–	–	(431)	(431)
Non-cash changes:					
– Interest expense	–	–	–	339	339
Effect of changes in foreign exchange rates	(16)	(126)	(142)	(1)	(143)
Balance at 31 December 2018	2,960	5,107	8,067	9	8,076

* Included as accruals (Note 20)

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26. TERM LOANS

	Group	
	2019 \$'000	2018 \$'000
Amounts repayable within one year		
– secured	<u>7,570</u>	<u>8,535</u>
Amounts repayable after one year		
– secured	<u>4,996</u>	<u>7,352</u>

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Term loans \$'000	Term loans – Accrued interest* \$'000	Total \$'000
Balance at 1 January 2019	15,887	19	15,906
Changes from financing cash flows:			
– Proceeds	2,256	–	2,256
– Repayments	(5,543)	–	(5,543)
– Interest paid	–	(712)	(712)
Non-cash changes:			
– Interest expense	–	708	708
Effect of changes in foreign exchange rates	(34)	–	(34)
Balance at 31 December 2019	12,566	15	12,581
Balance at 1 January 2018	17,180	–	17,180
Changes from financing cash flows:			
– Proceeds	3,067	–	3,067
– Repayments	(4,254)	–	(4,254)
– Interest paid	–	(790)	(790)
Non-cash changes:			
– Interest expense	–	809	809
Effect of changes in foreign exchange rates	(106)	–	(106)
Balance at 31 December 2018	15,887	19	15,906

In addition to the basic loan terms and specific clauses defining default events, certain term loans with amount \$707,000 (2018: \$1,400,000) also include an overriding repayment on demand clause which gives the lender the right to demand repayment at any time at their sole discretion irrespective of whether a default event has occurred. These loans are scheduled for repayment within twelve months have been classified as current.

* Included as accruals (Note 20)

NOTES TO THE FINANCIAL STATEMENTS

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26. TERM LOANS (CONTINUED)

(a) Security granted

The term loans are secured by:

- (i) legal mortgage on the Group's leasehold buildings (Note 4);
- (ii) legal mortgage on the Group's freehold land and buildings (Note 6);
- (iii) bank deposits pledged by the Company (Note 37);
- (iv) corporate guarantee provided by the Company (Note 39);
- (v) Standby Letter of Credit issued by financial institution and guaranteed by related companies; and
- (vi) personal guarantee and pledge of real property by a director of a subsidiary.

(b) Interest rate

The interest rates of the term loans at the end of the reporting period range from 3.76% to 6.53% (2018: 3.97% to 6.53%) per annum.

27. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2019		2018	
	No. of shares '000	\$'000	No. of shares '000	\$'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	140,767	144,099	140,767	144,099

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restriction. The ordinary shares have no par value.

(b) Treasury shares

	Group and Company			
	2019		2018	
	No. of shares '000	\$'000	No. of shares '000	\$'000
At 1 January	100	25	–	–
Share buyback	–	–	100	25
At 31 December	100	25	100	25

NOTES TO THE FINANCIAL STATEMENTS

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27. SHARE CAPITAL AND TREASURY SHARES (CONTINUED)

(b) Treasury shares (Continued)

Treasury shares relate to ordinary shares of the Company that is held by the Company.

In 2018, the Company acquired 100,000 shares in the Company through market purchases on the stock exchange during the financial year. The total amount paid to acquire the shares was \$25,000 and this was recorded as a component within shareholders' equity.

There are no acquisition of shares during the financial year.

28. FOREIGN CURRENCY TRANSLATION RESERVE

The foreign currency translation reserve represents exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency.

	Group	
	2019 \$'000	2018 \$'000
At 1 January	(3,748)	(4,860)
Net effect of exchange differences arising from translation of financial statements of foreign operations	(73)	256
Share of other comprehensive (loss)/income of associates	(68)	159
Foreign currency translation on loss of control reclassified to profit or loss	(3)	–
Foreign currency translation on disposal of associates reclassified to profit or loss	–	697
At 31 December	(3,892)	(3,748)

29. CAPITAL RESERVE

The capital reserve relates mainly to an adjustment for changes in an associate's equity arising from other reserve.

30. REVALUATION RESERVE

The revaluation reserve represents increases in the fair value of freehold land and buildings, and leasehold buildings, net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

	Group	
	2019 \$'000	2018 \$'000
At 1 January	17,782	17,073
Surplus on revaluation of freehold land and buildings, and leasehold buildings	344	792
Deferred tax liabilities on revaluation surplus of freehold buildings and leasehold buildings (Note 12)	175	(83)
At 31 December	18,301	17,782

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31. OTHER RESERVES

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Fair value reserve	(157)	–	(157)	–
Statutory reserve fund	248	248	–	–
Premium paid on acquisition of non-controlling interests	(1,223)	(1,223)	–	–
Share of other reserve of an associate	(1)	(1)	–	–
	(1,133)	(976)	(157)	–

Fair value reserve

The fair value reserve represents the cumulative net change in the fair value of equity investments designated at fair value through other comprehensive income.

Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the 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.

Premium paid on acquisition of non-controlling interests

This represents the differences between consideration paid and the carrying value of the additional interest acquired from non-controlling interests without a change in control.

32. REVENUE

	Group	
	2019 \$'000	2018 \$'000
<u>Point in time</u>		
Sale of products	60,037	42,888
<u>Overtime</u>		
Service concession income	485	347
Charter income from land drilling rig	1,731	–
Others	346	–
	62,599	43,235

Sale of products include trading of flowline control products, fire detection and protection systems and steel plates.

The Group applies the practical expedient in SFRS(I) and does not disclose information about its remaining performance obligation as the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, and it recognises revenue in that amount.

NOTES TO THE FINANCIAL STATEMENTS

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33. LOSS BEFORE TAX

	Group	
	2019 \$'000	2018 \$'000
Cost of sales		
Depreciation of property, plant and equipment	690	–
Staff costs		
– Salaries and other emoluments	140	–
Other income		
Fair value gain on investment properties	243	–
Foreign currency exchange gain	258	–
Gain on disposal of a subsidiary	3	–
Gain on disposal of property, plant and equipment	–	3
Implicit interest income	4	4
Interest on income from banks and fixed deposits	41	33
Interest on trade overdues	499	634
Share of profits from partnership	–	136
Income from litigation funding agreement	–	300
Rental income from investment properties	78	–
Other rental income	236	303
Selling and distribution costs		
Depreciation of property, plant and equipment	35	31
Staff costs (including directors)		
– salaries and other emoluments	3,516	3,463
– defined pension contributions	463	428
Administrative and general costs		
Amortisation of intangible assets	136	136
Depreciation of property, plant and equipment	1,266	1,915
Depreciation of right-of-use assets	372	–
Directors' fees	240	198
Staff costs (including directors)		
– salaries and other emoluments	4,179	4,238
– defined pension contributions	399	392
Audit fees		
– auditor of the Company	295	296
– other auditors	74	74
Non-audit fees		
– auditor of the Company	88	75
– other auditors	32	7
Operating lease expense	84	639

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33. LOSS BEFORE TAX (CONTINUED)

	Group	
	2019	2018
	\$'000	\$'000
Other operating (income)/expenses		
Allowance for slow moving inventories	1,396	927
Amount due from associate written off	25	–
Bad debts written off	19	–
Foreign currency exchange loss	–	322
Inventories written off	20	189
Loss on disposal of associates	–	449
Loss on disposal of property, plant and equipment	10	1
Loss on disposal of other investment	–	7
Other expenses	65	342
Reversal of over accrued vessel construction cost	(4,503)	–
	(2,968)	2,237
Net impairment loss on financial assets		
Impairment loss on receivables (current)	3,810	423
Impairment loss on other receivables (non-current)	2,000	–
Impairment loss on amount due from associates	–	3
Write back of impairment loss on receivables (current)	(1,053)	(147)
Write back of impairment loss on amount due from associates	–	(4)
	4,757	275
Finance costs		
Bank overdrafts	157	123
Term loans	708	809
Trust receipts	291	216
Interest expense arising from lease liabilities	204	–
	1,360	1,148

34. EMPLOYEE BENEFITS

The breakdown of employee benefits expense (including directors) is as follows:

	Group	
	2019	2018
	\$'000	\$'000
Salaries and bonuses	7,835	7,701
Employer's contribution to defined contribution plans including Central Provident Fund	862	820
	8,697	8,521

NOTES TO THE FINANCIAL STATEMENTS

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35. INCOME TAX CREDIT

The major components of income tax credit for the years ended 31 December 2019 and 2018 are:

	Group	
	2019 \$'000	2018 \$'000
Income statement		
Current income tax		
– Current income taxation	149	108
– Over provision in respect of previous years	(3,511)	(66)
	<u>(3,362)</u>	<u>42</u>
Deferred income tax		
– Origination and reversal of temporary differences	(116)	(80)
– Over provision in respect of previous years	(87)	(65)
	<u>(203)</u>	<u>(145)</u>
Income tax credit recognised in profit or loss	<u>(3,565)</u>	<u>(103)</u>

Tax expense relating to each component of other comprehensive income is as follows:

	2019			2018		
	Before tax \$'000	Tax credit \$'000	After tax \$'000	Before tax \$'000	Tax charge \$'000	After tax \$'000
Group						
Revaluation adjustment on freehold land and buildings, and leasehold buildings	344	175	519	792	(83)	709

Relationship between tax credit and accounting loss

A reconciliation between tax credit and the product of accounting loss multiplied by the applicable corporate tax rate for the years ended 31 December 2019 and 2018 is as follows:

	Group	
	2019 %	2018 %
Tax at the domestic rates applicable to profits in the countries where the Group operates	(4.9)	(22.4)
Adjustments:		
Non-deductible expenses	119.5	18.5
Income not subject to taxation	(129.3)	(6.5)
Benefits from previously unrecognised deferred tax assets	(25.8)	–
Deferred tax assets not recognised	55.8	12.8
Effect of partial tax exemption	(0.7)	–
Over provision in respect of previous years	(310.7)	(2.0)
Share of result of associates	(12.6)	(2.5)
Others	0.8	0.5
	<u>(307.9)</u>	<u>(1.6)</u>

The above reconciliation is prepared by aggregating separate reconciliations for each national jurisdiction.

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35. INCOME TAX CREDIT (CONTINUED)

The corporate tax rates applicable to companies incorporated in Singapore and foreign subsidiaries of the Group are 17% (2018: 17%) and from 19% to 25% (2018: 19% to 25%) respectively for the year of assessment 2020 onwards.

36. EARNINGS/(LOSS) PER SHARE

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

As at 31 December 2019 and 2018, diluted earnings per share is similar to basic earnings per share as there were no potential dilutive ordinary shares.

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

	Group	
	2019 \$'000	2018 \$'000
Profit/(loss) net of tax attributable to owners of the Company used in the computation of earnings/(loss) per share	<u>2,384</u>	<u>(5,802)</u>
	2019 No. of shares '000	2018 No. of shares '000
Weighted average number of ordinary shares for earnings/(loss) per share computation*	<u>140,667</u>	<u>140,740</u>

* The weighted average number of shares takes into account the weighted average effect of changes in treasury shares transactions during 2018.

37. CASH AND CASH EQUIVALENTS

Cash and bank balances and fixed bank deposits earn interest at floating rates based on daily bank deposit rates. Fixed deposits are placed with banks and mature within 1 month to 12 months from the balance sheet date and earn interests at the respective short-term deposit rates.

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	
	2019 \$'000	2018 \$'000
Cash and bank balances and fixed and bank deposits	<u>8,506</u>	10,366
Less: Bank deposits pledged	<u>(1,346)</u>	(1,363)
Cash and cash equivalents	<u>7,160</u>	<u>9,003</u>

The deposits are pledged for banking facilities granted to certain subsidiaries of the Group.

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38. DIVIDENDS

Dividends paid

Final tax exempt dividend of Nil (2018: 1.5 cents) per share and special tax exempt dividend of Nil (2018: 0.5 cents) per share paid in respect of the previous financial year ended 31 December 2017

Group and Company	
2019	2018
\$'000	\$'000
–	2,815

39. COMMITMENTS AND CONTINGENCIES

Operating lease commitments – lessee

The Group leases certain plant and equipment under lease agreements that are non-cancellable within a year. These leases have an average life of between 1 to 25 years with no escalation clauses included in the contracts. Certain leases include a clause to enable upward revision of the rental charge on an annual basis based on prevailing market conditions.

Certain leases contain renewal options. There were no contingent rent provisions included in contracts. There are no restrictions placed upon the Group by entering into these leases.

Operating lease expenses incurred for the financial year ended 31 December 2018 amounted to approximately \$639,000.

Future minimum lease payments for all non-cancellable leases at the end of the financial year are as follows:

	Group 2018 \$'000
Not later than one year	538
Later than one year but not later than five years	1,473
Later than five years	4,417
	6,428

As disclosed in Note 2.1, the Group has adopted SFRS(I) 16 on 1 January 2019. These lease payments have been recognised as right-of-use assets and lease liabilities on the balance sheets as at 31 December 2019, except for short term and low value assets leases.

Contingent liability

Guarantees

The Company has provided corporate guarantees of \$21.8 million (2018: \$20.3 million) to financial institutions in relation to certain subsidiaries' bank facilities.

Capital commitments

Capital expenditure contracted for as at the end of the financial year but not recognised in the financial statements in respect of property, plant and equipment is \$Nil (2018: \$157,000).

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40. FAIR VALUE OF ASSETS AND LIABILITIES

(A) Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

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

(B) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets measured at fair value at the balance sheet date:

	Group 2019		
	Fair value measurements at the balance sheet date		
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000
			Total \$'000
Recurring fair value measurements			
Non-financial assets			
<u>Property, plant and equipment</u>			
Leasehold buildings	–	–	14,200
			14,200
<u>Investment properties</u>			
Freehold land	–	–	9,500
Freehold buildings	–	–	2,000
Total	–	–	11,500
			11,500
<u>Financial assets at FVOCI</u>			
Unquoted equity shares	–	–	406
			406

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40. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(B) Assets and liabilities measured at fair value (Continued)

	Group 2018		
	Fair value measurements at the balance sheet date		
	Quoted prices in active markets for identical instruments (Level 1) \$'000	Significant observable inputs other than quoted prices (Level 2) \$'000	Significant unobservable inputs (Level 3) \$'000
			Total \$'000
Recurring fair value measurements			
Non-financial assets			
<u>Property, plant and equipment</u>			
Freehold land	–	–	9,300
Freehold buildings	–	–	2,000
Leasehold buildings	–	–	14,430
Total property, plant and equipment	–	–	25,730
<u>Financial assets at FVOCI</u>			
Unquoted equity shares	–	–	538

Level 3 fair value measurements

Financial assets at FVOCI – Unquoted equity shares

The fair values of the unquoted equity shares are determined by reference to the equity value of the investee company based on valuation performed by an independent external valuer. The equity value of the investee company is determined by the independent valuer using income approach and cross checked with market approach. The valuation using income approach has been determined based on discounted cash flow analysis from forecast provided by the investee company covering a five-year period. The pre-tax discount rate applied to the cash flow projection and forecasted growth rate used to extrapolate cash flow projection beyond five-year period are 17.5% (2018: 16.58%) and 1.5% (2018: 5.3%) respectively.

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40. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(B) *Assets and liabilities measured at fair value* (Continued)

Level 3 fair value measurements (Continued)

The following table shows the significant unobservable inputs used in the valuation model:

Description	Fair value as at 31 December		Valuation technique	Significant unobservable input	Range
	2019	\$'000			
Freehold land	9,500		Direct comparison method	Price per square foot ⁽¹⁾	\$1,126 – \$1,362
Freehold buildings	2,000		Direct comparison method	Price per square foot ⁽¹⁾	\$1,126 – \$1,362
Leasehold buildings	14,200		Direct comparison method	Price per square foot ⁽¹⁾	\$86 – \$222
Description	Fair value as at 31 December		Valuation technique	Significant unobservable input	Range
	2018	\$'000			
Freehold land	9,300		Direct comparison method	Price per square foot ⁽¹⁾	\$1,014 – \$1,582
Freehold buildings	2,000		Direct comparison method	Price per square foot ⁽¹⁾	\$1,014 – \$1,582
Leasehold buildings	14,430		Direct comparison method	Price per square foot ⁽¹⁾	\$82 – \$197

⁽¹⁾ Any significant isolated increases (decreases) in the inputs would result in a significantly higher (lower) fair value measurement.

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40. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(C) *Movements in Level 3 assets and liabilities measured at fair value*

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair value measurements:

	Group			
	2019	2018	2019	2018
	Freehold land and buildings, and leasehold buildings	Freehold land and buildings, and leasehold buildings	Equity investments	Equity investments
	\$'000	\$'000	\$'000	\$'000
Balance at beginning of financial year	25,730	25,300	538	538
Additions	122	8	25	–
Reclassification	–	406	–	–
Surplus recognised in other comprehensive income	344	792	–	–
Fair value gain recognised in profit or loss	243	–	–	–
Fair value loss recognised in other comprehensive income	–	–	(157)	–
Depreciation charge	(739)	(776)	–	–
	25,700	25,730	406	538
Total gains/(losses) for the financial year included:				
<i>Other comprehensive income/(loss) for the year, net of tax:</i>				
Revaluation adjustment on leasehold buildings	519	–	–	–
Revaluation adjustment on freehold land and buildings, and leasehold buildings	–	709	–	–
Fair value loss of equity investments	–	–	(157)	–
			Company	
			2019	2018
			Equity investments	Equity investments
			\$'000	\$'000
Balance at beginning of financial year			538	538
Fair value loss recognised in other comprehensive income			(157)	–
			381	538

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40. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

(D) Valuation process applied by the Group

For all significant financial reporting valuations using valuation models and significant unobservable input, it is the Group's policy to engage external valuation experts to perform the valuation. The management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 fair value measurement guidance.

For valuation performed by external valuation experts, management reviews the appropriateness of the valuation methodologies and assumptions adopted, including the appropriateness and reliability of the inputs used in the valuations.

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

The carrying amounts of financial assets and liabilities including current trade and other receivables and payables, deposits, cash and cash equivalents, financial receivable, amounts due to bankers, loans and borrowings (current), amounts due from/to subsidiaries, associates and a related party and other receivables (non-current) are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are repriced to market interest rates on or near the end of the financial year.

The carrying amount of other receivables (non-current) approximates its fair value as the interest rate of 7% (2018: 7%) per annum is similar to the current market interest rate for similar financial instruments.

The carrying amount of floating rate loans approximate fair value as the loans are repriced within 1 to 6 months from the end of the financial year. The fair value determination is classified in Level 3 of the fair value hierarchy.

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

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

	2019		2018	
	Carrying amount \$'000	Fair Value \$'000	Carrying amount \$'000	Fair Value \$'000
Company				
Financial assets:				
Loans to subsidiaries	<u>12,855</u>	<u>(a)</u>	<u>12,888</u>	<u>(a)</u>
Financial liability:				
Amounts due to subsidiaries	<u>19,463</u>	<u>(b)</u>	<u>19,716</u>	<u>(b)</u>

(a) Fair value information has not been disclosed for the Company's loans to subsidiaries because fair value cannot be measured reliably. Management determined that the loans to subsidiaries are quasi-equity in nature which have no repayment terms and are repayable only when cash flows of the subsidiaries permit.

(b) Fair value information has not been disclosed for the Company's amounts due to subsidiaries because fair value cannot be measured reliably. The amount has no repayment terms and is not expected to be repaid in the near future.

NOTES TO THE FINANCIAL STATEMENTS

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41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks comprise credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

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

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

(a) Credit risk

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

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis to reduce the Group's exposure to bad debt. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the directors. Trade receivables are arranged to be settled via letters of credits issued by reputable banks in countries where the customers are based for first-time customers who wish to trade on credit terms in order to mitigate heightened credit risks arising from revenue growth strategies.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses (ECL):

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Counterparty has a low risk of default and does not have any past due amounts	12-month ECL
Contractual payments that are more than 60 days past due or where there has been significant increase in credit risk since initial recognition. The presumption of significant increase in credit risk after 30 days past due is not suitable for application in the industries that the Group operates in.	Lifetime ECL- not-credit-impaired
Contractual payments that are more than 120 days past due and there is evidence of credit impairment	Lifetime ECL – credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.	Write-off

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) **Credit risk** (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in the value of the security or collateral provided by the debtor; and
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the borrower has a strong capacity to meet its contractual cash flow obligations in the near term or the contractual cashflow obligation is secured by the borrower's assets; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criteria are generally not recoverable.

- Information developed internally or obtained from external sources indicates that the debtor (without collaterals held by the Group) is in significant financial difficulty such that it will have insufficient liquid assets to pay its creditors, including the Group, in full, including:
 - Failure of projects carried out by the debtor, in which the Group is acting as the supplier for the debtor under the project; and
 - Loss of sole or primary source of recurring income by the debtor.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

Exposure to credit risk

As the Group and the Company does not hold any collateral except for the pledged shares as security for the loan to shareholder of an investee company (Note 11), the maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the balance sheets; and
- a nominal amount of \$21.8 million (2018: \$20.3 million) relating to corporate guarantees provided by the Company to financial institutions in relation to certain subsidiaries' bank facilities.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the financial year is as follows:

	Group			
	2019		2018	
	\$'000	% of total	\$'000	% of total
By country:				
Singapore	3,542	12.2	2,569	10.8
Indonesia	20,130	69.3	15,691	65.7
People's Republic of China	3,895	13.4	2,048	8.6
Thailand	136	0.5	2,081	8.7
Others	1,347	4.6	1,478	6.2
	29,050	100.0	23,867	100.0
By industry sectors:				
Oil and Gas	13,136	45.2	13,231	55.4
Infrastructure	9,678	33.3	5,691	23.9
Marine	2,728	9.4	1,096	4.6
Others	3,508	12.1	3,849	16.1
	29,050	100.0	23,867	100.0

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31 DECEMBER 2019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) **Credit risk** (Continued)

Credit risk concentration profile (Continued)

At the end of the financial year, approximately:

- 63.4% (2018: 75.5%) of the Group's trade receivables were due from 5 major customers who are from the oil and gas, infrastructure and others industries located in the Asia Pacific region, of which 40.6% (2018: 32.2%) were due from the Group's largest customer;
- 17.5% (2018: 17.5%) of the Group's trade and other receivables were due from related parties while none of the Company's other receivables were balances with related parties; and
- 48% (2018: 45%) of the Group's other receivables and 79% (2018: 87%) of the Company's other receivables were due from one external debtor.

Trade receivables

The Group has applied the simplified approach to measure the lifetime expected credit loss allowance for trade receivables.

The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience adjusted as appropriate to reflect current conditions and forecasts of future economic conditions.

The Group recognised a loss allowance of 100% against certain trade receivables over 360 days past due because of historical experience has indicated that these receivables are generally not recoverable.

No loss allowance is provided for certain customers as the Group's credit risk is managed through payments from the end customer (who are mainly reputable companies) to the Group's customer into a joint account. Such joint accounts would have the Group as a mandatory payment signatory and hence limit the Group's credit risk exposure.

A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Credit quality of financial assets

The table below details the credit quality of the Group's financial assets as at 31 December 2019:

Group	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
Trade receivables	Lifetime	34,271	(5,221)	29,050
Other receivables	Lifetime	18,324	(4,330)	13,994
Deposits	Not applicable (Exposure limited)	46	–	46
Financial receivable	Lifetime	3,298	(3,298)	–
Amount due from associates	12-month	2,892	–	2,892
	Lifetime	91	(91)	–
Amount due from a related party	12-month	6,246	–	6,246
Fixed and bank deposits	Not applicable (Exposure limited)	1,383	–	1,383
Cash and bank balances	Not applicable (Exposure limited)	7,123	–	7,123

The table below details the credit quality of the Group's financial assets as at 31 December 2018:

Group	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
Trade receivables	Lifetime	26,357	(2,490)	23,867
Other receivables	12-month	19,954	–	19,954
	Lifetime	2,266	(2,266)	–
Deposits	Not applicable (Exposure limited)	78	–	78
Financial receivable	Lifetime	3,685	(3,385)	300
Amount due from associates	12-month	2,979	–	2,979
	Lifetime	456	(456)	–
Amount due from a related party	12-month	6,327	–	6,327
Fixed and bank deposits	Not applicable (Exposure limited)	1,398	–	1,398
Cash and bank balances	Not applicable (Exposure limited)	8,968	–	8,968

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Credit quality of financial assets (Continued)

The table below details the credit quality of the Company's financial assets as at 31 December 2019:

Company	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
Loans to subsidiaries	Lifetime	100,875	(84,252)	16,623
Other receivables	Lifetime	13,031	(2,000)	11,031
Deposits	Not applicable (Exposure limited)	4	–	4
Amount due from subsidiaries	12-month	2,857	–	2,857
	Lifetime	2,206	(2,206)	–
Amount due from associates	Lifetime	41	(41)	–
Fixed and bank deposits	Not applicable (Exposure limited)	1,346	–	1,346
Cash and bank balances	Not applicable (Exposure limited)	179	–	179

The table below details the credit quality of the Company's financial assets as at 31 December 2018:

Company	12-month or lifetime ECL	Gross carrying amount \$'000	Loss allowance \$'000	Net carrying amount \$'000
Loans to subsidiaries	Lifetime	101,334	(84,628)	16,706
Other receivables	12-month	13,068	–	13,068
Deposits	Not applicable (Exposure limited)	24	–	24
Amount due from subsidiaries	12-month	1,875	–	1,875
	Lifetime	2,220	(2,220)	–
Amount due from associates	12-month	50	–	50
	Lifetime	42	(42)	–
Fixed and bank deposits	Not applicable (Exposure limited)	1,363	–	1,363
Cash and bank balances	Not applicable (Exposure limited)	188	–	188

The credit loss exposure for cash and bank balances and deposits are immaterial as at 31 December 2019 and 31 December 2018.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Loan to a shareholder of an investee company

For loan to a shareholder of an investee company, management noted significant increase in credit risk during the year for the receivable. Accordingly, the impairment assessment is assessed by taking into consideration the fair value of the pledged shares. The Group assessed the fair value of the pledged shares by reference to the equity value of the investee company based on valuation performed by an independent external valuer and concluded that there has been significant increase in credit risk since the initial recognition of the loan. Accordingly, the Group made an impairment loss of \$2,000,000 (2018: Nil).

Movements in credit loss allowance

There are no movement in the allowance for impairment of financial assets under SFRS(I) 9 during the financial year for the Group and Company except for the following:

	Trade receivables \$'000	Other receivables \$'000	Financial receivables \$'000	Amount due from associates \$'000
Group				
Balance at 1 January 2018	2,331	2,197	3,507	521
Loss allowance measured/(reversed):				
Lifetime ECL				
– Credit-impaired	399	24	–	3
Receivables written off as uncollectable	(67)	–	–	(72)
Written back	(147)	–	–	(4)
Exchange differences	(26)	45	(122)	8
Balance at 31 December 2018 and 1 January 2019	2,490	2,266	3,385	456
Loss allowance measured/(reversed):				
Lifetime ECL				
– Significant increase in credit risk	–	2,000	–	–
– Credit-impaired	3,810	–	–	–
Receivables written off as uncollectable	(40)	–	–	(360)
Written back	(1,051)	(2)	–	–
Exchange differences	12	66	(87)	(5)
Balance at 31 December 2019	5,221	4,330	3,298	91

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Movements in credit loss allowance (Continued)

	Loans to subsidiaries \$'000	Other receivables \$'000	Amount due from subsidiaries \$'000	Amount due from associates \$'000
Company				
Balance at 1 January 2018	74,761	–	8,103	41
Loss allowance measured/(reversed):				
Lifetime ECL				
– Credit-impaired	3,400	–	–	–
Reclassification from amount due from subsidiaries	5,955	–	–	–
Reclassification to investment in subsidiaries	–	–	(5,955)	–
Exchange differences	512	–	72	1
Balance at 31 December 2018 and 1 January 2019	84,628	–	2,220	42
Loss allowance measured/(reversed):				
Lifetime ECL				
– Significant increase in credit risk	–	2,000	–	–
Exchange differences	(376)	–	(14)	(1)
Balance at 31 December 2019	84,252	2,000	2,206	41

Financial guarantee

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations and does not expect significant credit losses arising from these guarantees.

(b) Liquidity risk

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

The Group's and the Company's liquidity risk management policy is that the maturity of loans and borrowings would match that of the estimated future cash flows of the projects and trading activities. The Group maintains sufficient liquid financial assets and stand-by credit facilities with 7 different financial institutions. At the end of the financial year, approximately 79% (2018: 69%) of the Group's loans and borrowings (Note 25 and Note 26) will mature in less than one year based on the carrying amount reflected in the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) *Liquidity risk* (Continued)

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

	2019				2018			
	1 year or less	1 to 5 years	Over 5 years	Total	1 year or less	1 to 5 years	Over 5 years	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Group								
Financial assets:								
Trade and other receivables	31,948	11,022	193	43,163	30,726	13,022	198	43,946
Deposits	46	–	–	46	78	–	–	78
Financial receivable	2,141	–	–	2,141	2,507	–	–	2,507
Fixed and bank deposits, cash and bank balances	8,523	–	–	8,523	10,390	–	–	10,390
Amounts due from associates	2,892	–	–	2,892	2,979	–	–	2,979
Amount due from a related party	6,246	–	–	6,246	6,327	–	–	6,327
Total undiscounted financial assets	51,796	11,022	193	63,011	53,007	13,022	198	66,227
Financial liabilities:								
Trade and other payables	12,383	–	–	12,383	17,902	–	–	17,902
Amounts due to associates	10	–	–	10	10	–	–	10
Amount due to a related party	1,876	–	–	1,876	1,926	–	–	1,926
Loans and borrowings	19,646	5,368	–	25,014	17,202	8,048	–	25,250
Lease liabilities	452	1,371	4,139	5,962	–	–	–	–
Total undiscounted financial liabilities	34,367	6,739	4,139	45,245	37,040	8,048	–	45,088
Total net undiscounted financial assets	17,429	4,283	(3,946)	17,766	15,967	4,974	198	21,139

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

	2019				2018			
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Company								
Financial assets:								
Trade and other receivables	9	11,022	–	11,031	46	13,022	–	13,068
Deposits	4	–	–	4	24	–	–	24
Amounts due from subsidiaries	2,919	–	–	2,919	1,875	–	–	1,875
Loans to subsidiaries	–	–	17,664	17,664	–	–	17,761	17,761
Amounts due from associates	–	–	–	–	50	–	–	50
Cash and fixed deposits	1,542	–	–	1,542	1,575	–	–	1,575
Total undiscounted financial assets	4,474	11,022	17,664	33,160	3,570	13,022	17,761	34,353
Financial liabilities:								
Other payables	533	–	–	533	490	–	–	490
Amounts due to subsidiaries	1,205	–	19,463	20,668	1,226	–	19,716	20,942
Total undiscounted financial liabilities	1,738	–	19,463	21,201	1,716	–	19,716	21,432
Total net undiscounted financial assets/(liabilities)	2,736	11,022	(1,799)	11,959	1,854	13,022	(1,955)	12,921

The table below shows the contractual expiry by maturity of the Company's contingent liabilities and commitments. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantee could be called.

	2019				2018			
	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000	1 year or less \$'000	1 to 5 years \$'000	Over 5 years \$'000	Total \$'000
Company								
Financial guarantees*	21,829	–	–	21,829	20,322	–	–	20,322

* At the balance sheet date, the maximum exposure of the Company in respect of the intra-group financial guarantee based on facilities drawdown by the subsidiaries is \$21,829,000 (2018: \$20,322,000). The Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(c) *Interest rate risk*

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and interest-bearing loans given to related parties.

The Group's policy is to manage interest cost by using a mix of fixed and floating rate debts. At the end of the financial year, 35% (2018: 45%) of the Group's borrowings are at fixed rates of interest.

Sensitivity analysis for interest rate risk

The sensitivity analysis for interest rate is not disclosed as the effect on the profit or loss is considered not significant.

(d) *Foreign currency risk*

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, USD and GBP. The foreign currencies in which these transactions are denominated are mainly USD and SGD.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the financial year, such foreign currency balances are mainly in USD for the Group and the Company.

The Group does not use derivative financial instruments to protect against the volatility associated with its foreign currency investments. The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including United Kingdom, Indonesia, the PRC and Thailand. The Group's investment in its Singapore incorporated subsidiaries are hedged by USD denominated bank loans, which mitigates structural currency in exposures arising from the subsidiaries' net assets. The Group's net investments in subsidiaries in USD, GBP, IDR, RMB and THB functional currency are not hedged as these currencies positions are considered to be long-term in nature.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) *Foreign currency risk* (Continued)

The Group's and the Company's major foreign currency exposure against the respective functional currencies of the Group and the Company entities based on the information provided by key management is as follows:

Group

**Denominated
in USD
\$'000**

2019

Financial assets

– Trade receivables	9,036
– Other receivables	1,691
– Amounts due from related companies	3,752
– Fixed deposits	1,346
– Cash and bank balances	1,887
	17,712

Financial liabilities

– Trade payables	2,241
– Other payables	568
– Amounts due to bankers	1,047
– Amounts due to related companies	13,808
	17,664

Currency exposure on net financial assets

48

2018

Financial assets

– Trade receivables	8,192
– Other receivables	6,173
– Amounts due from associates	11
– Amounts due from related companies	8,187
– Fixed deposits	1,363
– Cash and bank balances	5,253
	29,179

Financial liabilities

– Trade payables	2,136
– Other payables	195
– Amounts due to bankers	2,202
– Amounts due to related companies	14,410
	18,943

Currency exposure on net financial assets

10,236

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) *Foreign currency risk* (Continued)

Company

Denominated
in USD
\$'000

2019

Financial assets

- Other receivables
- Amounts due from subsidiaries
- Loans to subsidiaries
- Fixed deposits
- Cash and bank balances

5
1,055
6,331
1,346
34

8,771

Financial liabilities

- Other payables
- Amounts due to subsidiaries

192
20,180

20,372

Currency exposure on net financial liabilities

(11,601)

2018

Financial assets

- Other receivables
- Amount due from associates
- Amounts due from subsidiaries
- Loans to subsidiaries
- Fixed deposits
- Cash and bank balances

7
11
849
6,414
1,363
14

8,658

Financial liabilities

- Other payables
- Amounts due to subsidiaries

195
20,443

20,638

Currency exposure on net financial liabilities

(11,980)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

41. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of a reasonably possible change in the USD exchange rates (against SGD), with all other variables held constant, of the Group's and the Company's profit/(loss) net of tax.

		Increase/(decrease)	
		Profit net of tax 2019 \$'000	Loss net of tax 2018 \$'000
Group			
USD	– strengthened 5.0% (2018: 5.0%)	2	(425)
	– weakened 5.0% (2018: 5.0%)	(2)	425
Company			
USD	– strengthened 5.0% (2018: 5.0%)	(481)	497
	– weakened 5.0% (2018: 5.0%)	481	(497)

42. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2019 and 2018.

As disclosed in Note 31, subsidiaries in the PRC are 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. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2019 and 2018.

The Group monitors capital using a gearing ratio, which is total debt divided by equity. The Group's policy is to ensure that the gearing ratio does not exceed 2.0. The Group's total debt includes amounts due to bankers and term loans. Equity includes the amount attributable to the owners of the Company less other reserves (Note 31).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

42. CAPITAL MANAGEMENT (CONTINUED)

	Group	
	2019 \$'000	2018 \$'000
Amounts due to bankers (Note 25)	11,523	8,067
Term loans (Note 26)	12,566	15,887
	24,089	23,954
Equity attributable to the owners of the Company	83,233	80,631
Less: Other reserves (Note 31)	1,133	976
Total equity	84,366	81,607
Gearing ratio	0.29	0.29

43. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below are the carrying amounts of the Group's and Company's financial assets and financial liabilities that are carried on the balance sheets:

	Group		Company	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Financial assets				
Financial assets at fair value through other comprehensive income (Note 10)	406	538	381	538
Financial assets at amortised cost	60,734	63,871	19,185	20,386
Financial asset at cost	–	–	12,855	12,888
	61,140	64,409	32,421	33,812
Financial liabilities				
At amortised cost	38,358	43,792	1,738	1,716
At cost	–	–	19,463	19,716
	38,358	43,792	21,201	21,432

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

44. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has six reportable operating segments as follows:

- I. Trading segment is a supply of assembly and distribution of flowline control products, distribution of oilfield drilling equipment for use on onshore and offshore rigs and drilling platforms, provision of complete fire protection and detection systems, as well as electrical products for the marine, coal mining, oil and gas, petrochemical and pharmaceutical industries. In these respects, the Group offers products and related services in the areas of oil and gas, power, petrochemical and pharmaceutical industries.
- II. Manufacturing/Design/Research and Development segment is involved in research, development, design and manufacture of flowline control products, high pressure and temperature valves and related oilfield products.
- III. Marine Logistics segment is in the business of chartering of vessels to the offshore oil and gas and other related industries.
- IV. Energy and Utilities segment is involved in procurement and construction projects of waste water treatment facility and provision of wastewater treatment services to the end-users.
- V. Resources segment is in the business of sales and mining of coal and other natural resources.
- VI. Corporate and Others segment is involved in Group level corporate services and treasury functions and operating and maintenance of oil and gas facility services.

Geographical Information

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. Others include countries such as Malaysia, Philippines, United Kingdom, United States of America, etc.

Non-current assets consist of property, plant and equipment, investment properties, right-of-use assets, investment in associates and joint venture and intangible asset as presented in the Group's balance sheet.

Information about major customers

During the financial year, there were 2 customers (2018: 1 customer) which contributed at least 10% of the Group's revenue at \$7,197,000 and \$6,684,000 respectively (2018: \$4,882,000). The revenue is attributable to the trading segment.

NOTES TO THE FINANCIAL STATEMENTS

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44. SEGMENT INFORMATION (CONTINUED)

Business segments

	Manufacturing/						Energy and						Corporate/Others						Eliminations						Per consolidated																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																																													
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31 DECEMBER 2019

Business segments (Continued)

	Manufacturing/ Design/Research and Development										Marine Logistics			Energy and Utilities			Resources			Corporate/Others			Eliminations			Note	Per consolidated financial statements		
	Trading																							2019 \$'000	2018 \$'000		2018 \$'000		
	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018	2019	2018											
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000											
Assets:	133,107	125,373	2,617	2,714	20,646	20,402	8,084	8,051	-	-	-	-	-	-	-	-	-	-	-	-	-	-	108,808	111,029					
investment in associates and joint venture	60	63	-	-	5,082	4,275	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	6,783	5,994					
unallocated assets																													
Total assets																							839	722					
																							116,430	117,745					
Liabilities:	(79,934)	(67,501)	(6,509)	(6,376)	(87,435)	(91,784)	(12,145)	(11,952)	(54,050)	(54,311)	(57,536)	(58,783)	253,430	245,442	(44,179)	(45,265)	(2,157)	(5,010)	(46,336)	(50,275)	E								
Unallocated liabilities																													
Total liabilities																													
Other segment information:																													
Additions to non-current assets																													
- Property, plant and equipment	443	98	106	103	-	-	8	-	-	-	-	-	-	-	99	-	656	300	656	300									
- Right-of-use assets	4,034	-	416	-	10	-	-	-	-	-	-	-	-	-	-	-	3,973	-	3,973	-									

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2019

44. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

Notes:

A Inter-segment revenue are eliminated on consolidation.

B The following items are deducted from segment profit/(loss) to arrive at the segment results.

	2019 \$'000	2018 \$'000
Interest income from inter-segments	581	490
Interest expense from inter-segments	(575)	(480)
(Loss)/profit from inter-segments operation	(496)	133
Exchange differences on quasi-equity loans	323	(72)
Dividend from subsidiaries	(700)	(500)
	(867)	(429)

C Other non-cash (expenses)/income consist of write back of impairment loss on receivables, reversal of over accrued vessel construction cost, allowance for slow moving inventories, inventories written off, impairment loss on receivables, impairment loss on amount due from associates and amount due from associate/bad debts written off as presented in the respective notes to the financial statements.

D The elimination refers to inter-segment assets.

E The elimination refers to inter-segment liabilities.

Geographical segments

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Revenue		Non-current assets	
	2019 \$'000	2018 \$'000	2019 \$'000	2018 \$'000
Canada	111	1,639	–	–
Indonesia	18,652	11,583	9,386	9,330
Japan	–	8	1,641	1,656
People's Republic of China	19,478	7,227	17	12
Singapore	15,808	13,521	30,865	27,679
Thailand	1,667	4,205	19	–
Vietnam	1,816	1,211	–	–
Others	5,067	3,841	680	283
	62,599	43,235	42,608	38,960

Non-current assets information presented above consist of property, plant and equipment, investment properties, right-of-use assets, investment in associates and joint venture and intangible assets as presented in the Group's balance sheet.

NOTES TO THE FINANCIAL STATEMENTS

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45. RELATED PARTY TRANSACTIONS

(a) *Sale and purchase of goods and services*

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2019 \$'000	2018 \$'000
Repayments of shareholder's loan from an associate	–	5,092
Rental paid to a director of certain subsidiaries	(36)	(37)
Fee from litigation funding agreement entered with a director of certain subsidiaries	–	300
Repayments to amount owing to a director of certain subsidiaries	–	(14)
Secretarial fee paid to a director-related firm	(19)	(21)
Professional fees paid to director-related firms	(31)	(128)

Company/firm related to the directors

During the financial year, two (2018: three) of the directors of the Company who are also the directors of a secretarial and professional firm, respectively provided secretarial and professional services to the Group for total amount of approximately \$50,000 (2018: \$149,000). Approximately \$25,000 (2018: \$20,000) was outstanding at the end of the financial year.

(b) *Compensation of key management personnel*

	Group	
	2019 \$'000	2018 \$'000
Directors' fees	240	198
Short-term employee benefits	1,805	1,755
Defined contributions	90	91
Other short-term benefits	66	66
Total compensation paid to key management personnel	2,201	2,110
Comprise of amounts paid to:		
Directors of the Company	1,405	1,363
Other key management personnel	796	747
	2,201	2,110

46. AUTHORISATION OF FINANCIAL STATEMENT FOR ISSUE

The financial statements for the year ended 31 December 2019 were authorised for issue in accordance with a resolution of the directors on 31 March 2020.

STATISTICS OF SHAREHOLDINGS

AS AT 11 MARCH 2020

Class of shares	: Ordinary shares
Total Number of shares (including treasury shares)	: 140,767,484 ordinary shares
Total Number of shares (excluding treasury shares)	: 140,667,484 ordinary shares
Number and Percentage of treasury shares held	: 100,000 (0.07%)
Number of subsidiary holdings held	: Nil
Voting rights (excluding treasury shares)	: One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 99	193	4.81	2,949	0.00
100 – 1,000	708	17.66	385,366	0.28
1,001 – 10,000	2,075	51.75	9,260,795	6.58
10,001 – 1,000,000	1,019	25.41	48,654,564	34.59
1,000,001 and above	15	0.37	82,363,810	58.55
Total	4,010	100.00	140,667,484	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Citibank Nominees Singapore Pte Ltd	18,664,136	13.27
2.	DBS Nominees Pte Ltd	13,468,508	9.57
3.	RHB Securities Singapore Pte Ltd	12,893,200	9.17
4.	Koh Kian Kiong	9,500,000	6.75
5.	United Overseas Bank Nominees Pte Ltd	8,666,570	6.16
6.	KGI Securities (Singapore) Pte. Ltd	3,769,100	2.68
7.	Phillip Securities Pte Ltd	2,948,420	2.10
8.	Hong Leong Finance Nominees Pte Ltd	2,284,100	1.62
9.	Koh May Ling Judy (Xu Meiling Judy)	2,264,200	1.61
10.	Ling Kee Poh	1,650,000	1.17
11.	UOB Kay Hian Pte Ltd	1,498,365	1.07
12.	Koh Tin Yock	1,450,300	1.03
13.	OCBC Securities Private Ltd	1,202,787	0.86
14.	CGS-CIMB Securities (Singapore) Pte Ltd	1,102,120	0.78
15.	Raffles Nominees (Pte) Limited	1,002,004	0.71
16.	OCBC Nominees Singapore Pte Ltd	884,512	0.63
17.	Chan Keng Mun	798,500	0.57
18.	Tang Joo Kok	787,700	0.56
19.	Chan Tat Soon	780,000	0.55
20.	Phang Yeh Fenn	754,300	0.54
	Total	86,368,822	61.40

STATISTICS OF SHAREHOLDINGS

AS AT 11 MARCH 2020

SHAREHOLDING OF THE SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 11 March 2020)

Name	Direct Interest	%	Deemed Interest	%
Fame Asia Limited ⁽ⁱ⁾	16,055,989	11.41	—	—
Leung Kwok Hung, Jonathan ⁽ⁱⁱ⁾	—	—	16,055,989	11.41
Yang Yi-Chung ⁽ⁱⁱⁱ⁾	8,908,174	6.33	—	—
Koh Kian Kiong ^(iv)	9,500,000	6.75	18,150,000	12.90

Notes:

(i) Fame Asia Limited has 16,055,989 ordinary shares held under the name of Citibank Nominees Singapore Pte Ltd.

(ii) Mr Leung Kwok Hung, Jonathan has a deemed interest in 16,055,989 ordinary shares held by Fame Asia Limited.

(iii) Mr Yang Yi-Chung has 8,908,174 ordinary shares held under the name of DBS Nominees Pte Ltd.

(iv) Mr Koh Kian Kiong has 6,750,000 ordinary shares held under the name of United Overseas Bank Nominees Pte Ltd and 11,400,000 ordinary shares held under the name of RHB Securities Singapore Pte Ltd.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 11 March 2020, there were approximately 59.52% of the Company's total number of issued ordinary shares (excluding preference shares, convertible equity securities and treasury shares) held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of FEDERAL INTERNATIONAL (2000) LTD (the “**Company**”) will be held at 12 Chin Bee Drive, Singapore 619868 on Monday, 27 April 2020 at 10:00 a.m. (of which there will be a live streaming) for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors’ Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2019 together with the Auditor’s Report thereon. **(Resolution 1)**
2. To re-elect the following Directors of the Company retiring pursuant to Regulation 91 of the Constitution of the Company:

Mr Koh Kian Kiong	(Resolution 2)
Ms Maggie Koh	(Resolution 3)
Mr Heng Lee Seng	(Resolution 4)

Mr Heng Lee Seng will, upon re-election as a Director of the Company, remain as Lead Independent Director, the Chairman of the Audit Committee and a member of the Nominating Committee and Remuneration Committee of the Company. Mr Heng Lee Seng will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the Singapore Exchange Securities Trading Limited (“**SGX-ST**”).
3. To approve the Directors’ fees of S\$240,000 to Non-Executive and Independent Directors of the Company for the financial year ending 31 December 2020, to be paid quarterly in arrears (FY2019: S\$240,000). **(Resolution 5)**
4. To re-appoint Baker Tilly TFW LLP as the Auditor of the Company and to authorise the Directors of the Company to fix its remuneration. **(Resolution 6)**
5. To transact any other ordinary business which may be properly transacted at the Annual General Meeting of the Company.

AS SPECIAL BUSINESS

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

6. **Authority to issue shares**

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

- (a) (i) issue shares in the Company (“**shares**”) whether by way of rights, bonus or otherwise; and/or
 - (ii) make or grant offers, agreements or options (collectively, “**Instruments**”) that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,
- at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and
- (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

- (1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);
- (2) (subject to such calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:
 - (a) new shares arising from the conversion or exercise of any convertible securities;
 - (b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and
 - (c) any subsequent bonus issue, consolidation or subdivision of shares;
- (3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and
- (4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.

[See Explanatory Note (i)]

(Resolution 7)

By Order of the Board

Sam Kwai Hoong
Noraini Binte Noor Mohamed Abdul Latiff

Company Secretaries
Singapore, 9 April 2020

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note

- (i) Resolution 7, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding the aggregate 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) may be issued other than on a pro-rata basis to shareholders of the Company, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when Resolution 7 is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Measures To Minimize Risk Of Community Spread Of 2019 Novel Coronavirus ("COVID-19")

1. In view of the constantly evolving COVID-19 situation, the Company reserves the right to take such precautionary measures as may be appropriate at the AGM, including any precautionary measures as may be required or recommended by government agencies or the Singapore Exchange Regulation from time to time, in order to minimize the risk of community spread of COVID-19. The Company may also be required to change its AGM arrangements at short notice. Shareholders are advised to regularly check the Company's website or announcements released to SGX-ST for updates on the AGM.
2. The Ministry of Health of Singapore (the "MOH") had on 24 March 2020 issued an advisory requiring events and mass gatherings (e.g. conferences, exhibitions, festivals, concerts, sporting events and trade fairs) to be deferred or cancelled, regardless of size and for any other social events and gatherings to involve 10 or less persons at any one time (the "MOH Advisory").
3. The Securities Investors Association (Singapore) had also on 25 March 2020 issued a press statement (the "SIAS Press Release") acknowledging that companies will now have to restrict the number of attendees at their annual general meetings to less than 10 attendees and encouraging shareholders to participate at annual general meetings via other means, namely (a) sending questions ahead of the meeting; (b) exercising their right to vote through the submission of proxy forms and (c) watching the webcast of the meeting.
4. Singapore Exchange Regulation (SGX RegCo), the Accounting and Corporate Regulatory Authority (ACRA) and the Monetary Authority of Singapore (MAS) had on 31 March 2020 issued a joint updated guidance to guide companies on the measures in the holding of AGMs and general meetings amid the COVID-19 situation in the interim, until the proposed legislative amendments have been passed in Parliament in April 2020 ("ACRA-MAS-SGX RegCo guideline"). The proposed legislation will allow issuers the flexibility to hold meetings solely by virtual means, notwithstanding any contrary provisions in their constitutive documents. Issuers are to put in place arrangements for participants to cast their votes remotely.
5. In light of the MOH Advisory, the SIAS Press Release and ACRA-MAS-SGX RegCo guideline, the Company has decided to hold the AGM by virtual means as well to minimize the risk of community spread of COVID-19. Shareholders will be able to participate at the AGM in the following manner set out in the paragraphs below.

Participate in the AGM via live streaming

6. To comply with the MOH Advisory, the Company will be restricting attendance in-person at the venue of the AGM. The shareholder attendees will be limited to two pre-selected shareholders in order to ensure compliance with the minimum quorum requirement under the Company's Constitution. No other shareholders or their corporate representatives will be admitted.
7. All other shareholders or their corporate representatives (in the case of shareholders which are legal entities) will be able to watch the AGM proceedings through a live streaming via their mobile phones, tablets or computers. To do so, they will need to complete the attached pre-registration form and mail the completed pre-registration form to the Company Secretary for verification of their status as shareholders (or the corporate representatives of such shareholders). All completed pre-registration forms must be received by the Company no later than 5.00 p.m. on 20 April 2020.
8. Upon successful pre-registration, each such shareholder or its corporate representative will receive an email by 25 April 2020. The email will contain a link to access the streaming of the AGM proceedings, together with the relevant log in details and instructions. Shareholders (or corporate representatives) who do not receive an email by 25 April 2020, but have pre-registered in accordance with paragraph 7 above should contact the Company at (65) 67478118.
9. Shareholders will not be able to vote through the live streaming and can only vote with their proxy forms which are required to be submitted in advance (see paragraph 12 below).
10. Shareholders are reminded not to congregate to watch the live streaming and ensure that safe distancing measures are practiced and MOH advisories are adhered to.
11. After the AGM, the Company will also publish minutes of the AGM on its website including its responses from the Company's Board of Directors and management to the important and substantial queries (that were received prior to the date of the AGM).

NOTICE OF ANNUAL GENERAL MEETING

Voting by proxy

12. The only way for Shareholders to exercise their voting rights at the AGM is via proxy voting. Shareholders would have to submit the attached proxy form to the Company in accordance with the instructions set out in such proxy form and appoint "Chairman of the Meeting" as their proxy. All votes in the AGM will be taken on a poll.

Submission of questions prior to AGM

13. Shareholders may submit any questions they wish for the Company to consider addressing during the live streaming of the AGM proceedings by mailing or emailing such questions to the following addresses:

Mailing address: Federal International (2000) Ltd, 12 Chin Bee Drive, Singapore 619868

Email Address: federal-agm@federal-int.com.sg

Attention to: Sam Kwai Hoong, Group CFO

All questions must be received by the Company no later than 5.00 p.m. on 20 April 2020. Shareholders are also reminded to provide their full names and identification numbers when writing in, along with their email addresses and mobile contact numbers.

14. Due to the time limit of the AGM, the Company's Board of Directors shall only address important and substantial questions (as may be determined by the Company in its sole discretion) received from shareholders prior to the date of the AGM.
15. The Company seeks the understanding and cooperation of all shareholders to minimize the risk of community spread of COVID-19.

Notes:

- (1) A member of the Company who is entitled to attend and vote at the AGM is entitled to appoint the "Chairman of the Meeting" as a proxy to vote in his/her stead.
- (2) The instrument appointing the "Chairman of the Meeting" as proxy must be duly deposited at the registered office of the Company at 12 Chin Bee Drive, Singapore 619868 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting of the Company.

PERSONAL DATA PRIVACY

By (a) submitting an instrument appointing the "Chairman of the Meeting" as proxy to vote at the AGM and/or any adjournment thereof or (b) submitting any question prior to the AGM in accordance with paragraph 13 of the section "Measures to Minimize Risk of Community Spread of 2019 Novel Coronavirus" (the "COVID-19 Notice") or (c) submitting the pre-registration form in accordance with paragraph 7 of the COVID-19 Notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purposes of:

- (i) the processing and administration by the Company (or its agents or service providers) of proxy forms appointing the "Chairman of the Meeting" as proxy for the AGM (including any adjournment thereof);
- (ii) processing the pre-registration forms for purposes of granting access to members (or their corporate representatives in the case of members who are legal entities) to view the live streaming of the AGM proceedings and providing viewers with any technical assistance where necessary;
- (iii) addressing selected questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions;
- (iv) the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof); and
- (v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 2020 AGM ON MONDAY, 27 APRIL 2020

[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1.]

Name of Director	Mr Koh Kian Kiong	Ms Maggie Koh	Mr Heng Lee Seng
Date of Appointment	13 November 1999	19 June 2000	22 August 2000
Date of last re-appointment (if applicable)	27 April 2018	28 April 2017	28 April 2017
Age	73	52	74
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board has considered the Nominating Committee recommendation and assessments of Mr. Koh's qualifications and experiences and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.	The Board has considered the Nominating Committee recommendation and assessments of Ms Koh's qualifications and experiences and is satisfied that she will continue to contribute relevant knowledge, skills and experience to the Board.	The Board has considered the Nominating Committee recommendation and assessments of Mr. Heng's qualifications and experiences and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr Koh is the Executive Chairman and Chief Executive Officer of the Company. He is one of the founders of the Group and has more than 45 years of experience in the oil and gas industry. Mr. Koh oversees the formulation of the Group's corporate strategies and expansion plans.	Executive Ms Koh oversees the trading business of the Group.	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Nominating Committee (Member) Executive Committee	Executive Committee	Lead Independent Director Nominating Committee (Member) Remuneration Committee (Member) Audit Committee (Chairman)

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 2020 AGM ON MONDAY, 27 APRIL 2020
[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1.]

Name of Director	Mr Koh Kian Kiong	Ms Maggie Koh	Mr Heng Lee Seng
Professional qualifications	–	Vice-Chairman at the Tanjong Katong Girls' School Advisory Committee. Ms. Koh holds a Master in Business Administration.	Member of CPA Australia, Chartered Institute of Management Accountants, Association of Chartered Certified Accountants and Chartered Institute of Secretaries and Administrators. He is a holder of the designation CGMA (Chartered Global Management Accountant).
Working experience and occupation(s) during the past 10 years	<p>From November 1999 to present: Chairman of the Company</p> <p>From November 1999 to present: Director of Subsidiaries and associated companies of the Federal Group</p> <p>From November 1999 to present: Director of Gunanusa Utama Pte Ltd</p>	<p>From June 2000 to present: Executive Director of the Company</p> <p>From November 1999 to present: Director of Subsidiaries and associated companies of the Federal Group</p>	<p>From August 2000 to present: Lead Independent Director of the Company</p> <p>From January 2003 to present: Director of Winas Limited</p> <p>From November 1999 to present: Partner of Heng Lee Seng LLP</p> <p>From November 1999 to present: Director of HLS Corporate Services Pte Ltd</p> <p>From November 2009 to present: Director of HLS Tax Advisory Services Pte Ltd</p> <p>From November 2009 to present: Director of HLS Risk Advisory Services Pte Ltd</p> <p>From November 1999 to present: Director of Safe & Sound Pte Ltd</p>

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 2020 AGM ON MONDAY, 27 APRIL 2020

[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1.]

Name of Director	Mr Koh Kian Kiong	Ms Maggie Koh	Mr Heng Lee Seng
Shareholding interest in the listed issuer and its subsidiaries	Yes	Yes	Yes
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Yes	Yes	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments ⁽¹⁾ including Directorships	No	No	Partner of Heng Lee Seng LLP
Past (for the last 5 years)	No	No	No
Present	<p>Listed Company: Federal International (2000) Ltd</p> <p>Others (Non-listed company): Subsidiaries and associated companies of the Federal Group Gunanusa Utama Pte Ltd</p> <p>Major Appointment (other than Directorship): Nil</p>	<p>Listed Company: Federal International (2000) Ltd</p> <p>Others (Non-listed company): Subsidiaries and associated companies of the Federal Group</p> <p>Major Appointment (other than Directorship): Nil</p>	<p>Listed Company: Federal International (2000) Ltd Winas Limited</p> <p>Others (Non-listed company): HLS Tax Advisory Services Pte Ltd HLS Corporate Services Pte Ltd HLS Risk Advisory Services Pte Ltd Safe & Sound Pte Ltd</p> <p>Major Appointment (other than Directorship): Heng Lee Seng LLP, Partner</p>

Note:

¹ "Principal Commitments" has the same meaning as defined in the Code.

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 2020 AGM ON MONDAY, 27 APRIL 2020
[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1.]

Name of Director	Mr Koh Kian Kiong	Ms Maggie Koh	Mr Heng Lee Seng
Information required Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is “yes”, full details must be given.			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him/her or against a partnership of which he/she was a partner at the time when he/she was a partner or at any time within 2 years from the date he/she ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he/she was a director or an equivalent person or a key executive, at the time when he/she was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he/she ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him/her?	No	No	No
(d) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such purpose?	No	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 2020 AGM ON MONDAY, 27 APRIL 2020

[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1.]

Name of Director	Mr Koh Kian Kiong	Ms Maggie Koh	Mr Heng Lee Seng
(e) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him/her in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his/her part, or he/she has been the subject of any civil proceedings (including any pending civil proceedings of which he/she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his/her part?	No	No	No
(g) Whether he/she has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he/she has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 2020 AGM ON MONDAY, 27 APRIL 2020
[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1.]

Name of Director	Mr Koh Kian Kiong	Ms Maggie Koh	Mr Heng Lee Seng
(i) Whether he/she has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him/her from engaging in any type of business practice or activity?	No	No	No
(j) Whether he/she has ever, to his/her knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he/she was so concerned with the entity or business trust?	No	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 2020 AGM ON MONDAY, 27 APRIL 2020

[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1.]

Name of Director	Mr Koh Kian Kiong	Ms Maggie Koh	Mr Heng Lee Seng
(k) Whether he/she has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

FEDERAL INTERNATIONAL (2000) LTD

(Incorporated In the Republic of Singapore)
(Company Registration No. 199907113K)

PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

IMPORTANT:

For CPF/SRS investors who have used their CPF monies to buy Federal International (2000) Ltd's shares, and who wish to appoint the "Chairman of the Meeting" as proxy should approach their respective agents to submit their votes at least seven working days before the Meeting.

*I/We, _____ NRIC/Passport/Registration No. _____

of _____

of being a member/members of FEDERAL INTERNATIONAL (2000) LTD (the "Company"), hereby appoint:

Name	Proportion of shareholdings to be represented by proxy (%)
Chairman of the Meeting	

as *my/our proxy to vote for *me/us on *my/our behalf at the Annual General Meeting (the "Meeting") of the Company to be held at 12 Chin Bee Drive, Singapore 619868 on Monday, 27 April 2020 at 10:00 a.m. (of which there will be a live streaming) and at any adjournment thereof. *I/We direct *my/our proxy to vote for or against or abstain on the Resolutions proposed at the Meeting as indicated hereunder.

If no specific direction as to voting is given or in the event of any other matter arising at the Meeting and at any adjournment thereof, the proxy will vote for, against or abstain from voting at his discretion.

No.	Ordinary Resolutions relating to	No. of Shares For**	No. of Shares Against**	No. of Shares Abstain**
1.	To receive and adopt Directors' Statement and Audited Financial Statements of the Company for financial year ended 31 December 2019 together with Auditor's Report thereon			
2.	To re-elect Mr. Koh Kian Kiong as a Director of the Company			
3.	To re-elect Ms. Maggie Koh as a Director of the Company			
4.	To re-elect Mr. Heng Lee Seng as a Director of the Company			
5.	To approve the Directors' fees of S\$240,000 to Non-Executive and Independent Directors of the Company for financial year ending 31 December 2020, to be paid quarterly in arrears			
6.	To re-appoint Baker Tilly TFW LLP as Auditor of the Company and to authorise the Directors to fix its remuneration			
7.	To approve the authority to issue shares			

* Delete where inapplicable

** Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate. If you tick the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution.

Dated this _____ day of _____ 2020

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

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



Notes

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register, you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy shall be deemed to relate to all the Shares held by you.
2. The instrument appointing the "Chairman of the Meeting" as proxy must be deposited at the registered office of the Company not less than forty-eight (48) hours before the time appointed for the holding the Annual General Meeting of the Company to the following address:

Registered office address: 12 Chin Bee Drive, Singapore 619868

Email address: federal-agm@federal-int.com.sg

3. The instrument appointing the "Chairman of the Meeting" as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the "Chairman of the Meeting" as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised in writing.
4. Where the instrument appointing the "Chairman of the Meeting" as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument appointing the "Chairman of the Meeting" as proxy, failing which, the instrument appointing the "Chairman of the Meeting" as proxy may be treated as invalid.
5. Please take note of the section "Measures to Minimize Risk of Community Spread of 2019 Novel Coronavirus" in the Notice of Annual General Meeting.

General

The Company shall be entitled to reject the instrument appointing the "Chairman of the Meeting" as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the "Chairman of the Meeting" as proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the "Chairman of the Meeting" as proxy lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Annual General Meeting of the Company, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By (a) submitting an instrument appointing the "Chairman of the Meeting" as proxy to vote at the AGM and/or any adjournment thereof or (b) submitting any question prior to the AGM in accordance with paragraph 13 of the section "Measures to Minimize Risk of Community Spread of 2019 Novel Coronavirus" (the "**COVID-19 Notice**") or (c) submitting the pre-registration form in accordance with paragraph 7 of the COVID-19 Notice, the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 9 April 2020.

CORPORATE INFORMATION

DIRECTORS

Executive

MR. KOH KIAN KIONG Chairman & Chief Executive Officer

MS. MAGGIE KOH

MR. KOH BENG GUAN, DON

Non-Executive & Independent

MR. HENG LEE SENG Lead Independent Director

MR. YEE KEE SHIAN, LEON

MR. KHOO BOO YEOW, ANDREW

MR. LOH EU TSE, DEREK

AUDIT COMMITTEE

Mr. Heng Lee Seng (Chairman)

Mr. Yee Kee Shian, Leon

Mr. Khoo Boo Yeow, Andrew

Mr. Loh Eu Tse, Derek

NOMINATING COMMITTEE

Mr. Yee Kee Shian, Leon (Chairman)

Mr. Heng Lee Seng

Mr. Koh Kian Kiong

Mr. Loh Eu Tse, Derek

REMUNERATION COMMITTEE

Mr. Yee Kee Shian, Leon (Chairman)

Mr. Heng Lee Seng

Mr. Khoo Boo Yeow, Andrew

COMPANY SECRETARIES

Mr. Sam Kwai Hoong

Ms. Noraini Binte Noor Mohamed
Abdul Latiff

REGISTERED OFFICE

12 Chin Bee Drive

Singapore 619868

Tel: (65) 6747 8118

Fax: (65) 6743 0690

Email: admin@federal-int.com.sg

Website: www.federal-int.com.sg

SHARE REGISTRAR

B.A.C.S. Private Limited

8 Robinson Road

#03-00 ASO Building

Singapore 048544

Tel: (65) 6593 4848

Fax: (65) 6593 4847

AUDITOR

BAKER TILLY TFW LLP

600 North Bridge Road

#05-01 Parkview Square

Singapore 188778

PARTNER-IN-CHARGE

Mr. Khor Boon Hong

(Appointed since financial year ended
31 December 2018)

PRINCIPAL BANKERS

United Overseas Bank Limited

DBS Bank Limited

Overseas-Chinese Banking
Corporation Limited



(REGISTRATION NO. 199907113K)

12 Chin Bee Drive, Singapore 619868
Tel: (65) 6747 8118
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