Far East Group Limited

Green Growth & Green Development For A Green Future

Annual Report 2020

Our Vision

A highly motivated and inspired team, working in unison towards leadership, striving for excellence through quality and technology and being ever sensitive and responsive to its employees, customers and the society in which we live.

Contents

Corporate Profile

Founded in 1953, Far East Group is one of the pioneers in the refrigeration and air-conditioning business in Singapore and a leading regional distributor of commercial and light industrial refrigeration systems and products with more than 67 years of experience in the Heating, Ventilation, Air-conditioning and Refrigeration (**"HVAC&R"**) industry in Southeast Asia (**"SEA"**) and the People's Republic of China (the **"PRC"**). In 2011, the Group was listed on the Catalist Board of the Singapore Exchange (SGX-Catalist).

Headquartered in Singapore with approximately 400 employees globally, the Group has subsidiaries in Singapore, Malaysia, Indonesia, Vietnam, Myanmar, Hong Kong and China. Other than our physical presence in SEA and the PRC, the Group also work with distributors and dealers in countries including Malaysia, Indonesia, Vietnam, Thailand, Myanmar, the Philippines, Mauritius, Sri Lanka, Turkey and Australia.

The Group is a comprehensive provider of refrigeration and air-conditioning systems, products and services to various industries including but not limited to Commercial & Retail, F&B, Supermarkets, Cold-Storages, Warehouse and Logistics, Hospitality, Healthcare, Oil, Marine and Gas, etc. Our manufacturing facilities for heat-exchangers and condensing units are based in the PRC and certain condensing units are built in Singapore. These heat-exchangers and condensing unites are exported to various parts of SEA and the PRC. We are also in the distribution of air-conditioning products and contracting and installation of air-conditioning systems in Singapore.

As a major **Wholesaler and Distributor** regionally, we represent multiple international renowned brands of products such as Bitzer, Danfoss, Schneider-Eliwell, Emerson, etc., for the refrigeration and air conditioning market. We provide end-to-end solutions offering a full suite of services ranging from consultation, engineering design, equipment supplies, commissioning and aftersales support. Our long-standing and good relationship with our partners ensures genuine and quality products are readily available through our distribution network.

Our **Manufacturing** arm has also established itself as one of China's leading providers of a comprehensive range of quality energy-efficient heat-exchangers, compressor rack systems and condensing units under our own brands "Eden" and "ELITE".

Eden products are manufactured by Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd. (ISO9001:2015) which produces international standard heat exchangers using the latest design and heat transfer technology in manufacturing a wide range of unit coolers, brine coolers, condensers and custom coils for Commercial, Industrial and Marine applications. All unit coolers and air-cooled condensers are Conformitè Europëenne (CE) certified and in compliance with the listed European Directives BS EN 60204-1:2006+A1:2009 on safety guidance on machinery.

ELITE's compressor rack systems, outdoor packaged refrigeration units and condensing units are designed according to standards widely used in low-temperature storage, food processing, slaughtering processing, chemical, agricultural products processing, cold chain logistics, hospitals, supermarkets and other fields.

Our **Engineering & Solutions** arm provides sound engineering solutions in our system designs to meet customer needs and requirements; and to know that every engineering challenge has an ultimate solution drives us forward towards excellence.

M-Tech Air-Con & Security Engineering Pte Ltd (**"M-Tech"**), established since 1993 in Singapore, is an Air- Conditioning and Mechanical Ventilation (ACMV) service provider for residential and commercial buildings, with vast experience and technical expertise in the design, supply and install of ACMV and electrical systems.

M-Tech is a registered contractor with the Building and Construction Authority of Singapore (BCA) certified with Air-conditioning, Refrigeration & Ventilation Works (ME01–L5), Communication & Security Systems (ME04–L1) and Electrical Engineering (ME05–L1).
RSP Systems Pte. Ltd. in Singapore is the System Integration arm of Far East Group Limited, which specialised in providing a host of monitoring systems ranging from temperature monitoring, energy & resource monitoring, alarms management & asset management system tools; incorporating Internet of Things (IoT) devices from Eliwell, Schneider Electric and other third party devices. These systems allow for quick deployment, full system management control and data analytics for troubleshooting and improve efficiency of any refrigeration of HVAC system.

In 2018, the Group relocated its regional headquarters to 51 Ubi Avenue 3, Singapore 408858 which also operates as the regional distribution centre.

Sustainability considerations have always been rooted in the values of Far East Group and are key to our long-term business strategy and we appreciate the opportunity to present our achievements and ambitions. The Group aims to work with our suppliers and customers towards the phasing out of harmful gases and development of energy efficient products which are the two areas that can yield mutual benefit to both our business and society at large. At the same time, we recognise that our people are key drivers for our success and we place great emphasis on nurturing them by enhancing their training and development and taking care of their health and safety. It is our responsibility to exceed expectations of our stakeholders in the market and we strive to do so by delivering high quality and safe products, maintaining financial stability and tackling the risk of cybersecurity through robust policies and measures.

CEO's Message

DEAR SHAREHOLDERS,

On behalf of the Board of Directors (**"Board"** or **"Directors"**), I am pleased to present to you the annual report of Far East Group Limited (**"Far East Group"** or the **"Group"**) for the financial year ended 31 December (**"FY"**) 2020.

FY2020 has been a dismal year for the Group, suffering our largest full-year loss ever and battling the onset of the COVID-19 pandemic since the beginning of the year and struggling to conduct our business while adjusting to the various restrictive measures imposed by governments of the countries that we operate in. Not only were we affected, our customers and suppliers were also affected and it led to a disruption in our supply chains, forecasts and budgets. Work practices have to be reviewed and re-designed to take into account the safety and welfare of our staff, such as setting up systems for them to work from home, re-allocating work with a smaller workforce during the Circuit Breaker and lockdowns and establishing communications with our various stakeholders with less physical contact.

As a result, the pandemic hit the Group the hardest in our ability to deliver engineering services, especially by our newest subsidiary, M-Tech Air-Con & Security Engineering Pte Ltd (**"M-Tech"**), whose business is mainly engaged in carrying out work at job sites. In FY2020, it couldn't operate for approximately four months due to the Circuit Breaker and foreign workers dormitory lockdown. The wholesale and distribution business suffered as well but not as badly. Due to the lockdowns, activities at job sites were either put on hold or delayed resulting in customers pushing back orders and purchasing less. Inventory lead times lengthened due to manpower shortages or delays in the logistics supply chain. Our manufacturing facilities in China were the least affected even though they were subject to lockdown at the beginning of the year. Once the spread of the COVID-19 virus was brought under control in China, our business recovered quickly in the second half of the year.

The strong revenue performance in the second half of FY2020 as compared to the first half, notwithstanding the overall annual performance, is a positive sign of recovery. Our business across all countries have started to pick up and job sites have also gradually re-opened for contracting works to be carried out. The Group is looking at catching up on the outstanding work on hand, especially by M-Tech whose work had been severely interrupted in FY2020. Nevertheless, the management is mindful of the prolonged effect of the pandemic on not just Singapore, but globally and has taken steps to tighten operating costs. The Group's cash flow generated from operating activities remained positive and the improvement in FY2020 as compared to FY2019 is a testament to our efforts in working capital management. At the same time, the Group continues to explore ways to improve our manufacturing efficiencies with newer machinery and further automation to prepare for the recovery of business. Despite the impact of the COVID-19 pandemic, the Group continues to diversify and spread the risks amongst the various businesses. We press ahead with our merger and acquisition strategies to look for profitable businesses and those that will create synergies as well as add value to our shareholders.

Operations and Financial Review

The Group's revenue decreased by S$16.0 million or 22.7% to S$54.6 million in FY2020 from S$70.6 million in FY2019, mainly due to the COVID-19 related lockdowns and disruption to customers' orders and supply chains across all countries.

The commercial and light industrial (refrigeration) segment remains our largest revenue contributor, accounting for 73.8% of our FY2020 top line. The residential and commercial (air-conditioning) segment accounted for 24.3% of total revenue, while the oil, marine and gas (refrigeration and air-conditioning) segment accounted for the remaining 1.9%.

Gross profit decreased by S$8.8 million or 46.9% to S$9.9 million in FY2020 from S$18.7 million in FY2019, with gross profit margin decreasing by 8.3ppt to 18.2% from 26.5% over the comparative period.

CEO's Message

In FY2020, the Group generated S$9.3 million net cash flows from operating activities. Net cash flows used in investing activities of S$0.2 million were mainly expended on the purchase of financial instruments and fixed assets. The Group used S$10.2 million net cash flows in financing activities, primarily repaying loans and trade facilities as well as paying dividends to shareholders. Cash and cash equivalents decreased from S$8.7 million as at 31 December 2019 to S$7.6 million as at 31 December 2020.

The Group reported a net loss attributable to shareholders of S$7.2 million in FY2020, compared to a loss of S$1.4 million in FY2019. Loss per share increased to 6.4 cents in FY2020 from 1.3 cents in FY2019 while net asset value per share decreased to 38.8 cents as at 31 December 2020 from 46.1 cents the year before.

Dividend

The Company has recommended a final (tax exempt one-tier) dividend of 0.18 cent per ordinary share for FY2020, subject to the shareholders' approval at the forthcoming Annual General Meeting.

Appreciation

On behalf of my fellow Directors, I would like to thank all shareholders, customers and business partners for your continued support and trust. I also extend my sincere appreciation to our management and staff for their hard work and dedication to the Group and in pulling through this pandemic together as one cohesive unit.

Board of Directors

A

KAREN LOH
Non-Executive Chairman

Ms Karen Loh was appointed to the Board on 28 June 2011 and was appointed as the Non-Executive Chairman of the Group on 24 February 2017. Ms Loh commenced her career as a management trainee with the Group in 1988. From 1992 to 1993, she was an accounts executive of the Group and was responsible for the accounts of the Group's subsidiaries. From 1993 to 1997, she pursued her studies in Australia. From 1997 and 2000, she became the director of Far East Refrigeration (Hong Kong) Limited and Far East Refrigeration Limited, respectively.

Ms Loh obtained an Advanced Certificate in Accounting from Alexander College in 1994.

B

STEVEN LOH
Chief Executive Officer and Executive Director

Mr Steven Loh was appointed to the Board of Far East Group in 1990. He has over 30 years of experience in the HVAC&R industry. He is responsible for the formulation and execution of the Group's business strategies, strategic directions and expansion plans, as well as managing the Group's overall business development and financial performance.

Mr Loh joined the Group in 1990 as a retail sales executive and has risen through the ranks to become the Group's assistant managing director in 2000, overseeing its operations and financial performance. In 2003, he was appointed as the Group Managing Director. He is an associate member of Business China Singapore (通商中国).

He graduated from the University of the Pacific, Stockton, California, with a degree in Bachelor of Science in Electrical Engineering in 1987. In 1996, he obtained a Master of Business Administration from the University of South Australia. On 24 June 2011, he was awarded the Outstanding Entrepreneur in the Asia Pacific Entrepreneurship Award 2011.

C

DAVID LENG
Chief Operating Officer and Executive Director

Mr David Leng joined the Group as business development director and assistant group managing director in 2004, and was appointed to the Board in 2005. He is responsible for overseeing the Group's sales, strategic marketing and business development, as well as growing the Group's business in the Southeast Asia region.

Mr Leng has held several managerial positions in the automotive and leasing industry since the start of his career before joining Barcelona Motors Pte Ltd and Perocom Motors Pte Ltd (both of which are distributors of new motor vehicles) as the general manager, where he was mainly responsible for the two companies' day-to-day operations and financial performance from 1995 to 2003.

He obtained his Industrial Technician Certificate in Mechanical Engineering from the Singapore Technical Institute in 1977 and his Certificate in Sales and Marketing from the Marketing Institute of Singapore in 1990.

Board of Directors

D

WILSON HO
Lead Independent Non-Executive Director

Mr Wilson Ho was appointed as the Lead Independent Director of the Board on 1 September 2020. He is currently the Managing Director, Asia of Westcon-Comstor, a value-added global technology distributor of category-leading solutions in Security, Collaboration, Networking and Data Center, where he is responsible for managing the business across 12 countries in Asia.

His experiences over the last 20 plus years include working in the capital markets group of DBS Bank Ltd, holding the post of Chief Financial Officer of a SGX-Main Board listed company, as well as building and managing a regional IT distribution group. He currently also sits on the board of Kim Heng Offshore & Marine Holdings Limited, which is listed on the Catalist Board of the SGX-ST, as lead independent director.

Mr Ho graduated from Nanyang Technological University in 1994 with a Bachelor of Accountancy (Hons) degree. He is a Chartered Accountant, Singapore (CA Singapore) and a Chartered Financial Analyst (CFA).

E

ANDREW MAK
Independent Non-Executive Director

Mr Andrew Mak was appointed to the Board on 28 June 2011. He is a practising lawyer with more than 25 years of experience in legal practice. He is currently a consultant with Fortis Law Corporation. His current practice focuses on mergers and acquisitions, joint ventures, securities and capital markets, listed company work, general corporate/commercial work, cross-border transactions. He is also familiar with corporate governance.

Mr Mak is an independent director of Falcon Energy Group Limited and Leader Environmental Technologies Limited, both listed on the Main Board of the SGX-ST. He is also a member of the advisory board at Executives' Global Network (Singapore). He was awarded the Public Service Medal (PBM) by the President of Singapore in the 2012 Singapore National Day honours list.

Mr Mak graduated from the National University of Singapore in 1994 with a Bachelor of Laws (Second Class Honours Upper Division).

F

TAN HWEE KIONG
Independent Non-Executive Director

Mr Tan Hwee Kiong was appointed to the Board on 28 June 2011. He is a senior business leader with 30 years of industrial and commercial experience, of which 16 years he was involved in the HVAC&R industry. Mr Tan spent most of his HVAC&R career in Carrier Corporation (a division of United Technologies Corporation), where he served as the regional managing director responsible for South Asia region and various capacities in Asia Pacific region.

Mr Tan was the regional managing director of Snap-On Tools (Singapore) Pte Ltd responsible for Southeast Asia, Taiwan, Hong Kong and Korea from 2008 to early 2018. Since March 2018, Mr Tan joined Leedon National Oxygen Ltd as the Chief Operation Officer, responsible for the Fire Safety Group of companies in Singapore, Malaysia, China and Australia.

Mr Tan graduated from University of London with a Bachelor of Science (Economics) degree. He also obtained a Diploma in Building Services from Ngee Ann Polytechnic and a Graduate Diploma in Marketing Management from Singapore Institute of Management.

Executive Officers & Key Management

G

FRANCIS LAI
Chief Financial Officer

Mr Francis Lai joined the Group in April 2011 as Senior Finance and Business Development Manager and was part of the team involved in the Group's listing on the SGX-Catalist Board. He was promoted to the position of Chief Financial Officer of the Group in 2014 and was appointed Company Secretary of the Company on 26 June 2017. He is a Chartered Certified Accountant with more than 20 years' experience.

Mr Lai is responsible for all the Finance functions of the Group and strategising the Group's growth. He is responsible for developing the Group's finance policies and procedures, review of the Group's risk management policies and internal controls procedures and managing the Group's insurance policies. He also oversees due diligence studies and merger and acquisition ("**M&A"**) processes of the Group in its business expansion plans, and was involved in the successful completion of several M&A deals that increased the Group's revenue. Prior to joining the Group, he spent 11 years in the semiconductor industry, taking on a wide spectrum of accounting roles in financial and management accounting.

Mr Lai started his career as an entrepreneur in the education industry while studying for his Bachelor of Arts degree in the National University of Singapore where he graduated with a 2nd Class Honours degree in Arts specialising in Japanese Studies. He is a member of the Institute of Singapore Chartered Accountants (CA Singapore) and a Fellow of the Association of Chartered Certified Accountants (ACCA).

H

RICHARD CHUNG
Director of Research & Development

Mr Richard Chung joined the Group as a sales and marketing executive in 1995 and had served in various capacities, including sales and marketing manager and divisional director (systems and projects). On 1 October 2018, he was promoted to the position of Director of Research & Development where he is responsible for the design of the new series of heat-exchangers and the technology employed in the Group's "Eden" brand of products. In his last role as Head of Systems and Projects, he led the Group's project teams, including general managers (projects) and project managers, to deliver the projects in accordance with the project commitments and ensure that the projects are properly managed and planned with sufficient staff and appropriate resources.

Mr Chung had been invited as a speaker at various seminars, such as (i) the Asian Cold Chain Management Conference on topics of "Examining Trends in Temperature Control for the Food and Beverage Sector: An International Overview" and "Examining Trends in Temperature Control for the Healthcare and Pharmaceutical Sector: An International Overview" in 2007, (ii) the Singapore Manufacturing Association/Singapore Article Number Council/ Singapore Cold Chain Workshop on the topic of "Training Workshop on Cold Chain Management" in 2004 and (iii) SPRING Singapore seminars on topic of "A Total Approach to Cold Chain Management for Milk and Dairy Products" in 2002. He is currently a member (individual capacity) of the Singapore Cold Chain Committee for Milk and Dairy Products and the chairman (sub-group III – technology) of the Singapore Cold Chain Committee for Pork Products.

Mr Chung obtained his degree in Bachelor of Science (Physics) from the National University of Singapore in 1993.

Executive Officers & Key Management

I

ROGER WONG
Sales Director (China)

Mr Roger Wong has been with the Group since 2005 and brings with him a wealth of experience accumulated over his 30-year career in the HVAC&R industry; having worked for European multinationals and local public listed companies in the areas of technical, management, sales, marketing and distribution of refrigeration products, systems and solutions. Prior to his current position as Sales Director of China, he was previously regional manager based in Hong Kong, China and Singapore at different periods of employment within the Group. He was instrumental in the restructuring of the business in Hong Kong and Indonesia, expanding the customer network. In China, where he was based in the Group's regional affiliate, he focused on building brand recognition of the Group's proprietary "Eden" brand.

Prior to joining the Group, Mr Wong held several technical managerial positions in Danfoss Pte Ltd and Linde Refrigeration (Singapore) Pte Ltd, and was a partner of PR Land & Marine Pte Ltd, where he built the business from scratch and made a strong mark on Singapore Technology Shipyard. He was awarded annual service contracts from Singapore Navy Vessel. In his current capacity, he is responsible for the Group's sales targets and also assists in overseeing the manufacturing operations in China.

J

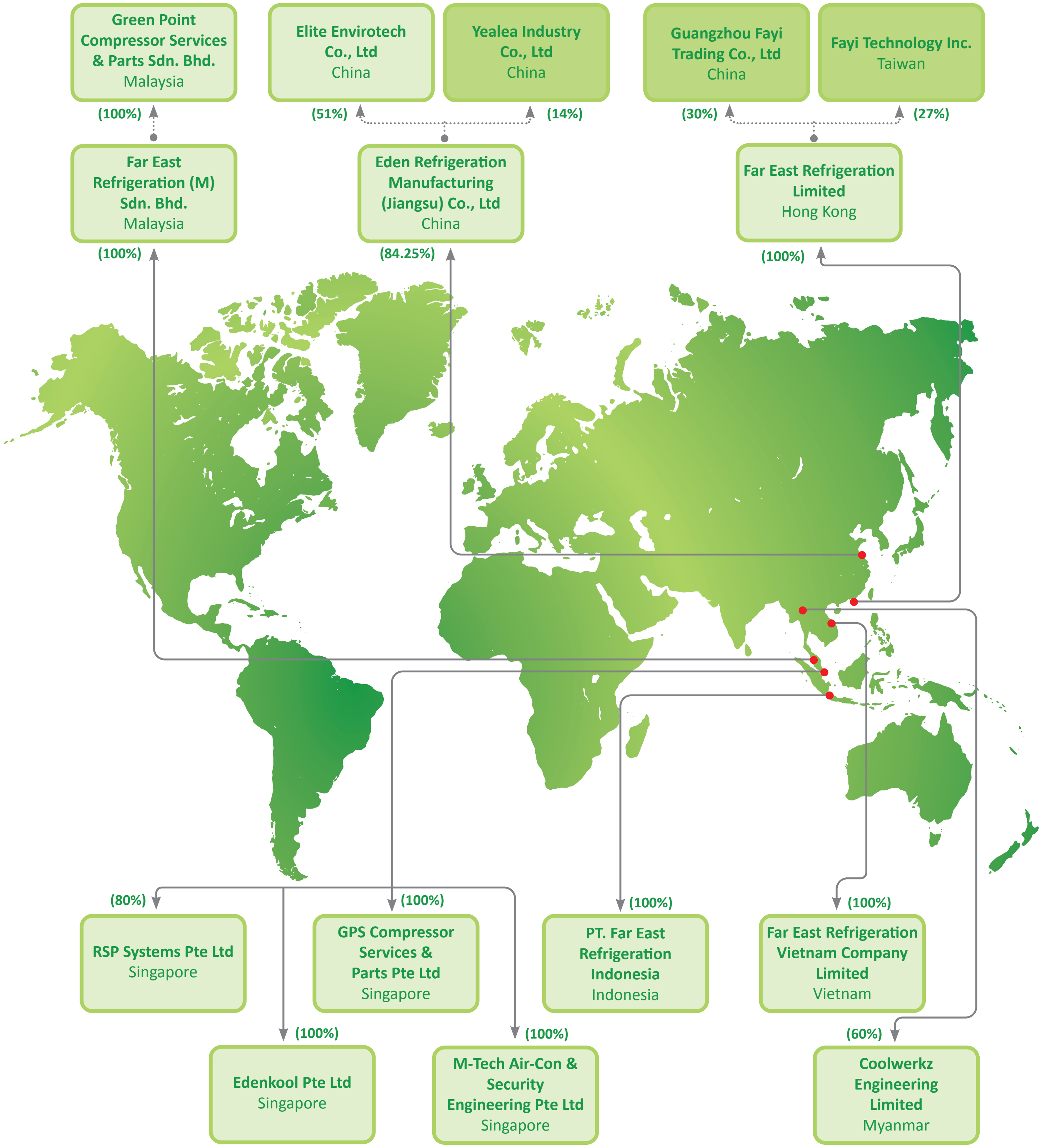
RYAN OH
Sales Director (Southeast Asia)

Mr Ryan Oh joined the Group in 2006 as an Assistant Manager for Sales & Business Development before leaving briefly in 2015 as a Senior Sales Manager to explore other interest. He re-joined the Group in 2018 and is now Sales Director responsible for the Group's sales in Southeast Asia. He oversees the sales operation in the region including the Group's export business other than China. He plays a major part in the Group's Pricing Policy and liaises with key suppliers to obtain competitive prices for the agency products.

Between 2015 and 2018, Mr Oh joined Watts Asia Pacific Sales Pte Ltd as a Sales Director where he was responsible for developing and implementing sales strategy in the South East Asia region as well as the P&L for the company. He has helped the company to turn the business around, achieving the sales target for 2015 in 4 months despite being 50% away from the target since the time he joined. He achieved a record sales growth of 39.3% in the subsequent year and was awarded the Above & Beyond Award in 2016 and Best Sales Award in 2017 respectively by the company.

Mr Oh obtained his Bachelor Degree in Electrical & Electronic Engineering with a 2nd Class Honours from University of Manchester Institute of Science & Technology (UMIST) in 2002 and was sponsored by Far East Group for his Master degree in Business Administration where he graduated with a Merit from University of Manchester in 2013.

Corporate Structure



* *Please note that the subsidiaries listed in this section are our principal subsidiaries. Please refer to Note 8 to the Financial Statements for the full list of our subsidiaries.*

FINANCIAL **CONTENTS**

Corporate Governance Report

The Board of Directors (the "**Board**" or "**Directors**") of Far East Group Limited (the "**Company**", and together with its subsidiaries, the "**Group**") recognises the importance of and is committed to maintaining a high standard of corporate governance. Good corporate governance provides the framework for an ethical and accountable corporate environment, which will protect the interests of the Company's shareholders and promote investor confidence.

This report outlines the Group's corporate governance practices and structures that were in place for the financial year ended 31 December 2020 ("**FY2020**"), with specific reference made to each of the principles and the provisions of the Code of Corporate Governance 2018 (the "**Code**"). Pursuant to Rule 710 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Catalist Rules**"), the Board confirms that the Company has complied with the principles of the Code for FY2020 and in respect of any deviation from provisions of the Code, appropriate disclosures and explanations are provided in this report in accordance to the requirements of the Catalist Rules.

BOARD MATTERS

The Board's Conduct of Affairs

Principle 1: The company is headed by an effective Board which is collectively responsible and works with Management for the long-term success of the company.

Provision 1.1: Directors are fiduciaries who act objectively in the best interests of the company and hold Management accountable for performance. The Board puts in place a code of conduct and ethics, sets appropriate tone-from-the-top and desired organisational culture, and ensures proper accountability within the company. Directors facing conflicts of interest recuse themselves from discussions and decisions involving the issues of conflict.

The Board is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group. It focuses on strategies and policies, with particular attention paid to growth and financial performance. The Board works with the management of the Company (the "**Management**") to achieve this and the Management remains accountable to the Board.

The primary function of the Board, apart from its statutory duties, includes:

- Guide the formulation of the Group's overall long-term strategic objectives and directions, corporate strategy and objectives as well as business plans, taking into consideration sustainability issues;
- Oversee and review the management of the Group's business affairs and financial controls, performance and resource allocation, including ensuring that the required financial and human resources are available for the Group to meet its objectives;
- Establish a framework of prudent and effective controls to assess and manage risks and safeguard shareholders' interests and the Group's assets;
- Review the Management's performance;
- Set the Group's approach to corporate governance, including establishment of ethical values and standards; and
- Balance the demands of the business with those of the Company's stakeholders and ensure that obligations to shareholders and other stakeholders are met.

The Company has an established Code of Conduct which are updated accordingly that sets out the principles of business ethics and conduct for the Group and covers significant areas including appropriate business conduct and ethics, safeguarding of confidentiality information and prohibition on insider trading, anti-bribery, corruption and fraud measures, and conflicts of interest and non-competition. All employees of the Group are to uphold these principles and conduct themselves with high standards of integrity that are in compliance with laws and regulations of the jurisdictions in which it operates.

All Directors exercise due diligence and independent judgement, and are obliged to act in good faith and consider at all times, the interests of the Company. When an actual, potential and perceived conflict of interest arises, the concerned Director must disclose such interest, recuse himself from discussions and decisions involving the matter and abstain from voting on resolutions regarding the matter.

Corporate Governance Report

Provision 1.2: Directors understand the company's business as well as their directorship duties (including their roles as executive, non-executive and independent directors). Directors are provided with opportunities to develop and maintain their skills and knowledge at the company's expense. The induction, training and development provided to new and existing directors are disclosed in the company's annual report.

The Executive Directors are appointed by way of service agreements while the Non-Executive Directors are appointed by way of letters of appointment. The duties and responsibilities of Directors are clearly set out in these service agreements and letters of appointment, respectively.

The Board ensures that newly-appointed Directors will be orientated on the Group's business strategies, operations and governance practices to facilitate the effective discharge of their duties. For newly-appointed Directors who do not have prior experience as a director of a public listed company in Singapore, they will attend training courses organised by the Singapore Institute of Directors within one year from their appointment dates and other training institutions in areas such as accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties. During FY2020, Mr Ho Boon Chuan Wilson was appointed as Lead Independent Director and Chairman of the Audit Committee on 1 September 2020, replacing Mr Hew Koon Chan who resigned and ceased to be the Company's Lead Independent Director on 15 June 2020. As Mr Ho Boon Chuan Wilson had prior experience as a director of an issuer listed on the SGX-ST, the mandatory training courses were not applicable to him.

Existing Directors are provided with an insight into the Group's operational facilities and periodically meet with the Management to gain a better understanding of the Group's business operations. The Board as a whole is updated on risk management and the key changes in the relevant regulatory which have an important bearing on the Company and the Directors' obligations to the Company.

The Company is responsible for arranging and funding the training of Directors. Board members have been and will be encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. The Company will work closely with its professional advisors to provide its Directors with updates on changes to relevant laws, regulations and accounting standards. During FY2020, Directors were provided with briefings and updates on: (i) the developments in financial reporting and governance standards by the external auditors, Ernst & Young LLP; (ii) changes in the relevant laws and regulations pertaining to the Group's business and changing commercial risks and business conditions of the Group by the Management during the Board and/or Board Committee meetings; and (iii) updates to the Catalist Rules and the Code of Corporate Governance by the Company's sponsor, SAC Capital Private Limited, and the Company Secretaries.

Provision 1.3: The Board decides on matters that require its approval and clearly communicates this to Management in writing. Matters requiring board approval are disclosed in the company's annual report.

The Group has adopted internal guidelines for the Management, setting forth matters that require the Board's approval. Matters which are reserved for the Board's decision, include, *inter alia*:

- Corporate strategies and business plans;
- Investment and divestment proposals;
- Material acquisitions and disposals of assets;
- Funding decisions of the Group;
- Appointment or removal of Directors, Executive Officers and Company Secretaries;
- Annual budgets, interim and full-year results announcements, the annual reports and financial statements;
- Recommendation/declaration of dividends;
- Interested person transactions;
- Identification of the key stakeholder groups and recognition that their perceptions affect the Company's reputation; and
- All matters of strategic importance.

Corporate Governance Report

Provision 1.4: Board committees, including Executive Committees (if any), are formed with clear written terms of reference setting out their compositions, authorities and duties, including reporting back to the Board. The names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions, and a summary of each committee's activities, are disclosed in the company's annual report.

The Board has delegated certain matters to specialised committees of the Board (the "**Board Committees**"). These committees include the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"), all of which operate within clearly defined and written terms of reference and functional procedures, which are reviewed on a regular basis and can be found in the subsequent sections of this report. They assist the Board in carrying out and discharging its duties and responsibilities efficiently and effectively. The Board acknowledges that while the Board Committees have the authority to examine particular issues and report back to the Board with their decisions and recommendations, the ultimate responsibility on all matters lies with the Board.

More details on each of the Board Committees, including the names of the committee members, the terms of reference, any delegation of the Board's authority to make decisions and a summary of their activities, are set out in the further sections of this report.

Provision 1.5: Directors attend and actively participate in Board and board committee meetings. The number of such meetings and each individual director's attendances at such meetings are disclosed in the company's annual report. Directors with multiple board representations ensure that sufficient time and attention are given to the affairs of each company.

The Board meets regularly with at least two (2) scheduled meetings held within each financial year. Where necessary, additional meetings may be held to address significant transactions or issues. The constitution of the Company (the "**Constitution**") also provides for telephonic and video-conference meetings. Important matters concerning the Group or informal discussions on matters requiring urgent attention can also be put to the Board and Board Committees formally for decision by way of written resolutions.

The number of Board and Board Committee meetings held and attended by each Board member for FY2020 is set out as follows:

	Board	Board Committees			General Meetings
		Audit	Nominating	Remuneration	Annual
Number of meetings held	4	2	1	1	1
	Number of meetings attended				
Ms Loh Pui Lai	4	2*	1*	1*	1
Mr Loh Mun Yew	4	2*	1*	1*	1
Mr Leng Chee Keong	4	2*	1*	1*	1
Mr Hew Koon Chan(1)	2	2	1	1	1
Mr Ho Boon Chuan Wilson(2)	1	1	0	0	0
Mr Mak Yen-Chen Andrew	4	2	1	1	1
Mr Tan Hwee Kiong	4	2	1	1	1

** By invitation*

Notes:

(1) Mr Hew Koon Chan had resigned from the Board and ceased to be the Lead Independent Director, Chairman of the AC, and Member of the NC and RC on 15 June 2020.

(2) Mr Ho Boon Chuan Wilson was appointed to the Board as the Lead Independent Director, Chairman of the AC, and Member of the NC and RC on 1 September 2020.

Corporate Governance Report

While the Board considers Directors' attendance at Board meetings as important, it should not be the only criterion to measure their contributions. The Board also takes into account the contributions by Board members in other forms, including periodic reviews and the provision of guidance and advice on various matters relating to the Group.

When a Director has multiple board representations, the NC will consider if the Director is able to and has adequately carried out his duties as a Director, taking into consideration the Director's number of listed company board representations and other principal commitments. The Board and the NC have established a guideline on the maximum number of listed company directorships and other principal commitments that each Director is allowed to hold and this guideline can be found under provision 4.5 below.

Provision 1.6: Management provides directors with complete, adequate and timely information prior to meetings and on an on-going basis to enable them to make informed decisions and discharge their duties and responsibilities.

The Directors are provided with complete, adequate and timely information prior to Board and Board Committees meetings to ensure that the Directors have adequate time to review the same and request further explanations, where necessary. Each member of the Board has complete access to such information regarding the Group as may be required for the discharge of his duties and responsibilities.

Prior to each Board meeting, the Directors are provided with the relevant documents and information in advance, including background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Group's business operations, in order for the Directors to be adequately prepared for the meetings and to comprehensively understand the issues to be deliberated upon and make informed decisions thereon. In respect of the annual budget of the Group, material variance between budgeted results and actual results would be disclosed and explained by the Management at Board meetings.

The Management will also inform the Board of all significant events as and when they occur and circulate Board papers and supporting information on significant transactions or corporate actions to facilitate a robust discussion before the transactions are entered into or the corporate actions are taken place. Management personnel, if required, will attend Board and/or Board Committee meetings to address queries from the Directors. The Directors also have unrestricted access to the Management. Requests for the Company's information by the Board are dealt with promptly.

Provision 1.7: Directors have separate and independent access to Management, the company secretary, and external advisers (where necessary) at the company's expense. The appointment and removal of the company secretary is a decision of the Board as a whole.

The Directors have separate and independent access to the to the Management, the Company Secretaries and the external auditors at all times. Queries by individual Directors on the Company's developments, management proposals or papers are directed and answered by the Management.

At least one of the Company Secretaries attend Board and Board Committee meetings and ensure that Board procedures and the provisions of the Companies Act, Chapter 50 of Singapore (the "**Companies Act**"), the Constitution and the Catalist Rules are followed. The Company Secretaries also ensure good information flows within the Board and the Board Committees and between the Management and Non-Executive Directors, and also assist with the circulation of Board papers and the updating of the Directors on changes in laws and regulations relevant to the Group. The appointment and removal of the Company Secretaries are subject to the Board's approval.

In addition, the Directors, either individually or as a group, are provided with direct access to the Group's independent professional advisors, to seek separate independent professional advice on the Company's affairs or in respect of his fiduciary or other duties, where necessary. Each Director (whether as an individual member or as a group) has the right to seek independent legal and other professional advice at the expense of the Company, in relation to matters concerning any aspect of the Group's operations or undertakings in order to fulfil his duties and responsibilities as a Director.

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Board Composition and Guidance

Principle 2: 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.

Provision 2.1: An "independent" director is 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 in the best interests of the company.

As at the date of this report, the Board comprised six (6) members, consisting of two (2) Executive Directors, one (1) Non-Executive Director and three (3) Independent Directors as follows:

Ms Loh Pui Lai	Non-Executive Chairman
Mr Loh Mun Yew	Chief Executive Officer ("**CEO**") and Executive Director
Mr Leng Chee Keong	Chief Operating Officer ("**COO**") and Executive Director
Mr Ho Boon Chuan Wilson	Lead Independent Director
Mr Mak Yen-Chen Andrew	Independent Director
Mr Tan Hwee Kiong	Independent Director

The Independent Directors have confirmed that they do not have any relationship with the Company or its related corporations or its officers or its substantial shareholders that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgment with a view to the best interests of the Company. The Board, taking into account the views of the NC, has determined that Mr Ho Boon Chuan Wilson, Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong are independent in character and judgement, and that there are no relationships or circumstances which are likely to affect, or could appear to affect, their judgement. The independence of each Director is reviewed annually and as and when circumstances required by the NC based on the guidelines set forth in the Code and the Catalist Rules.

Pursuant to Rule 406(3)(d)(iii) of the Catalist Rules, a director who has served on the board for a cumulative period of nine (9) years from the date of their first appointment will no longer be eligible to be designated as an independent director unless a resolution from shareholders present and voting at the general meeting is sought, and approved in separate resolutions by (a) all shareholders; and (b) shareholders excluding the directors, chief executive officer, and their associates. The aforesaid rule will come into effect on 1 January 2022. On the same note, SGX-ST has stated that to ensure that the independence designation of a director who has served for more than nine (9) years as at and from 1 January 2022 is not affected, a listed issuer should seek and obtain approvals for his continued appointment as an independent director prior to 1 January 2022.

Currently, Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong have served on the Board beyond nine (9) years from the date of their first appointment. Accordingly, Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong have offered themselves for re-appointment as independent directors at the Company's annual general meeting to be held on 28 April 2021. In accordance with Rule 406(3)(d)(iii) of the Catalist Rules, such approvals will remain valid until the earlier of (i) the retirement or resignation of the director or (ii) the conclusion of the third (3rd) annual general meeting following such approval.

The independence of any Director who has served on the Board beyond nine (9) years from the date of his first appointment will be subject to more rigorous review, taking into account the need for progressive refreshing of the Board. The Board is of the view that the independence of the Independent Directors must be based on the substance on their professionalism, integrity and objectivity, and not merely based on form such as the number of years which they have served on the Board.

The Board is of the opinion that Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong have, over time, developed significant insights in the Group's business and operations, and can continue to provide noteworthy and valuable contribution objectively to the Board as a whole while maintaining their independence. The Board also has conducted rigorous review by examining any conflicts of interests, their review and scrutiny of matters and proposals put before the Board, their exercise of independent judgment, the effectiveness of their oversight roles as a check and balance on the acts of the Executive Director(s) and the Management, as well as their roles in enhancing and safeguarding the interests of the Company and its shareholders.

Upon review, the Board considers Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong to remain independent. With the concurrence of the NC, the Board has affirmed their independence and resolved that, Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong continue to serve on the Board notwithstanding they have served on the Board beyond nine (9) years from the date of their first appointment.

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In the event that shareholders' do not approve the appointment of Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong as independent director of the Company, they will be re-designated to non-executive director and will step down as chairman while remaining a member of the NC and RC respectively, as the Group continues its search for new independent directors to comply with the requirement of the Code and the Catalist Rules.

Provision 2.2: Independent directors make up a majority of the Board where the Chairman is not independent.

The Company endeavours to maintain a strong and independent element on the Board. Ms Loh Pui Lai (Non-Executive Chairman) and Mr Loh Mun Yew (CEO and Executive Director) are immediate family members. As the three (3) Independent Directors on the Board forms 50% composition of the Board, this provision 2.2 is not satisfied.

The Board is of the view that the current Board size and composition are appropriate for the time being for the facilitation of effective decision making on the part of the Board, taking into account the nature and scope of the Company's operations and the need to avoid undue disruptions from changes to the composition of the Board and Board Committees. The Board is of the opinion that, given the scope and nature of the Group's operations, it is neither necessary nor cost-effective to have Independent Directors making up majority of the Board. The present composition of the Board demonstrates independence and is appropriate for effective decision making. To address the issue of independence, the Board has put in place a Lead Independent Director, who is available to shareholders where they have concerns. The Board is of the view that the Independent Directors demonstrate a strong level of independence and judgement over the years in discharging their duties and responsibilities as independent directors of the Company with the utmost commitment in upholding the interest of the non-controlling shareholders. They have expressed individual and independent viewpoints, debated issues, and objectively scrutinized and challenged the Management. No individual or small group of individuals dominates the Board's decision-making process. All major decisions made at the Board are unanimous and the Independent Directors have not been out-voted.

Provision 2.3: Non-executive directors make up a majority of the Board.

As at the date of this report, the Board comprises of six (6) Directors, four (4) of whom are Non-Executive Directors and representing a majority of the Board.

As Ms Loh Pui Lai holds a non-executive directorship, the Chairman and all the Independent Directors make up the majority of the Board. All the Board Committees are chaired by Independent Directors and the NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

Provision 2.4: The Board and board committees are of an appropriate size, and comprise directors who as a group provide the appropriate balance and mix of skills, knowledge, experience, and other aspects of diversity such as gender and age, so as to avoid groupthink and foster constructive debate. The board diversity policy and progress made towards implementing the board diversity policy, including objectives, are disclosed in the company's annual report.

The Board is made up of business leaders and professionals with financial, legal and business management backgrounds. The members of the Board with their combined business, management, professional and industry experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction.

The Board periodically examines its size to ensure that it is of an appropriate composition for effective decision-making, taking into account the scope and nature of the operations of the Group. The Board has considered the present Board size and is satisfied that the current size facilitates effective decision-making and is appropriate for the nature and scope of the Group's operations.

The Company currently does not have a formal Board Diversity Policy. However, the Company recognises the benefits of having an effective and diverse Board, and views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and sustainable development. In reviewing the Board composition and succession planning, the NC will consider the benefits of all aspects of diversity, including functional and domain skills, knowledge, experience, cultural and educational background, gender, age, tenure and other relevant aspects of diversity of perspectives appropriate to its business, so as to avoid groupthink, foster constructive debate, and enable the Board to make decisions in the best interests of the Company. These differences will be considered in determining the optimum composition of the Board and when possible should be balanced appropriately. All Board appointments will be based on merit, in the context of the skills, knowledge, experience and independence which the Board as a whole requires to be effective, having due regard for the benefits of diversity on the Board.

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The NC is of the view that the current Board comprises persons who as a group provide capabilities required for the Board and the Board Committees to be effective. Each Director has been appointed on the strength of his calibre, experience and stature and is expected to bring a valuable range of experience and expertise to contribute to the development of the Group strategy and the performance of its business. Details of the Board members' qualifications and experience are presented in the section entitled "Board of Directors" of the Annual Report 2020.

Provision 2.5: Non-executive directors and/or independent directors, led by the independent Chairman or other independent director as appropriate, meet regularly without the presence of Management. The chairman of such meetings provides feedback to the Board and/or Chairman as appropriate.

The Independent Directors and Non-Executive Director will constructively challenge and assist in the development of proposals on strategy, assist the Board in reviewing the performance of the Management in meeting agreed goals and objectives, and monitor the reporting of performance. When necessary, the Independent Directors will have discussions amongst themselves without the presence of the Management.

<u>**Chairman and Chief Executive Officer**</u>

Principle 3: 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.

Provision 3.1: The Chairman and the Chief Executive Officer ("CEO") are separate persons to ensure an appropriate balance of power, increased accountability, and greater capacity of the Board for independent decision making.

There is a clear division of responsibilities between the Non-Executive Chairman and the CEO to ensure that there is an appropriate balance of power, increased accountability and sufficient capacity of the Board for independent decision-making. The requirement of the Code that the roles of the Non-Executive Chairman and CEO be separated has therefore been met in the case of the Company.

Provision 3.2: The Board establishes and sets out in writing the division of responsibilities between the Chairman and the CEO.

Ms Loh Pui Lai, who is the Non-Executive Chairman of the Company, plays a vital role in setting the Company's vision and objectives and providing guidance to the Group. The responsibilities of the Non-Executive Chairman include:

(a) managing the business of the Board and monitoring the translation of the Board's decisions and directions into executive actions;

(b) approving the agendas for the Board meetings and ensuring sufficient allocation of time for thorough discussion of each agenda item;

(c) promoting an open environment for debate, and ensuring that Independent Directors are able to speak freely and contribute effectively;

(d) exercising control over the quality and quantity of the information as well as the timeliness of the flow of information between the Board and the Management; and

(e) fostering constructive dialogue between shareholders, the Board and the Management.

The CEO of the Company is Mr Loh Mun Yew, who is responsible for the formulation and execution of the Group's business strategies, strategic directions and expansion plans, as well as managing the Group's overall business development and financial performance.

Provision 3.3: The Board has a lead independent director to provide leadership in situations where the Chairman is conflicted, and especially when the Chairman is not independent. The lead independent director is available to shareholders where they have concerns and for which contact through the normal channels of communication with the Chairman or Management are inappropriate or inadequate.

Although the Non-Executive Chairman is the sister of the CEO, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board was independent and based on collective decisions without

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any individual or group of individuals exercising any considerable concentration of power or influence. All major decisions are made in consultation with the Board. For good corporate governance, Mr Ho Boon Chuan Wilson, the Lead Independent Director of the Company, will address the concerns of the shareholders and employees in the event that interactions with the Non-Executive Chairman, CEO or Chief Financial Officer ("**CFO**") cannot satisfactorily resolve their concerns or where such channel of communications is considered inappropriate. Where necessary, the Lead Independent Director, together with other Independent Directors, will meet without the presence of the other Directors, and the Lead Independent Director will provide feedback to the Non-Executive Chairman if necessary.

Board Membership

Principle 4: 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.

Provision 4.1: The Board establishes a Nominating Committee ("NC") to make recommendations to the Board on relevant matters relating to:

(a) the review of succession plans for directors, in particular the appointment and/or replacement of the Chairman, the CEO and key management personnel;

(b) the process and criteria for evaluation of the performance of the Board, its board committees and directors;

(c) the review of training and professional development programmes for the Board and its directors; and

(d) the appointment and re-appointment of directors (including alternate directors, if any).

The NC is responsible for the following:

(a) to make recommendations to the Board on all Board appointments, including re-nominations, having regard to the Director's contribution and performance (for example, attendance, preparedness, participation and candour);

(b) to determine annually whether or not a Director is independent within the meaning of the Code and the Catalist Rules;

(c) in respect of a Director who has multiple board representations in various companies, to decide whether or not such Director is able to and has been adequately carrying out his duties as Director, having regard to the competing time commitments that are faced when serving on multiple boards;

(d) to decide how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board which allows for comparison with its industry peers, and to address the role of the Board in enhancing long-term shareholders' value;

(e) to review the Board succession plans for Directors;

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

(g) to review the training and professional development programmes for the Board; and

(h) to assess the performance of the Board and contribution of each Director to the effectiveness of the Board.

Directors are encouraged to attend relevant training programmes conducted by the Singapore Institute of Directors, the SGX-ST, and business and financial institutions and consultants. The costs of such training programmes will be borne by the Company.

Provision 4.2: The NC comprises at least three directors, the majority of whom, including the NC Chairman, are independent. The lead independent director, if any, is a member of the NC.

The members of the NC are Mr Mak Yen-Chen Andrew (Chairman), Mr Ho Boon Chuan Wilson and Mr Tan Hwee Kiong, all of whom are Independent Directors. Mr Ho Boon Chuan Wilson is the Lead Independent Director. The NC meets at least once a year.

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Provision 4.3: The company discloses the process for the selection, appointment and re-appointment of directors to the Board, including the criteria used to identify and evaluate potential new directors and channels used in searching for appropriate candidates in the company's annual report.

The NC will ensure that there is a formal and transparent process for all appointments to the Board. It has adopted written terms of reference defining its membership, administration and duties.

The NC is responsible for identifying candidates and reviewing all nominations for the appointment of new Directors. When the need for a new Director arises, the NC, in consultation with the Board, determines the selection criteria and identifies candidates with the appropriate expertise and experience for the appointment as a new Director. The potential candidates are normally being identified via personal and professional networks or using headhunters, if required. The NC then meets with the shortlisted potential candidates with the appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for appointment as Director.

Pursuant to the Constitution, at least one-third of the Directors are required to retire from office provided that all Directors shall retire from office at least once every three (3) years at the AGM. The Constitution also provides that the retiring Directors are eligible to offer themselves for re-election.

For re-appointment of Directors to the Board, the Board will take into consideration, amongst others, the Director's integrity, competencies, independence, commitment, contribution and performance (such as attendance, preparedness, participation and candour). Each member of the NC shall abstain from voting on any resolutions relating to the assessment of his performance or his re-nomination as Director.

The NC has recommended to the Board that Mr Loh Mun Yew, Mr Ho Boon Chuan Wilson, Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC has considered each of the said Directors' overall contributions and performance. Mr Loh Mun Yew will, upon re-election as a Director, remain as the CEO and Executive Director of the Board. Mr Ho Boon Chuan Wilson will, upon re-election as a Director, remain as the Lead Independent Director, Chairman of the AC and a member of the NC and RC. Mr Mak Yen-Chen Andrew will, upon re-election as an Independent Director, remain as the Chairman of the NC and a member of the AC and RC. Mr Tan Hwee Kiong will, upon re-election as an Independent Director, remain as the Chairman of the RC and a member of the AC and NC. The details of the Directors seeking for re-election as required under Rule 720(5) of the Catalist Rules are set out in the "Information on Directors Seeking Re-election" section of the Annual Report 2020.

The Board provides for appointment of alternate director only in exceptional cases such as when a Director has a medical emergency. The Board will take into consideration the same criteria for selection of directors such as his qualifications, competencies and independence. Currently, the Company does not have alternate directors.

Provision 4.4: The NC determines annually, and as and when circumstances require, if a director is independent, having regard to the circumstances set forth in Provision 2.1. Directors disclose their relationships with the company, its related corporations, its substantial shareholders or its officers, if any, which may affect their independence, to the Board. If the Board, having taken into account the views of the NC, determines that such directors are independent notwithstanding the existence of such relationships, the company discloses the relationships and its reasons in its annual report.

The NC determines, on an annual basis, the independence of Directors. Each Independent Director is required annually to complete a checklist to confirm his independence. Further, an Independent Director shall immediately disclose to the NC any relationships or circumstances that could interfere, or be reasonably perceived to interfere, with the exercise of his independent business judgement in the best interests of the Company.

For FY2020, the NC has assessed and affirmed that the Independent Directors are independent (within the meaning of the Code and the Catalist Rules). Please refer to paragraph 2.1 for further details.

Provision 4.5: The NC ensures that new directors are aware of their duties and obligations. The NC also decides if a director is able to and has been adequately carrying out his or her duties as a director of the company. The company discloses in its annual report the listed company directorships and principal commitments of each director, and where a director holds a significant number of such directorships and commitments, it provides the NC's and Board's reasoned assessment of the ability of the director to diligently discharge his or her duties.

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In assessing the performance of each individual Director, the NC considers whether he has multiple board representations and other principal commitments, and is able to and adequately carry out his duties as a Director notwithstanding such commitments. The NC is satisfied that sufficient time and attention to the affairs of the Company have been given by those Directors who have multiple board representations.

To address the competing time commitments that are faced when Directors serve on multiple boards, the NC has reviewed and the Board has determined that the maximum number of listed company board appointments be not more than six (6) companies. However, any Directors may hold more than six (6) listed company board directorships should the NC be satisfied and is of the view that such Directors are able to devote sufficient time and attention to the affairs of the Company, after taking into account their individual circumstances, contributions, responsibilities and other principal commitments. Each Director is required to declare changes in listed company directorships or other principal commitments during the year to enable the on-going monitoring of the commitment of the Directors to the Company. Directors may consult the Chairman of the NC before accepting any appointment as director of a listed company. Currently, none of the Directors holds more than six (6) directorships in listed companies.

The key information for each Director is disclosed in their profile as set out in the section entitled “Board of Directors” of the Annual Report 2020. The dates of initial appointment and last re-election of each Director, together with his directorships in other listed companies, are set out below:

Name	Age	Appointment	Date of initial appointment	Date of last re-election	Directorship in other listed companies
Loh Pui Lai[(1)]	49	Non-Executive Chairman	28 June 2011	15 June 2020	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None
Loh Mun Yew[(1)]	54	CEO and Executive Director	2 May 1990	27 April 2018	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None
Leng Chee Keong	64	COO and Executive Director	18 February 2005	15 June 2020	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None

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Name	Age	Appointment	Date of initial appointment	Date of last re-election	Directorship in other listed companies
Ho Boon Chuan Wilson	50	Lead Independent Director	1 September 2020	Not Applicable	**Present Directorships** Kim Heng Offshore & Marine Holdings Limited **Past Directorships (in the last three (3) preceding years)** Sysma Holdings Limited
Mak Yen-Chen Andrew	51	Independent Director	28 June 2011	27 April 2018	**Present Directorships** Leader Environmental Technologies Limited Falcon Energy Group Limited **Past Directorships (in the last three (3) preceding years)** China Jishan Holdings Limited
Tan Hwee Kiong	55	Independent Director	28 June 2011	26 April 2019	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None

Note:

(1) Ms Loh Pui Lai and Mr Loh Mun Yew are siblings.

Board Performance

Principle 5: The Board undertakes a formal annual assessment of its effectiveness as a whole, and that of each of its board committees and individual directors.

Provision 5.1: The NC recommends for the Board's approval the objective performance criteria and process for the evaluation of the effectiveness of the Board as a whole, and of each board committee separately, as well as the contribution by the Chairman and each individual director to the Board.

Provision 5.2: The company discloses in its annual report how the assessments of the Board, its board committees and each director have been conducted, including the identity of any external facilitator and its connection, if any, with the company or any of its directors.

The NC had adopted processes for the evaluation and assessment of the Board's performance and effectiveness as a whole and the performance of individual Directors, based on performance criteria which were recommended by the NC and approved by the Board. The Board has not engaged any external facilitator in conducting the assessment of the Board's performance and the performance of individual Directors. Where relevant, the NC will consider such engagement.

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For the evaluation of the Board's performance, the criteria include return on assets, return on equity and the Company's share price performance which allows the Company to make comparisons with its industry peers and are linked to long-term shareholders' value. Each Board Committee's performance is evaluated by the members of the Board for their ability to carry out the terms of reference attributed to each Board Committee. The NC also takes into consideration the feedback from members of the Board or respective Board Committees on areas relating to the competencies and effectiveness of the Board and each Board Committee. The results of the overall evaluation of the Board and Board Committees by the NC including its recommendation for improvements, if any, are presented to the Board.

The assessment process involves and includes inputs from Board members, applying the performance criteria of the NC and approved by the Board. These inputs are collated and reviewed by the Chairman of the NC, who presents a summary of the overall assessment to the NC for review. Areas where the Board's performance and effectiveness could be enhanced and recommendations for improvements are then submitted to the Board for discussion and, where appropriate, approval for implementation.

The individual performance criteria for Directors include qualitative and quantitative factors such as performance of principal functions and fiduciary duties, level of participation at meetings and attendance record. The annual evaluation process for each individual Director's performance comprises three (3) parts: (a) background information concerning the Directors including their attendance records at Board and Board Committee meetings; (b) questionnaires for completion by each Director; and (c) the NC's evaluation based on certain assessment parameters. The questionnaires and the assessment parameters were recommended by the NC and approved by the Board. The completed questionnaires are then reviewed by the NC before the NC completes its evaluation of the individual Directors. When deliberating on the performance of a particular Director who is also a member of the NC, that member shall abstain from the discussions in order to avoid any conflict of interests.

The NC has assessed the performance of the Board and each Board Committee in FY2020, and is of the view that the performance of each Board Committee and the Board as a whole was satisfactory. Although two (2) of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention have been given by the Directors to the Group.

The performance of individual Directors is taken into account in their re-nomination. Each member of the NC shall abstain from voting on any resolutions in respect of the assessment of his performance or his re-nomination as Director. Specific needs which arise from time to time are taken into account in any appointment of new Directors.

REMUNERATION MATTERS

<u>Procedures for Developing Remuneration Policies</u>

Principle 6: 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.

Provision 6.1: The Board establishes a Remuneration Committee ("RC") to review and make recommendations to the Board on:

(a) a framework of remuneration for the Board and key management personnel; and

(b) the specific remuneration packages for each director as well as for the key management personnel.

The principal functions of the RC are as follows:

(a) to review and recommend to the Board a general framework of remuneration for the Board and key management personnel and the specific remuneration packages and terms of employment (where applicable) for each Director, key management personnel and employees related to the Directors and substantial shareholders of the Company; and

(b) to review all aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses, options, share-based incentives and awards, and benefits-in-kind.

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The recommendations of the RC will be submitted for endorsement by the Board. In addition, the RC will perform an annual review of the remuneration of key management personnel, as well as employees related to the Directors and substantial shareholders of the Company to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities. They will also review and approve any bonuses, pay increases and/or promotion for these employees. The RC will review the level and structure of remuneration to align with the long-term interest and risk policies of the Company in order to attract, retain and motivate the Directors and key management personnel.

Provision 6.2: The RC comprises at least three directors. All members of the RC are non-executive directors, the majority of whom, including the RC Chairman, are independent.

The members of the RC are Mr Tan Hwee Kiong (Chairman), Mr Ho Boon Chuan Wilson and Mr Mak Yen-Chen Andrew, all of whom are Independent Directors. Each member of the RC shall abstain from voting on any resolutions in respect of his remuneration package.

Provision 6.3: The RC considers all aspects of remuneration, including termination terms, to ensure they are fair.

The RC considers all aspects of remuneration, including but not limited to, Directors' fees, salaries, allowances, bonuses, options, share-based incentives, awards and benefits-in-kind in the review of remuneration packages for the Directors and the key management personnel with an aim to be fair and to avoid rewarding poor performance, before making any recommendation to the Board.

The RC reviews the fairness and reasonableness of the termination clauses of the service agreements of Executive Directors and key management personnel to ensure that such contracts of service contain fair and reasonable termination clauses which are not overly generous, with an aim to be fair and avoid rewarding poor performance. Accordingly, the RC will also review the Company's obligations arising in the event of termination of the employment of Directors and key management personnel.

Provision 6.4: The company discloses the engagement of any remuneration consultants and their independence in the company's annual report.

During FY2020, the RC did not seek any external professional advice on fixing remuneration packages for the Directors and key management personnel. Where relevant, the RC will consider such engagement and will review the suitability and independence of the external firm before engaging them.

Level and Mix of Remuneration

Principle 7: 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.

Provision 7.1: A significant and appropriate proportion of executive directors' and key management personnel's remuneration is structured so as to link rewards to corporate and individual performance. Performance-related remuneration is aligned with the interests of shareholders and other stakeholders and promotes the long-term success of the company.

Provision 7.3: Remuneration is appropriate to attract, retain and motivate the directors to provide good stewardship of the company and key management personnel to successfully manage the company for the long term.

The RC recommends to the Board a framework of remuneration for the Board and key management personnel to ensure that the structure is competitive and sufficient to attract, retain and motivate key management personnel to run the Company successfully in order to maximise shareholders' value. The recommendations of the RC on the remuneration of Directors and key management personnel will be submitted for endorsement by the Board. The members of the RC do not participate in any decisions concerning their own remuneration. All revisions to the remuneration packages for the Directors and key management personnel are subject to the review by and approval of the Board.

To remain competitive, the Company aims to benchmark the Executive Directors and the key management personnel's compensation with that of similar performing companies, taking into consideration the individual's performance, qualification and experience.

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The remuneration packages for Executive Directors take into account the performance of the Group and the individual Executive Director. Directors' fees for Non-Executive Directors are based on the effort, time spent and responsibilities of the Non-Executive Directors, and are subject to approval at AGMs. In reviewing and determining the remuneration packages of the Executive Directors and the Group's key management personnel, the RC considers the Executive Directors' and key management personnel's responsibilities, skills, expertise and contribution to the Group's performance when designing their respective remuneration packages. An appropriate proportion of their remuneration is linked to individual and corporate performance and is aligned with the interests of shareholders.

The Company has entered into service agreements with Mr Loh Mun Yew (CEO and Executive Director) and Mr Leng Chee Keong (COO and Executive Director) commencing from 1 January 2011 with a supplemental agreement entered into on 1 August 2012. They are valid for an initial period of three (3) years (the "**Initial Term**") each and upon the expiry of the Initial Term, the employment of the said appointees shall be automatically renewed on a year-to-year basis, on such terms and conditions as the parties may mutually agree. On 1 January 2019, the RC has reviewed and revised the service agreements ("**Revised Service Agreements**") of Mr Loh Mun Yew and Mr Leng Chee Keong to align their remuneration with the Group's current structure. The Revised Service Agreements will be automatically renewed on a year-to-year basis, on such terms and conditions as the parties may mutually agree.

The remuneration packages for the Executive Directors include a fixed salary and a variable performance related bonus which is designed to align the interests of the Executive Directors with those of the shareholders of the Company. The Executive Directors do not receive Directors' fees.

The remuneration packages for the key management personnel comprise a fixed component (in the form of a base/fixed salary) and a variable component (comprising short-term incentives in the form of year-end and variable bonuses).

There are no termination, retirement and post-employment benefits that may be granted to the Directors, CEO and key management personnel of the Group. The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company and the Group. The Company believes that there are alternative legal avenues to these specific contractual provisions that will enable the Company to recover financial losses arising from such exceptional events from the Executive Directors and key management personnel. The RC would review such contractual provisions as and when necessary.

Provision 7.2: The remuneration of non-executive directors is appropriate to the level of contribution, taking into account factors such as effort, time spent, and responsibilities.

The Independent Directors and the Non-Executive Director do not have service agreements with the Company. They are paid Directors' fees, which are determined by the Board based on the effort, time spent and responsibilities of the Directors (including but not limited to their appointments to the various Board Committees). The Independent Directors are not overly remunerated to the extent that their independence may be compromised. Directors' fees are further subject to the approval of shareholders of the Company at AGMs.

<u>Disclosure on Remuneration</u>

Principle 8: The company is transparent on its remuneration policies, level and mix of remuneration, the procedure for setting remuneration, and the relationships between remuneration, performance and value creation.

Provision 8.1: The company discloses in its annual report the policy and criteria for setting remuneration, as well as names, amounts and breakdown of remuneration of:

(a) each individual director and the CEO; and

(b) at least the top five key management personnel (who are not directors or the CEO) in bands no wider than S$250,000 and in aggregate the total remuneration paid to these key management personnel.

Provision 8.2: The company discloses the names and remuneration of employees who are substantial shareholders of the company, or are immediate family members of a director, the CEO or a substantial shareholder of the company, and whose remuneration exceeds S$100,000 during the year, in bands no wider than S$100,000, in its annual report. The disclosure states clearly the employee's relationship with the relevant director or the CEO or substantial shareholder.

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Provision 8.3: The company discloses in its annual report all forms of remuneration and other payments and benefits, paid by the company and its subsidiaries to directors and key management personnel of the company. It also discloses details of employee share schemes.

The breakdown, showing the level and mix of each individual Director's remuneration in FY2020 by percentage (%) is, as follows:

	Base / Fixed salary	Directors' fees[1]	Variable or performance benefits related income / Bonus	Other benefits
Remuneration Band and Name of Director				
<u>Between S$400,000 to S$599,999</u>				
Mr Loh Mun Yew	88%	–	9%	3%
<u>Between S$200,000 to S$399,999</u>				
Mr Leng Chee Keong	88%	–	9%	3%
<u>S$199,999 and below</u>				
Mr Hew Koon Chan	–	100%	–	–
Mr Ho Boon Chuan Wilson	–	100%	–	–
Ms Loh Pui Lai	–	100%	–	–
Mr Mak Yen-Chen Andrew	–	100%	–	–
Mr Tan Hwee Kiong	–	100%	–	–

Note:

(1) Directors' fees had been approved by the shareholders of the Company at the last AGM held on 15 June 2020.

In accordance with Provision 8.1(b) of the Code, the Company has only four (4) key management personnel. The breakdown, showing the level and mix of each of the top four (4) key management personnel's remuneration in FY2020 by percentage (%) is, as follows:

	Base / Fixed salary	Variable or performance benefits related income / Bonus	Other benefits
Remuneration Band and Name of Key Management Personnel			
<u>Between S$200,000 to S$399,999</u>			
Mr Chung Kong Poh Richard	91%	6%	3%
Mr Francis Lai Kum Wai	88%	9%	3%
Mr Oh Hong Tat Ryan	91%	6%	3%
Mr Wong Thiam Hock	91%	6%	3%

Corporate Governance Report

The annual aggregate remuneration accrued to the top four (4) key management personnel of the Company (who are not Directors or the CEO) for FY2020 is S$1,076,833.

The Company has not disclosed the exact details of the remuneration of each individual Director and the top four (4) key management personnel of the Company as it is not in the best interests of the Company and Directors to disclose such details due to the sensitive nature of such information. The current management team has served the Company for a considerable period of time and it is a stable team. It is important for the Company to retain talent for the long-term interests of the Company and ensure stability and continuity of business operations with a competent management team in place. Such disclosure of remuneration of each Director and key management personnel in a highly competitive market for talents may potentially result in staff movement.

There is no employee of the Group (excluding the Executive Directors) who is a substantial shareholder of the Company, or an immediate family member of any Director, the CEO or substantial shareholders of the Company, and whose remuneration exceeded S$100,000 during FY2020. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister, and parent of such person.

The Board is of the opinion that the information as disclosed above would be sufficient for shareholders to have an adequate appreciation of the Group's compensation policies and practices and therefore does not intend to issue a separate remuneration report, the contents of which would be largely similar.

The Company has adopted a long-term employee incentive scheme known as FEG Employee Share Option Scheme ("**FEG ESOS**") that was approved by shareholders at the extraordinary general meeting held on 28 April 2017, to align itself with and embrace local trends and best practices in employee compensation and retention. The FEG ESOS aims to promote higher performance goals, recognise exceptional achievement and retain talents within the Group. The FEG ESOS is administered by the RC. Please refer to the section entitled "Directors' Statement" of the Annual Report 2020 for more information on the FEG ESOS. No share option was granted pursuant to the FEG ESOS during FY2020.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

Principle 9: The Board is responsible for the governance of risk and ensures that Management maintains a sound system of risk management and internal controls, to safeguard the interests of the company and its shareholders.

Provision 9.1: The Board determines the nature and extent of the significant risks which the company is willing to take in achieving its strategic objectives and value creation. The Board sets up a Board Risk Committee to specifically address this, if appropriate.

The Board acknowledges that risk is inherent in business and there are commercial risks to be taken in the course of generating a return on business activities. The Board's policy is that risks should be managed within the Group's overall risk tolerance.

The Board further acknowledges that it is responsible for the overall internal controls framework, but recognises that no cost-effective internal control system will preclude all errors and irregularities, as such a system is designed to manage (rather than eliminate the risk of failure) and achieve its business objectives. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

The Board recognises the importance of establishing a formal Enterprise Risk Management Framework (the "**Framework**") to facilitate the governance of risks and monitoring the effectiveness of internal controls. The Management has established a set of Framework advised by its internal auditors. This Framework sets out the key risks that the Group is exposed to and the steps and measures that the Management has put in place to mitigate them. The Framework is also reviewed on a periodic basis to establish if the risks identified are still relevant and if the Group is being exposed to new risks due to the changing environments that the Group operates in.

The internal controls structure of the Group has been designed and put in place by the Management to provide reasonable assurance against material financial misstatements or loss, for the safeguarding of assets, for the maintenance of proper accounting records, for the provision of financial and other information with integrity, reliability and relevance, and in compliance with applicable laws and regulations. However, no internal controls system can provide absolute assurance in view of inherent limitations of any internal controls system against the occurrence of human and system errors, poor judgment in decision-making, losses, fraud or other irregularities.

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The Management carries out regular reviews on the Group's business and operational activities to identify areas of business risks and the appropriate measures to control and mitigate these risks. All significant matters are highlighted to the Board for further discussion. The Board also works with the external auditors on their recommendations and institutes and executes relevant controls with a view to managing business risks.

The Board currently does not have a separate Board Risk Committee. The AC reviewed the adequacy and effectiveness of the Group's key internal controls that address the Group's financial, operational, compliance and information technology controls, and risk management systems, with the assistance of the internal and external auditors and the Management, who provide regular reports during the year to the AC in addition to the briefings and updates provided at the AC meetings.

Provision 9.2: The Board requires and discloses in the company's annual report that it has received assurance from:

(a) ***the CEO and the Chief Financial Officer ("CFO") that the financial records have been properly maintained and the financial statements give a true and fair view of the company's operations and finances; and***

(b) ***the CEO and other key management personnel who are responsible, regarding the adequacy and effectiveness of the company's risk management and internal control systems.***

The CEO and the CFO have provided a letter of confirmation that for FY2020, (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the Company's risk management and internal control systems are adequate and effective. Separately, the other key management personnel, including Mr David Leng, Mr Richard Chung, Mr Ryan Oh and Mr Roger Wong, have also provided a letter of confirmation that for FY2020, the Company's risk management and internal control systems are adequate and effective.

The internal auditor, PricewaterhouseCoopers Risk Services Pte. Ltd ("**PwC**"), has carried out internal audit reviews of the system of internal controls, which is maintained by Management, and reported the findings to the AC. The external auditor, Ernst & Young LLP, has also, in the course of their statutory audit, gained an understanding of the key internal accounting controls assessed to be relevant to the statutory audit. In this respect, the AC has reviewed the findings of both the internal and external auditors and will ensure that the Company follows up on the auditors' recommendations raised during the audit processes. No material internal control weakness had been raised by our internal and external auditors in the course of their audits for FY2020.

Based on the findings of the internal and external auditors, the various adequate and effective management controls put in place by and the assurance received from the Management, the Board with the concurrence of the AC, is of the opinion that there are adequate and effective controls in place within the Group addressing financial, operational, compliance and information technology controls, and risk management policies and systems to meet the needs of the Group in their current business environment. The Board will, on a continuing basis, endeavour to further enhance and improve the Company's system of internal controls and risk management policies and systems.

<u>Audit Committee</u>

Principle 10: The Board has an Audit Committee ("AC") which discharges its duties objectively.

Provision 10.1: The duties of the AC include:

(a) ***reviewing the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the company and any announcements relating to the company's financial performance;***

(b) ***reviewing at least annually the adequacy and effectiveness of the company's internal controls and risk management systems;***

(c) ***reviewing the assurance from the CEO and the CFO on the financial records and financial statements;***

(d) ***making recommendations to the Board on: (i) the proposals to the shareholders on the appointment and removal of external auditors; and (ii) the remuneration and terms of engagement of the external auditors;***

(e) ***reviewing the adequacy, effectiveness, independence, scope and results of the external audit and the company's internal audit function; and***

Corporate Governance Report

(f) reviewing 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. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

The members of the AC have sufficient financial and/or management expertise, as assessed by the Board in its business judgment, to discharge the functions of the AC. The AC has written terms of reference and its responsibilities include, *inter alia*:

– reviewing the audit plans of the internal and external auditors of the Group and the Company, and reviewing the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;

– reviewing the half-year and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;

– meeting with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

– meeting with the internal auditors and external auditors without the presence of the management at least once a year;

– reviewing legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;

– reviewing the cost effectiveness and the independence and objectivity of the external auditor;

– reviewing the nature and extent of non-audit services provided by the external auditor;

– reviewing the scope and results of the external audit;

– reporting actions and minutes of the AC to the board of directors with such recommendations as the AC considers appropriate;

– reviewing interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual;

– approving the internal control procedures and arrangements for all interested person transactions;

– commissioning, reviewing and discussing with the external auditors and internal auditors, if necessary, any suspected fraud or irregularity, or suspected failure of internal controls, or suspected infringement of any relevant laws, rules or regulations;

– reviewing and ratifying transactions falling within the scope of the Catalist Rules, in particular, matters pertaining to Interested Person Transactions, and Acquisitions and Realisations as laid down in Chapters 9 and 10 respectively; and

– reviewing the independence of the external auditors annually, and recommending to the Board the appointment, re-appointment or removal of the external auditors and approving the remuneration and terms of engagement of the external auditors.

The AC has full access to and co-operation of the Management and has full discretion to invite any Director or key management personnel to attend its meetings, and has been given reasonable resources to enable it to discharge its functions. The AC also has explicit authority to investigate any matter within its terms of reference and is authorised to obtain independent professional advice. Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he is interested.

Summary of the AC's activities

The AC met twice during the year under review. Details of members' attendance at the meetings are set out under provision 1.5 above. The CFO, Company Secretary, internal auditors and external auditors were invited to these meetings. Other members of the Management were also invited to attend as appropriate to present reports.

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The AC met once with the external auditors and once with the internal auditors respectively, without the presence of the Management in FY2020.

The AC officially meets on a half-yearly basis, and on an as required basis. The AC reviews the half-year and full-year results announcements, material announcements and all related disclosures to shareholders of the Company before submission to the Board for approval. In the process, the AC reviews the audit plan and audit committee report presented by the external auditors. The external auditors provide regular updates and briefings to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

The AC reviewed the key audit matters ("**KAM**") presented by the external auditors and concur with the identification of the KAMs and considered the following matters for each KAM:

KAM	AC commentary of the KAM, how the matters were reviewed and what decisions were taken
Revenue Recognition on Engineering Contracts	Revenue from engineering contracts is mainly contributed by M-Tech Air-Con & Security Engineering Pte Ltd ("**M-Tech**"). The AC acknowledges that the revenue recognition for M-Tech involves significant judgement and estimation in assessing the total contract costs and remaining costs to completion by the Management of M-Tech. The process relies on the Management's experience as well as negotiation with various stakeholders. The Management has since put in place a finance policy and tracking system to significantly reduce the risks exposed to the tracking of costs. The Management will be also be putting in place a system to further reduce the risk of error in manual tracking. The AC is satisfied that the Management has put in sufficient effort to establish a process and controls relating to this revenue stream. This includes the budgeting process as well as tracking of actual costs incurred for respective projects.
Impairment of Fixed Assets	The AC acknowledges that the impairment assessment of fixed assets with indicators of impairment involves significant judgement. Majority of the Group's assets are leasehold buildings that are located in Singapore. Most of the Group's plant and machinery are being employed in production in the Group's manufacturing facilities in China. The AC concurs that majority of the fixed assets in the Group are duly employed with no indicators of impairment. For fixed assets with indicators of impairment, AC concurs that the recoverable amounts of those assets are higher than the carrying amounts, hence no significant impairment is required at this juncture.
Expected Credit Losses for Trade Receivables and Contract Assets	The AC reviews the aging of trade receivables and the allowance for expected credit losses ("**ECL**") on a quarterly basis with the Management. During such reviews, the Management will present justifications to support any proposed allowance. The increase in the allowance for ECL was mainly from the increase in the allowance for ECL made by M-Tech which was affected by the stoppage of work in the industry as a result of the regulatory restrictions during the circuit breaker period and job site lockdowns in Singapore. The ECL model involves significant judgment and estimation as the ECL must reflect information about historical data, current conditions and forecast of future conditions when estimating the forward-looking rate. The AC is satisfied that there is a system in place for regular periodic review of any long outstanding debts and together with the quarterly updates at Board meetings, there are adequate measures put in place to minimise significant allowances made for expected losses. The AC is satisfied that the assumptions and estimates applied by the Management to assess the expected credit loss is regularly reviewed and reasonable.
Allowance for Obsolete and Slow-Moving Inventories	The AC reviews, and is updated by the Management on a quarterly basis on, the status of allowance for obsolete and slow-moving inventories. The increase in inventory levels in FY2020 are mainly due to the disruption of the supply chains and lockdowns related to the COVID-19 pandemic. The AC is satisfied that the Management has put in place measures to reduce the slow-moving inventories once the respective countries lift the lockdowns and operations return to normal. The AC is satisfied that the inventory aging is in line with past years and adequately managed by the Management.

Corporate Governance Report

KAM	AC commentary of the KAM, how the matters were reviewed and what decisions were taken
Fair Value Measurement of Equity Instrument at Fair Value through Other Comprehensive Income	The AC has reviewed the valuation report performed by the independent external valuation specialist and agrees with the approach and methodology adopted, which has not changed from the previous year. The AC also discussed with the external auditors on the reasonableness of the assumptions made by the valuation specialist in arriving at the valuation. The AC is satisfied with the fair value of the unquoted entity.
Impairment of Investments in Subsidiaries	The AC considered the approach and methodology applied to performing the annual impairment assessment as well as the indicators of impairment of investments in subsidiaries. The AC discussed with the external auditors on the reasonableness of any suggested impairment, and concurrently worked with the Management on the future projection of the business of the subsidiaries. The AC is satisfied with Management's assessment on the impairment of investments in subsidiaries in FY2020.

The AC also reviewed the annual financial statements and discussed with the Management, the CFO and the external auditors the significant accounting policies, judgments and estimates applied by the Management in preparing the annual financial statements. Following the review and discussions, the AC then recommended the audited annual financial statements to the Board for approval.

Whistle-blowing policy

The Company has put in place a whistle-blowing policy, which provides for the mechanisms by which employees and any other persons may, in confidence, raise concerns about possible improprieties in matters of financial reporting or other matters, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action. The AC exercises the overseeing function over the administration of the whistle-blowing policy. Details of the whistle-blowing policy and arrangements have been made available to all employees of the Group and is also made available to the public on the Company's website at www.fareastgroup.com.sg.

Provision 10.2: The AC comprises at least three directors, all of whom are non-executive and the majority of whom, including the AC Chairman, are independent. At least two members, including the AC Chairman, have recent and relevant accounting or related financial management expertise or experience.

The members of the AC are Mr Ho Boon Chuan Wilson (Chairman), Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong, all of whom are Independent Directors. They are appropriately qualified to discharge their responsibilities and functions under the terms of reference approved by the Board. The AC members have recent and relevant accounting or related financial management expertise or experience.

Provision 10.3: The AC does not comprise former partners or directors of the company's existing auditing firm or auditing corporation: (a) within a period of two years commencing on the date of their ceasing to be a partner of the auditing firm or director of the auditing corporation; and in any case, (b) for as long as they have any financial interest in the auditing firm or auditing corporation.

No former partner or director of the Company's existing auditing firm is a member of the AC.

Provision 10.4: The primary reporting line of the internal audit function is to the AC, which also decides on the appointment, termination and remuneration of the head of the internal audit function. The internal audit function has unfettered access to all the company's documents, records, properties and personnel, including the AC, and has appropriate standing within the company.

The Board recognises the importance of maintaining a system of internal controls to safeguard shareholders' investments and the Company's assets. The AC approves the appointment, removal, evaluation and compensation of the internal auditors. For FY2020, the Company has outsourced its internal audit function to a qualified public accounting firm, PwC, who has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC, when carrying out the internal audit reviews.

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The internal audit team is headed by a Partner with significant experience of leading internal audit review services for Singapore listed companies. The team supporting the Partner constitutes dedicated internal controls specialists with requisite knowledge and experience. The AC reviews the adequacy, effectiveness, scope and independence of the internal audit function annually. For FY2020, the AC is satisfied that the Company has maintained an effective internal audit function that is adequately staffed and independent of the audited activities, and that the internal auditor has appropriate standing within the Company to perform its function effectively.

To ensure the adequacy of the internal audit function, the AC reviews and approves the yearly internal audit plan before the commencement of an internal audit. The AC will assess and ensure that the internal auditor meets or exceeds the standards set by recognised professional bodies including the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors. The internal auditor provides adequate staff with relevant experience to conduct the internal audits.

The objective of internal audit review is to assist Management in evaluating and testing the effectiveness of internal controls that are in place. The internal audit review is conducted with a view to identifying control gaps in the current business processes, ensuring that operations are conducted within the policies and procedures laid down and identifying areas for improvements where controls can be strengthened. Internal audit reports are prepared to update the AC on the progress of all audits carried out, the recommendations accepted by Management, and to track the status of outstanding matters and remedial actions taken to date.

Provision 10.5: The AC meets with the external auditors, and with the internal auditors, in each case without the presence of Management, at least annually.

The AC meets with the external auditors and internal auditors, separately, at least once a year, without the presence of the Management to review any related matters that might have arisen.

SHAREHOLDER RIGHTS AND ENGAGEMENT

<u>Shareholder Rights and Conduct of General Meetings</u>

Principle 11: 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, position and prospects.

Provision 11.1: The company provides shareholders with the opportunity to participate effectively in and vote at general meetings of shareholders and informs them of the rules governing general meetings of shareholders.

All shareholders are treated fairly and equitably to facilitate their ownership rights. The Board recognises the importance of maintaining transparency and accountability to its shareholders. The Board's policy is that all shareholders should be informed in a comprehensive manner and on a timely basis of all material developments that impact the Group.

The Board is mindful of its obligations to provide timely disclosure of material information to shareholders of the Company and does so through:

– Annual reports issued to all shareholders of the Company. Non-shareholders may access the SGXNET for the Company's annual reports;

– Half-year and full-year announcements of its financial statements on the SGXNET;

– Other announcements on the SGXNET; and

– Press releases on major developments of the Group.

The Company encourages active shareholder participation at its general meetings. Notices of meetings are given to all shareholders together with explanatory notes or a circular on items of special business, at least fourteen (14) clear days (for ordinary resolutions) or at least twenty-one (21) clear days (for special resolutions) before the meeting. Reports or circulars of the general meetings are despatched to all shareholders by post and disseminated through SGXNET.

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All shareholders are entitled to attend and vote at general meetings in person or by proxy, and are afforded the opportunity to participate effectively at such meetings. All shareholders are entitled to vote in accordance with the established voting rules and procedures. The Company conducts poll voting for all resolutions tabled at the general meetings. The rules, including the voting procedures, will be clearly explained by the scrutineers at such general meetings. The Constitution allows all shareholders to appoint up to two (2) proxies to attend general meetings and vote on their behalf. Further, the Company allows corporations which provide nominee or custodial services to appoint more than two (2) proxies to attend and vote on their behalf at general meetings provided that each proxy is appointed to exercise the rights attached to a different share or shares held by such corporate shareholders.

Provision 11.2: The company tables separate resolutions at general meetings of shareholders on each substantially separate issue unless the issues are interdependent and linked so as to form one significant proposal. Where the resolutions are "bundled", the company explains the reasons and material implications in the notice of meeting.

Resolutions are, as far as possible, structured separately and may be voted upon independently. Resolutions are passed at general meetings by poll. This will entail shareholders being invited to vote on each of the resolutions by poll, using polling slips (rather than by a show of hands), thereby allowing all shareholders present or represented at the meeting to vote on a one share, one vote basis. The voting results of all votes cast for, or against, each resolution and the respective percentages will then be screened at the meeting and announced through SGXNET after the meeting. The Company will employ electronic polling if necessary.

Provision 11.3: All directors attend general meetings of shareholders, and the external auditors are also present to address shareholders' queries about the conduct of audit and the preparation and content of the auditors' report. Directors' attendance at such meetings held during the financial year is disclosed in the company's annual report.

General meetings are the main forum for communication with shareholders. Notices of the general meetings as well as annual reports for AGMs are sent to all shareholders. The members of the Board and Board Committees will be present at the general meetings to answer queries from shareholders. During AGMs, the external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders about the conduct of audit as well as the preparation and content of the auditors' report. The Board welcomes the views of shareholders on matters affecting the Company, whether at general meetings or on an ad-hoc basis. Please refer to provision 1.5 above for further details on the Directors' attendance at general meeting held during FY2020.

Provision 11.4: The company's Constitution (or other constitutive documents) allow for absentia voting at general meetings of shareholders.

The Company's Constitution permits voting in absentia only by appointment of proxy. However, as the authentication of shareholders' identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means.

Provision 11.5: The company publishes minutes of general meetings of shareholders on its corporate website as soon as practicable. The minutes record substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board and Management.

The Company Secretary prepares minutes of the general meetings recording substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board, Management and external auditors, if any. These minutes are not published on the Company's website but are available to shareholders upon request and authentication of shareholder's identity by the Company.

There are potential adverse implications, including commercial and legal implications, for the Company if the minutes of general meetings are published to the public at large (outside the confines of a shareholders' meeting). The Company is of the view that its position is consistent with the intent of Principle 11 as shareholders have a right to attend general meetings either in person or by proxy, where they may exercise their right to speak and vote and have the opportunity to communicate their views on various matters affecting the Company. Further, shareholders, including those who did not attend the relevant general meeting, have a statutory right to be furnished copies of minutes of general meetings in accordance with Section 189 of the Companies Act. The Company is therefore of the view that, consistent with the intent of Principle 11, as between themselves, shareholders are treated fairly and equitably by the Company.

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Provision 11.6: The company has a dividend policy and communicates it to shareholders.

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the above, any declaration of dividends is clearly communicated to the shareholders via SGXNET. Further, the Company will, in line with Rule 704(23) of the Catalist Rules, expressly disclose the reason(s) in the event that the Board decides not to declare or recommend a dividend, in its financial statement announcements.

The Board is pleased to recommend a final (tax exempt one-tier) dividend of 0.18 cent per ordinary share in respect of FY2020 for the shareholders' approval at the forthcoming AGM.

Engagement with Shareholders

Principle 12: The company communicates regularly with its shareholders and facilitates the participation of shareholders during general meetings and other dialogues to allow shareholders to communicate their views on various matters affecting the company.

Provision 12.1: The company provides avenues for communication between the Board and all shareholders, and discloses in its annual report the steps taken to solicit and understand the views of shareholders.

Communication with shareholders is managed by the Board. The Company is committed to regular and proactive communication with its shareholders in line with the continuous disclosure obligations of the Company under the Catalist Rules. Pertinent information will be disclosed to shareholders in a timely, fair and equitable manner. The Company does not practise selective disclosure. Price- and trade-sensitive information is first publicly released before the Company meets with any group of investors or analysts.

Pertinent information is communicated to shareholders through:

(1) half-year and full-year results announcements which are published on the SGXNET and in press releases;

(2) the Company's annual reports that are prepared and issued to all shareholders;

(3) notices of and explanatory memoranda, for AGMs and extraordinary general meetings; and

(4) press releases on major developments of the Group.

General meetings have been and are still the principal forum for dialogue with shareholders. At these meetings, shareholders are able to engage the Board and the Management on the Group's business activities, financial performance and other business-related matters. The Company could also gather views or inputs and address shareholders' concerns at general meetings.

Provision 12.2: The company has in place an investor relations policy which allows for an ongoing exchange of views so as to actively engage and promote regular, effective and fair communication with shareholders.

Provision 12.3: The company's investor relations policy sets out the mechanism through which shareholders may contact the company with questions and through which the company may respond to such questions.

The Company does not have an Investor Relations Policy in place. The Group has specifically entrusted an investor relations team comprising the CEO, the COO and the CFO with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns. Accordingly, the Board was of the view that the current communication channels are sufficient and cost-effective.

The Board's policy is that all shareholders should be informed simultaneously in an accurate and comprehensive manner regarding all material developments that impact the Group via SGXNET on an immediate basis, in line with the Group's disclosure obligations pursuant to the Catalist Rules and the Companies Act. The Company's half-yearly financial results and annual reports are announced on the SGXNET within the stipulated period.

Corporate Governance Report

Shareholders of the Company receive the annual reports and notices of AGMs which are also advertised in the newspapers within the prescribed deadlines prior to the AGMs. The Board encourages shareholders' participation at the AGMs and periodically communicates with shareholders through SGXNET throughout the financial year. Similarly, shareholders will receive the circulars and notices of Extraordinary General Meetings which are advertised in the local newspapers within the prescribed deadlines prior to the EGMs.

Further, the Company provides its phone number and e-mail address on the Company's website through which the Shareholders may contact the Company with questions and by which the Company may respond to such questions.

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: 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.

Provision 13.1: The company has arrangements in place to identify and engage with its material stakeholder groups and to manage its relationships with such groups.

Provision 13.2: The company discloses in its annual report its strategy and key areas of focus in relation to the management of stakeholder relationships during the reporting period.

The Company recognises the importance of close collaboration with its key stakeholders such as employees, investors and media, suppliers and service providers, customers, and etc, in order to achieve sustainable business goals.

The Company has in place a process to identify its various stakeholders and understand their viewpoints as well as actively communicating with them to align the Company's expectation and goals. The Group engages with the key stakeholders through various platforms. Details of the stakeholders engaged by the Group, areas of focus, approaches to stakeholder, including frequency of engagement by type and by stakeholder group and key feedback or issues that have been raised though stakeholder engagement and can be found in the Company's Sustainability Report 2020.

Stakeholders who wish to know more about the Group including its business, industry, performance or sustainability practices can also visit the Company's website at www.fareastgroup.com.sg.

Provision 13.3: The company maintains a current corporate website to communicate and engage with stakeholders.

All material information on the performance and development of the Group and of the Company is disclosed in a timely, accurate and comprehensive manner through SGXNET and the Company's website. The Company does not practice selective disclosure of material information. All materials on the half-yearly and full year financial results are available on the Company's website – www.fareastgroup.com.sg. The website, which is updated regularly, contains various information on the Group and the Company which serves as an important resource for investors and all stakeholders. Stakeholders can also contact the Company through phone or e-mail, the details of which can be found on the Company's website at www.fareastgroup.com.sg.

OTHER CORPORATE GOVERNANCE MATTERS

Dealings in Securities

In line with Rule 1204(19) of the Catalist Rules, the Group has adopted and implemented policies in line with the SGX-ST's best practices in relation to the dealing of shares of the Company. The policies have been made known to Directors, key executives and any other persons as determined by the Management who may possess unpublished material price- or trade-sensitive information of the Group.

The Company has advised its Directors and key executives not to deal in the Company's shares during the period commencing one (1) month prior to the announcement of the Company's half-year and full-year results respectively and ending on the date of the announcement of the results.

Corporate Governance Report

The Company has reminded its Directors and officers that it is an offence under the Securities and Futures Act, Chapter 289 of Singapore for a listed issuer or its officers to deal in the listed issuer's securities as well as securities of other listed issuers when the listed issuer and its officers are in possession of unpublished material price- or trade-sensitive information in relation to those securities. Directors and officers are expected and reminded to observe insider-trading laws at all times even when dealing in securities within permitted trading periods. The Group has further reminded its Directors and officers not to deal in the Company's securities on short-term considerations.

Auditors and Audit Fees

The aggregate amount of fees paid to the Company's external auditors, Ernst & Young LLP and member firms of Ernst & Young Global, in FY2020, were S$181,500 and S$93,300 respectively, comprising approximately S$230,300 audit fees and S$44,500 non-audit fees for acting as tax agent. The AC, having reviewed such non-audit services, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

The AC considered and satisfied with the adequacy of their resources, training and quality control, experience of the engagement team and the firm as a whole and quality of work carried out by the external auditor. The Group confirms that it has complied with Rule 712 and Rule 715 of the Catalist Rules in relation to its appointment of the audit firm for the Group.

Having been satisfied as to the foregoing, the AC has recommended the re-appointment of Ernst & Young LLP as external auditors at the forthcoming AGM.

Non-Sponsorship Fees

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees incurred in FY2020 paid/payable to the Company's sponsor, SAC Capital Private Limited.

Material Contracts

There were no material contracts entered into by the Company or its subsidiaries involving the interests of the CEO, any Director or controlling shareholder, either still subsisting at the end of FY2020, or if not then subsisting, entered into since the end of the previous financial year.

Interested Person Transactions

The Company has established procedures to ensure that all transactions with interested persons are reported in a timely manner to the AC and that transactions are conducted at arm's length basis and will not be prejudicial to the interests of the Company and its minority shareholders.

The Group does not have a general mandate from shareholders for interested person transactions pursuant to Rule 920(1)(a)(i) of the Catalist Rules.

There were no interested person transactions entered into during FY2020 with a value of more than S$100,000 each.

Corporate Governance Report

INFORMATION ON DIRECTORS SEEKING RE-ELECTION

Mr Loh Mun Yew, Mr Ho Boon Chuan Wilson, Mr Tan Hwee Kiong and Mr Mak Yen-Chen Andrew are the Directors seeking re-election at the forthcoming AGM of the Company. Pursuant to Rule 720(5) of the Catalist Rules, the information relating to Mr Loh Mun Yew, Mr Ho Boon Chuan Wilson, Mr Tan Hwee Kiong and Mr Mak Yen-Chen Andrew in accordance with Appendix 7F of the Catalist Rules is set out below and to be read with their respective profiles under the section entitled "Board of Directors" of this Annual Report:

	LOH MUN YEW	**HO BOON CHUAN WILSON**	**TAN HWEE KIONG**	**MAK YEN-CHEN ANDREW**
Date of appointment	2 May 1990	1 September 2020	28 June 2011	28 June 2011
Date of last re-appointment (if applicable)	27 April 2018	NA	26 April 2019	27 April 2018
Age	54	50	55	51
Country of principal residence	Singapore	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation of the NC and assessed Mr Loh Mun Yew's overall contributions and performance, is of the view that he is suitable for re-appointment as an Executive Director of the Company.	The Board, having considered the recommendation of the NC and assessed Mr Ho Boon Chuan Wilson's overall contributions and performance, is of the view that he is suitable for re-appointment as the Lead Independent Director of the Company.	The NC noted that, notwithstanding that Mr Tan Hwee Kiong has served the Board beyond nine years, he continues to demonstrate strong independence in character and judgement in engaging and challenging management in the interests of the Group at the Board and Board committee meetings. Hence, the NC recommended that he be re-elected as an Independent Director of the Company. The Board, having considered the recommendation of the NC and assessed Mr Tan Hwee Kiong's overall contributions and performance, is of the view that he is suitable for re-appointment as an Independent Director of the Company.	The NC noted that, notwithstanding that Mr Mak Yen-Chen Andrew has served the Board beyond nine years, he continues to demonstrate strong independence in character and judgement in engaging and challenging management in the interests of the Group at the Board and Board committee meetings. Hence, the NC recommended that he be re-elected as an Independent Director of the Company. The Board, having considered the recommendation of the NC and assessed Mr Mak Yen-Chen Andrew's overall contributions and performance, is of the view that he is suitable for re-appointment as an Independent Director of the Company.

Corporate Governance Report

	LOH MUN YEW	HO BOON CHUAN WILSON	TAN HWEE KIONG	MAK YEN-CHEN ANDREW
Whether appointment is executive, and if so, the area of responsibility	Executive. As set out in Mr Loh Mun Yew's profile write-up under the section entitled "Board of Directors" of this Annual Report.	Non-Executive.	Non-Executive.	Non-Executive.
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Chief Executive Officer.	Lead Independent Director, Chairman of AC and Member of RC and NC.	Independent Director, Chairman of the RC and Member of NC and AC.	Independent Director, Chairman of the NC and Member of RC and AC.
Professional qualifications	Bachelor of Science in Electrical Engineering, University of the Pacific, Stockton, California Master of Business Administration, University of South Australia	Bachelor of Accountancy (Hons), Nanyang Technological University Chartered Financial Analyst, Singapore Chartered Accountant, Singapore	Bachelor of Science (Economics), University of London Diploma in Building Services, Ngee Ann Polytechnic Graduate Diploma in Marketing Management, Singapore Institute of Management	Bachelor of Laws (Honours), National University of Singapore Advocate and Solicitor of the Supreme Court of Singapore
Working experience and occupation(s) during the past 10 years	As set out in Mr Loh Mun Yew's profile write-up under the section entitled "Board of Directors" of this Annual Report.	December 2011 – Present: Westcon-Comstor, Managing Director, Asia	2008 – February 2018: Snap-On Tools (Singapore) Pte Ltd, Regional Managing Director March 2018 – Present: Leedon National Oxygen Ltd, Chief Operation Officer	2006 – 2013: Partner, Kelvin Chia Partnership 2014 – 2015: Partner, Loo & Partners LLP 2016 – Present: Consultant, Fortis Law Corporation
Shareholding interest in the listed issuer and its subsidiaries	Direct interest: 2,331,900 and deemed interest: 65,115,500 ordinary shares in the Company	Nil	Nil	Nil

Corporate Governance Report

	LOH MUN YEW	HO BOON CHUAN WILSON	TAN HWEE KIONG	MAK YEN-CHEN ANDREW
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	Mr Loh Mun Yew is the: (i) son of the late controlling shareholder of the Company, Mr Loh Ah Peng @ Loh Ee Ming; and (ii) sibling of the Non-Executive Chairman of the Company, Ms Loh Pui Lai.	Nil	Nil	Nil
Conflict of interest (including any competing business)	Nil	Nil	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules has been submitted to the listed issuer	Yes	Yes	Yes	Yes

Corporate Governance Report

	LOH MUN YEW	HO BOON CHUAN WILSON	TAN HWEE KIONG	MAK YEN-CHEN ANDREW
Other principal commitments including directorships	**Past (for the last 5 years)** Directorships: *Outside the Group:* Energy Xchange Pte. Ltd. Other Principal Commitments: Nil **Present** Directorships: *Within the Group:* Edenkool Pte. Ltd. GPS Compressor Services & Parts Pte. Ltd. M-Tech Air-Con & Security Engineering Pte Ltd RSP Systems Pte Ltd Far East Refrigeration (M) Sdn Bhd Far East Enterprises (Penang) Sdn. Bhd. Far East Refrigeration (Kuching) Sdn. Bhd. FE&B Engineering (M) Sdn Bhd Far East Enterprises (J.B.) Sdn. Bhd. Far East Enterprises (K.L.) Sdn. Bhd. Far East Maju Engineering Works Sdn. Bhd. Greenpoint Compressor Services & parts Sdn Bhd Far East Refrigeration Vietnam Company Limited PT Far East Refrigeration Indonesia Coolwerkz Engineering Limited *Outside the Group:* Universal Pte. Ltd. Other Principal Commitments: Nil	**Past (for the last 5 years)** Directorships: Sysma Holdings Limited Other Principal Commitments: *Legal Representative of:* Westcon Group (Vietnam) Co., Ltd Westcon Solutions China Shenzen Branch **Present** Directorships: Kim Heng Offshore & Marine Holdings Limited PT Westcon Solutions Westcon Group (Thailand) Co., Limited Westcon Solutions (HK) Limited Westcon Solutions IMH Pte. Limited Westcon Solutions (M) Sdn. Bhd. Westcon Solutions Philippines, Inc. Westcon Solutions Pte. Limited Westconcomstor International (India) Private Limited WHOM Pte Ltd Quan Academy Pte Ltd Other Principal Commitments: Please refer to "Working experience and occupation(s) during the past 10 years" section above. Legal Representative of: Westcon Solutions China Jing An Branch Westcon Solutions China Beijing Branch	**Past (for the last 5 years)** Directorships: Snap-on Tools Singapore Pte Ltd Other Principal Commitments: Nil **Present** Directorships: Eversafe Extinguisher Pte. Ltd. Eversafe Extinguisher Sdn Bhd Eversafe Systems Sdn Bhd Hart Engineering (Private) Limited Leeden Fire Safety Pte. Ltd. Leeden National Oxygen Ltd Other Principal Commitments: Nil	**Past (for the last 5 years)** Directorships: China Jishan Holdings Limited Other Principal Commitments: Nil **Present** Directorships: Leader Environmental Technologies Limited Falcon Energy Group Limited Other Principal Commitments: Please refer to "Working experience and occupation(s) during the past 10 years" section above.

Corporate Governance Report

	LOH MUN YEW	HO BOON CHUAN WILSON	TAN HWEE KIONG	MAK YEN-CHEN ANDREW
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 or against a partnership of which he was a partner at the time when he was a partner or at any time within 2 years from the date he ceased to be a partner?	No	No	No	No

Corporate Governance Report

	LOH MUN YEW	HO BOON CHUAN WILSON	TAN HWEE KIONG	MAK YEN-CHEN ANDREW
(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 was a director or an equivalent person or a key executive, at the time when he 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 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	Mr Mak Yen-Chen Andrew is an Independent Non-Executive Director of Falcon Energy Group Limited, a company listed on the SGX-ST ("**Falcon**"). In view of the change in Falcon's financial position, the risk of legal claims, and the threat of winding up proceedings from creditors, on 25 July 2019, Falcon filed HC/OS 957/2019 in the High Court of Singapore for moratorium protection under Section 211B of the Companies Act to obtain breathing space to formulate a restructuring plan for the benefit of its creditors. A similar application was filed by Asetanian Marine Pte Ltd ("**AMPL**"), a subsidiary of Falcon, in HC/OS 956/2019. On 15 January 2021, Falcon and AMPL filed HC/OS 32/2021 and HC/OS 33/2021 respectively to convene scheme meetings pursuant to Section 210(1) of the Companies Act. Pursuant to an Order of Court dated 3 February 2021, meetings of scheme creditors of Falcon will be held on 30 April 2021.
(c) Whether there is any unsatisfied judgment against him?	No	No	No	No

Corporate Governance Report

	LOH MUN YEW	HO BOON CHUAN WILSON	TAN HWEE KIONG	MAK YEN-CHEN ANDREW
(d) Whether he 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 is aware) for such purpose?	No	No	No	No
(e) Whether he 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 is aware) for such breach?	No	No	No	No

Corporate Governance Report

	LOH MUN YEW	HO BOON CHUAN WILSON	TAN HWEE KIONG	MAK YEN-CHEN ANDREW
(f) Whether at any time during the last 10 years, judgment has been entered against him 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 part, or he has been the subject of any civil proceedings (including any pending civil proceedings of which he is aware) involving an allegation of fraud, misrepresentation or dishonesty on his part?	No	No	No	No
(g) Whether he 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	No

Corporate Governance Report

	LOH MUN YEW	HO BOON CHUAN WILSON	TAN HWEE KIONG	MAK YEN-CHEN ANDREW
(h) Whether he 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	No
(i) Whether he has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him from engaging in any type of business practice or activity?	No	No	No	No

Corporate Governance Report

	LOH MUN YEW	HO BOON CHUAN WILSON	TAN HWEE KIONG	MAK YEN-CHEN ANDREW
(j) Whether he has ever, to his 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	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	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	No

Corporate Governance Report

	LOH MUN YEW	HO BOON CHUAN WILSON	TAN HWEE KIONG	MAK YEN-CHEN ANDREW
(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 was so concerned with the entity or business trust?	No	No	No	No
(k) Whether he 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?	In 2006, Mr Loh Mun Yew was charged under Section 67(1)(b) of the Road Traffic Act for driving a motor vehicle whilst under the influence of alcohol. He pleaded guilty to this charge and was fined a total of S$2,500 and suspended from driving for one and a half years.	No	No	No

Directors' Statement

The directors hereby present their statement to the members together with the audited consolidated financial statements of Far East Group Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2020.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company 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 2020 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

Directors

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

Loh Pui Lai
Loh Mun Yew
Leng Chee Keong
Ho Boon Chuan Wilson
Mak Yen-Chen Andrew
Tan Hwee Kiong

In accordance with Regulation 104 of the Company's Constitution, Mr Loh Mun Yew, Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong retire and, being eligible, offer themselves for re-election. In accordance with Regulation 114 of the Company's Constitution, Mr Ho Boon Chuan Wilson will retire and, being eligible, offer himself for re-election.

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

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

	Direct interest		Deemed interest	
Name of director	**At 1 January 2020**	**At 31 December 2020**	**At 1 January 2020**	**At 31 December 2020**
Universal Pte. Ltd.[(1)]				
Ordinary shares				
Loh Mun Yew	13,270	21,144	19,688	–
Loh Pui Lai	5,170	9,108	–	–
Far East Group Limited				
Ordinary shares				
Loh Pui Lai	–	–	6,300,000	6,300,000
Loh Mun Yew	1,581,900	2,331,900	65,115,500	65,115,500
Leng Chee Keong	7,439,800	7,439,800	–	–

Note:

(1) Universal Pte. Ltd. is an investment holding company incorporated in Singapore with an issued and paid up share capital of $4,839,800. Universal Pte. Ltd. is a controlling shareholder of the Company.

Directors' Statement

Directors' interests in shares and debentures (cont'd)

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Loh Mun Yew is deemed to have an interest in the 63,855,000 shares held by the holding company, Universal Pte. Ltd., in the Company and in all its subsidiaries and the 1,260,500 shares held by the Estate of Loh Ah Peng @ Loh Ee Ming, the late father of Loh Mun Yew, in the Company, arising from his capacity as executor of his late father's will.

By virtue of Section 164(15)(a) of the Singapore Companies Act, Chapter 50, Loh Pui Lai is deemed to have an interest in the 6,300,000 shares held by her spouse, Cheung Wai Sum, in the Company.

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

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2021.

Options

The Company has adopted a long-term employee incentive scheme known as FEG Employee Share Option Scheme ("**FEG ESOS**") that was approved by shareholders at the extraordinary general meeting held on 28 April 2017, to align itself with and embrace local trends and best practices in employee compensation and retention. The FEG ESOS aims to promote higher performance goals, recognise exceptional achievement and retain talents within the Group.

The scheme is administered by the Remuneration Committee ("**RC**") whose members are:

Mr Tan Hwee Kiong	(RC Chairman and Independent Non-Executive Director)
Mr Ho Boon Chuan Wilson	(Lead Independent Non-Executive Director)
Mr Mak Yen-Chen Andrew	(Independent Non-Executive Director)

Since the adoption of the FEG ESOS till the end of the financial year:

- No options have been granted;
- No options have been granted to the controlling shareholders of the Company and their associates;
- No participant has received 5% or more of the total number of options available under the FEG ESOS;
- No options have been granted to directors and employees of the holding company and its subsidiaries;
- No options that entitle the holder to participate, by virtue of the options, in any share issue of any other corporation have been granted; and
- No options have been granted at a discount.

Audit committee

The audit committee ("**AC**") carried out its functions in accordance with Section 201B(5) of the Singapore Companies Act, Chapter 50, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the half-year and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;
- Met with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;

Directors' Statement

Audit committee (cont'd)

- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the board of directors the external auditor to be nominated for re-appointment, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

The AC, having reviewed all non-audit services provided by the external auditor to the Group, is satisfied that the nature and extent of such services would not affect the independence of the external auditor. The AC has also conducted a review of interested person transactions.

The AC convened two meetings during the year. The AC has also met with the internal and external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the AC are disclosed in the Corporate Governance Report.

Auditor

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

On behalf of the Board of Directors,

Loh Mun Yew
Director

Leng Chee Keong
Director

Singapore

9 April 2021

Independent Auditor's Report

To the Members of Far East Group Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Far East Group Limited (the "**Company**") and its subsidiaries (collectively, the "**Group**"), which comprise the balance sheets of the Group and the Company as at 31 December 2020, the statements of changes in equity of the Group and Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the 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 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and 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 period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled our responsibilities described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

Revenue recognition on engineering contracts

The Group recognised revenue from engineering contracts amounted to $11,373,000 for the financial year ended 31 December 2020, representing 20.8% of the Group's total revenue. The Group accounts for engineering contract revenue and contract costs over time by reference to the Group's progress toward completing the performance obligations of the contract. The measure of progress is based on costs incurred to date as a proportion of estimated total contract costs.

Significant judgement is required to estimate total contract costs and remaining costs to completion which is in part contributed by the COVID-19 related restrictions in movement imposed by the government authorities in the respective countries which the Group operates. This will in turn affects the measure of contract progress; and the revenue and profit margin recognised from engineering contracts. Accordingly, we have identified this as a key audit matter.

Independent Auditor's Report

To the Members of Far East Group Limited

Key Audit Matters (cont'd)

Revenue recognition on engineering contracts (cont'd)

We have performed the following audit procedures, amongst others, in response to the above-mentioned key audit matter:

- Obtained an understanding of the Group's processes and tested the controls relating to the recognition of revenue from engineering contracts;
- For material engineering contracts at year end, reviewed contractual terms and conditions and assessed the reasonableness of the key assumptions used by management in estimating the total estimated costs and costs to complete and variation order claims, taking into consideration past performance with further consideration of the current market condition due to COVID-19;
- Evaluated management's application of the input method in determining the stage of completion of the material engineering contracts by reviewing the total estimated contract costs, including any revisions made considering the conditions brought about by COVID-19 pandemic at year end and actual costs incurred to the reporting date;
- Tested on a sampling basis the variation order claimed and actual costs incurred against underlying documents during the year; and
- Discussed with management on potential delays in fulfilling the contracts, including the factors arising from the COVID-19 pandemic, and the impact of this on the project budgets and margins. For contracts that are expected to be loss-making, reviewed reasonableness of management's assessment of the provision for onerous contracts.

We also assessed the adequacy of the relevant notes disclosure. The related disclosures are included in Note 2.24 and Note 25 to the financial statements. The key sources of estimation uncertainty in relation to revenue from engineering contracts are disclosed in Note 3.2 to the financial statements.

Impairment of fixed assets

As at 31 December 2020, the carrying amount of the Group's fixed assets amounted to $31,146,000. The carrying amount of these assets are reviewed annually by management to assess whether there are indicators of impairment and if there are such indicators, an estimate is made for the recoverable amount of the asset concerned.

For cash generating units ("**CGUs**") where there are indicators impairment, management has prepared value-in-use computations in assessing the recoverable amount of the fixed assets. This assessment required management to exercise significant judgement over the assumptions used in the preparation of the forecast. The key assumptions adopted are the annual revenue growth rate, terminal growth rate, forecasted gross margins and discount rate. The impact of COVID-19 pandemic has further elevated the level of estimation uncertainty in making such assumptions. Given the materiality of the fixed assets, and significant judgement and estimation involved in assessing the recoverable amount of these assets, we have identified the impairment of fixed assets as a key audit matter.

We carried out procedures to understand management's process for identifying impairment indicators and considered management's assessment of impairment. Our audit procedures, amongst others, in assessing the appropriateness of the recoverable amounts determined by management included:

- Reviewed management's assessment of indicators of impairment of fixed assets and the methodology used by management to estimate value-in-use when indicators are present;
- Assessed the reasonableness of key assumptions such as annual revenue growth rate and forecasted gross margins used in the forecast by comparing to historical trend and the latest budgets approved by management and other available information, after considering the impact from COVID-19 pandemic;
- Reviewed management's assessment on the reasonableness of the useful lives of fixed assets;
- Involved our internal valuation specialists to assist us in assessing the reasonableness of the discount rate and terminal growth rate used in the forecast; and
- Performed sensitivity analysis of the recoverable amounts to changes in the key assumptions taking into consideration the general economic outlook arising from the COVID-19 pandemic and the uncertainty of any subsequent economic recovery.

We also assessed the adequacy of the relevant notes disclosure. The related disclosures are included in Note 2.7, Note 2.10 and Note 4 to the financial statements. The key sources of estimation uncertainty in relation to impairment of non-financial assets are disclosed in Note 3.2 to the financial statements.

Independent Auditor's Report

To the Members of Far East Group Limited

Key Audit Matters (cont'd)

Expected credit losses for trade receivables and contract assets

As at 31 December 2020, the Group has trade receivables and contract assets from third parties amounted to $11,316,000 and $5,800,000, representing 10.4% and 5.4% of the total assets respectively. The credit worthiness of customers may be impacted by specific and/or macro-economic conditions, resulting in overdue trade receivables or recoverability of contract assets. The Group applied the simplified approach and calculated expected credit losses ("**ECL**") based on lifetime expected losses on all trade receivables and contract assets.

This involves significant judgement as the expected credit losses must reflect information about past events, current conditions and forecasts of future conditions, including impact resulting from the COVID-19 pandemic. Given the significance of the trade receivables and contract assets and significant judgement and estimations involved in the impairment assessment, we have identified this as key audit matter.

We have performed the following audit procedures, amongst others, in response to the above-mentioned key audit matter:

– Obtained an understanding of the Group's credit policies and credit assessment procedures and the controls relating to the monitoring of trade receivables;

– Evaluated management's assumptions used in establishing the expected credit loss impairment model through analysis of receivables ageing, review of historical credit loss experiences and consideration of data and information used by management in determining the forward-looking adjustments based on current economic condition, including potential impact as a result of the COVID-19 pandemic;

– Reviewed the collectability of material and long aged trade receivables by way of obtaining evidence of receipts subsequent to the balance sheet date from the customers. For long overdue debts without subsequent collection, we discussed with management on their assessment of the estimated credit losses for these trade receivables, the impact of COVID-19 pandemic on customers' ability to repay their debts and possible recovery scenarios. Where applicable, we reviewed customers' payment history and correspondences between the Group and the customers on expected settlement; and

– Obtained trade receivables confirmations for selected samples. For non-replies, we performed alternative audit procedures by checking to supporting sales and delivery documents or checking subsequent cash settlements by vouching to receipts in the form of bank advices or equivalent and bank statements.

We also assessed the adequacy of the relevant notes disclosure. The related disclosures on the expected credit losses for trade receivables, contract assets and credit risk management process are included in Note 2.15, Note 13, Note 25(c) and Note 35 to the financial statements. The key sources of estimation uncertainty in relation to expected credit losses for trade receivables and contract assets are disclosed in Note 3.2 to the financial statements.

Independent Auditor's Report

To the Members of Far East Group Limited

Key Audit Matters (cont'd)

Allowance for obsolete and slow-moving inventories

As at 31 December 2020, the Group's inventories amounted to $14,578,000. The Group records its inventories at the lower of cost and net realisable value. Where necessary, allowances for inventory obsolescence are provided and write downs are made for damaged, obsolete and slow-moving inventories to adjust the carrying amount of the inventories to their net realisable values.

Management reviews the inventory ageing report to identify slow-moving and obsolete inventories and then estimates the amount of allowance based on the production plan and expected future market demand as a result of changes in current market conditions and the latest invoice prices. Changes in the market demand as a result of COVID-19 pandemic has further contributed to the subjectivity of this assessment. Significant judgment and estimation is involved in identifying the slow-moving and obsolete inventories and assessing the amounts of allowance or write down required. Given the significant judgment involved in management's assessment, the estimation of the allowance for inventory obsolescence is identified as a key audit matter.

We have performed the following audit procedures, amongst others, in response to the above-mentioned key audit matter:

– Evaluated the amount of allowance for inventory obsolescence established by reviewing the nature of the selected inventory and discussed with management their basis for the assessment on the adequacy of allowance for inventory obsolescence, taking into consideration the conditions brought about by COVID-19 pandemic;
– Checked that the Group has provided for allowance for inventory obsolescence in accordance with the Group policy;
– Test the integrity of the inventory ageing report, on a sampling basis, in order to conclude that the inventory ageing report can be relied upon for the assessment of allowance for inventory obsolescence;
– Observed and inquired management for any identified obsolete or slow-moving inventories during our stocktake observation; and
– Performed net realisable value testing on selected inventory items, considering sale of similar inventories subsequent to the financial year.

We also assessed the adequacy of the relevant notes disclosure. The related disclosures on the allowance for obsolete and slow-moving inventories assessment are included in Note 2.17 and Note 12 to the financial statements. The key sources of estimation uncertainty in relation to allowance for obsolete and slow-moving inventories are disclosed in Note 3.2 to the financial statements.

Fair value measurement of equity instrument at fair value through other comprehensive income

The Group has an investment in unquoted equity security amounting to $7,651,000 as at 31 December 2020, representing 7.1% of the Group's total assets. Management classified this equity instrument at fair value through other comprehensive income.

In determining the fair value of this equity instrument as at 31 December 2020, management has engaged an external valuation specialist. The measurement of fair value of this equity instrument entails significant estimation uncertainty and judgment given that the underlying entity is a private entity where no published trading price is available. The key judgments and assumptions adopted are the selection of comparable listed companies and the estimation of the discount for lack of marketability. The impact of COVID-19 pandemic has further elevated the level of estimation uncertainty in the fair value assessment. Therefore, we have identified this as a key audit matter.

We have performed the following audit procedures, amongst others, in response to the above-mentioned key audit matter:

– Reviewed the valuation report provided by management;
– Assessed the independence, objectivity and competence of management's external specialist;
– Assessed the appropriateness of the comparable listed companies selected by the external valuation specialist by understanding the nature of business and principal activities of those selected companies and comparing it to the underlying company being valued, with the assistance from our internal valuation specialists; and
– Involved our internal valuation specialists to assist us in assessing the reasonableness of the discount for lack of marketability applied in the valuation.

We also assessed the adequacy of the relevant notes disclosure. The related disclosures on the fair value assessment are included in Note 2.14, Note 10 and Note 36 to the financial statements. The key sources of estimation uncertainty in relation to the fair value measurement of unquoted equity instrument are disclosed in Note 3.2 to the financial statements.

Independent Auditor's Report

To the Members of Far East Group Limited

Key Audit Matters (cont'd)

Impairment of investments in subsidiaries

As at 31 December 2020, the Company has investments in subsidiaries with carrying values of $16,210,000. The carrying amount of the investment in subsidiaries are reviewed annually by management to assess whether there are indicators of impairment and if there are such indicators, an estimate is made for the recoverable amount of the asset concerned.

For the year ended 31 December 2020, management has assessed that indicators of impairment exists for certain subsidiaries. Management has prepared cash flow forecasts for those subsidiaries with indicators of impairment to assess the recoverable amounts of the respective subsidiaries.

Significant judgment over the assumptions used in performing the forecast is required and the impact of COVID-19 pandemic has further elevated the level of estimation uncertainty in making such assumptions. The key assumptions adopted are the annual revenue growth rate, terminal growth rate, forecasted gross margins and discount rate. Given the materiality of the investments in subsidiaries and significant judgement and estimation involved in the impairment assessment, we have identified the impairment of investments in subsidiaries as a key audit matter.

We have performed the following audit procedures, amongst others, in response to the above-mentioned key audit matter:

- Reviewed management's assessment of indicators of impairment of the investments in subsidiaries and the methodology used by management to estimate value-in-use when indicators are present;

- Assessed the reasonableness of key assumptions such as annual revenue growth rate and forecasted gross margins used in the forecast by comparing to historical trend and the latest budget approved by management and other available information, after considering the impact from COVID-19 pandemic;

- Involved our internal valuation specialists to assist us in assessing the reasonableness of the discount rate and terminal growth rate used in the forecast; and

- Performed sensitivity analysis of the recoverable amount to changes in the key assumptions taking into consideration the general economic outlook arising from the COVID-19 pandemic and the uncertainty of any subsequent economic recovery.

We also assessed the adequacy of the relevant notes disclosure. The related disclosures are included in Note 2.10 and Note 8 to the financial statements. The key sources of estimation uncertainty in relation to impairment of non-financial assets are disclosed in Note 3.2 to the financial statements.

Other Information

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

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

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

Independent Auditor’s Report

To the Members of Far East Group Limited

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.

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.

Independent Auditor's Report

To the Members of Far East Group Limited

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

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.

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

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 Yong Kok Keong.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore

9 April 2021

Balance Sheets

As at 31 December 2020

(Amounts expressed in Singapore dollars)

	Note	Group		Company	
		2020	2019	2020	2019
		$'000	$'000	$'000	$'000
Non-current assets					
Fixed assets	4	31,146	32,585	23,580	24,589
Intangible assets	5	237	642	–	–
Right-of-use assets	6	13,850	14,047	12,753	13,047
Right-of-use assets - land use rights	7	1,814	1,824	–	–
Investments in subsidiaries	8	–	–	16,210	21,153
Investment in associates	9	920	691	–	–
Investment securities	10	7,651	8,984	–	–
Deferred tax assets	11	641	504	–	–
		56,259	59,277	52,543	58,789
Current assets					
Inventories	12	14,578	13,285	7,665	6,968
Investment securities	10	8,270	7,915	8,270	7,915
Trade receivables	13	11,316	12,592	2,035	2,448
Contract assets	25	5,800	11,002	–	–
Other receivables	14	1,548	1,533	700	755
Deposits		191	292	48	69
Prepayments		253	255	41	52
Advance payment to suppliers		1,389	790	1,256	752
Amounts due from subsidiaries (trade)	15	–	–	526	3,358
Amounts due from subsidiaries (non-trade)	15	–	–	4,119	4,825
Amounts due from associates (trade)	15	832	1,047	–	12
Amounts due from associates (non-trade)	15	145	162	–	–
Tax recoverable		18	18	–	–
Fixed deposits	16	219	3,497	209	3,183
Cash and bank balances	16	7,568	5,548	1,705	654
		52,127	57,936	26,574	30,991
Total assets		108,386	117,213	79,117	89,780

Balance Sheets

As at 31 December 2020

(Amounts expressed in Singapore dollars)

	Note	Group		Company	
		2020	2019	2020	2019
		$'000	$'000	$'000	$'000
Current liabilities					
Trade payables	17	6,457	7,770	1,300	1,634
Contract liabilities	25	1,091	1,146	72	253
Trust receipts and bills payable (secured)	18	9,269	9,047	5,864	6,182
Other creditors		1,024	856	265	356
Accruals and other liabilities	19	5,207	5,301	2,794	1,493
Dividend payable		137	137	137	137
Amounts due to subsidiaries (trade)	15	–	–	844	2,598
Amounts due to subsidiaries (non-trade)	15	–	–	901	136
Amounts due to associates (non-trade)	15	155	158	–	–
Provision for income tax		154	150	–	–
Lease liabilities (current)	6	772	673	310	294
Term loans (current)	20	2,915	3,932	1,597	2,248
Bank overdraft	21	–	113	–	–
		27,181	29,283	14,084	15,331
Net current assets		24,946	28,653	12,490	15,660
Non-current liabilities					
Deferred tax liabilities	11	2,187	2,471	–	–
Amounts due to subsidiaries (non-trade)	15	–	–	1,891	–
Lease liabilities (non-current)	6	13,457	13,503	12,857	12,958
Term loans (non-current)	20	20,176	18,447	15,892	17,785
		35,820	34,421	30,640	30,743
Total liabilities		63,001	63,704	44,724	46,074
Net assets		45,385	53,509	34,393	43,706

Balance Sheets

As at 31 December 2020

(Amounts expressed in Singapore dollars)

	Note	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Equity attributable to owners of the Company					
Share capital	22	19,680	19,680	19,680	19,680
Retained earnings		20,077	27,457	14,391	23,704
Fair value adjustment reserve	23	5,883	6,999	–	–
Capital reserve		322	322	322	322
Translation reserve	24	(2,759)	(3,116)	–	–
		43,203	51,342	34,393	43,706
Non-controlling interests		2,182	2,167	–	–
Total equity		45,385	53,509	34,393	43,706

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

Consolidated Income Statement

For the year ended 31 December 2020

(Amounts expressed in Singapore dollars)

	Note	Group 2020 $'000	Group 2019 $'000
Revenue	25	54,570	70,609
Cost of sales		(44,659)	(51,931)
Gross profit		9,911	18,678
Other operating income	26	3,642	2,972
Distribution and selling expenses		(6,037)	(8,425)
Administrative expenses		(11,102)	(12,503)
Impairment losses on trade and other receivables and contract assets		(1,661)	(264)
Other operating expenses	27	(704)	(167)
Share of results of joint venture		–	15
Share of results of associates	9	199	131
(Loss)/profit from operations	28	(5,752)	437
Finance expenses	30	(1,476)	(1,660)
Interest income		234	208
Loss before tax		(6,994)	(1,015)
Tax expense	31	(144)	(393)
Loss for the year		(7,138)	(1,408)
Attributable to:			
Owners of the Company		(7,179)	(1,425)
Non-controlling interests		41	17
		(7,138)	(1,408)
Earnings per share			
Basic and diluted (cents)	32	(6.44)	(1.29)

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2020

(Amounts expressed in Singapore dollars)

	Group	
	2020	**2019**
	$'000	$'000
Loss for the year	(7,138)	(1,408)
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Net fair value (loss)/gain on equity instrument at fair value through other comprehensive income ("**FVOCI**")	(1,116)	11
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	438	(281)
Total comprehensive income for the year	(7,816)	(1,678)
Attributable to:		
Owners of the Company	(7,938)	(1,653)
Non-controlling interests	122	(25)
	(7,816)	(1,678)

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

Statements of Changes in Equity

For the year ended 31 December 2020

(Amounts expressed in Singapore dollars)

Group	Equity, total	Equity attributable to owners of the Company, total	Share capital	Retained earnings	Fair value adjustment reserve	Capital reserve	Translation reserve	Non-controlling interests
		Attributable to owners of the Company						
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 January 2019	54,602	52,580	19,265	28,882	6,988	322	(2,877)	2,022
(Loss)/profit for the year	(1,408)	(1,425)	–	(1,425)	–	–	–	17
Other comprehensive income								
Foreign currency translation	(281)	(239)	–	–	–	–	(239)	(42)
Net fair value gain on equity instrument at FVOCI	11	11	–	–	11	–	–	–
Total comprehensive income for the year	(1,678)	(1,653)	–	(1,425)	11	–	(239)	(25)
Changes in ownership interests in subsidiaries								
Acquisition of subsidiaries (Note 8(d))	75	–	–	–	–	–	–	75
Capital contribution from non-controlling interests	95	–	–	–	–	–	–	95
Total changes in ownership interests in subsidiaries	170	–	–	–	–	–	–	170
Contributions by and distributions to owners								
Shares issued for acquisition of a subsidiary (Note 8(d))	415	415	415	–	–	–	–	–
As at 31 December 2019	53,509	51,342	19,680	27,457	6,999	322	(3,116)	2,167

Statements of Changes in Equity

For the year ended 31 December 2020

(Amounts expressed in Singapore dollars)

Group	Equity, total $'000	Equity attributable to owners of the Company, total $'000	Share capital $'000	Retained earnings $'000	Fair value adjustment reserve $'000	Capital reserve $'000	Translation reserve $'000	Non-controlling interests $'000
		Attributable to owners of the Company						
As at 1 January 2020	53,509	51,342	19,680	27,457	6,999	322	(3,116)	2,167
(Loss)/profit for the year	(7,138)	(7,179)	–	(7,179)	–	–	–	41
Other comprehensive income								
Foreign currency translation	438	357	–	–	–	–	357	81
Net fair value loss on equity instrument at FVOCI	(1,116)	(1,116)	–	–	(1,116)	–	–	–
Total comprehensive income for the year	(7,816)	(7,938)	–	(7,179)	(1,116)	–	357	122
Contributions by and distribution to owners								
Dividends on ordinary shares (Note 39)	(201)	(201)	–	(201)	–	–	–	–
Dividends paid to non-controlling interest of a subsidiary	(107)	–	–	–	–	–	–	(107)
Total contributions by and distributions to owners	(308)	(201)	–	(201)	–	–	–	(107)
As at 31 December 2020	45,385	43,203	19,680	20,077	5,883	322	(2,759)	2,182

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

Statements of Changes in Equity

For the year ended 31 December 2020

(Amounts expressed in Singapore dollars)

Company	**Equity, total** $'000	**Share capital** $'000	**Retained earnings** $'000	**Capital reserve** $'000
As at 1 January 2019	43,672	19,265	24,085	322
Loss for the year, representing total comprehensive income for the year	(381)	–	(381)	–
<u>Contributions by and distribution to owners</u>				
Shares issued for acquisition of a subsidiary (Note 8(d))	415	415	–	–
As at 31 December 2019 and 1 January 2020	43,706	19,680	23,704	322
Loss for the year, representing total comprehensive income for the year	(9,112)	–	(9,112)	–
<u>Contributions by and distribution to owners</u>				
Dividends on ordinary shares (Note 39)	(201)	–	(201)	–
As at 31 December 2020	34,393	19,680	14,391	322

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

Consolidated Cash Flow Statement

For the year ended 31 December 2020

(Amounts expressed in Singapore dollars)

	Note	Group 2020 $'000	Group 2019 $'000
Cash flows from operating activities			
Loss before tax		(6,994)	(1,015)
Adjustments:			
Impairment losses on trade and other receivables and contract assets		1,538	264
Bad debts written off		123	–
Impairment loss on goodwill	27	219	–
Impairment losses on fixed assets and right-of-use assets	27	67	–
Allowance/(write back of allowance) for obsolete and slow-moving inventories, net	28	731	(98)
Fixed assets written off	28	3	26
(Gain)/loss on disposal of fixed assets, net	26/27	(39)	2
Gain on remeasuring previously held equity interest in joint venture to fair value on business combination	26	–	(30)
Depreciation of fixed assets	28	1,982	1,935
Depreciation of right-of-use assets	28	926	837
Dividend income from investment securities	26	(287)	(447)
Amortisation of intangible assets	28	197	413
Depreciation of right-of-use assets - land use rights	28	45	45
Net fair value loss/(gains) on held for trading investment securities	27/26	72	(111)
Gains on disposal of held for trading investment securities	26	–	(9)
Finance expenses	30	1,476	1,660
Interest income		(234)	(208)
Share of results of joint venture		–	(15)
Share of results of associates	9	(199)	(131)
Translation differences		124	1
Operating cash flows before working capital changes		(250)	3,119
(Increase)/decrease in:			
Inventories		(2,024)	1,479
Trade receivables		(78)	(714)
Other receivables		(130)	209
Contract assets		4,885	(5,415)
Deposits, prepayments and advance payment to suppliers		(496)	509
Amounts due from associates (trade)		215	(406)
Increase/(decrease) in:			
Trade payables		7,836	9,170
Contract liabilities		(55)	(240)
Other creditors		168	208
Accruals and other liabilities		(94)	(243)
Cash flows generated from operations		9,977	7,676
Interest paid		(892)	(1,101)
Income taxes paid		(159)	(208)
Income taxes refunded		101	298
Interest income		234	208
Net cash flows generated from operating activities		9,261	6,873

Consolidated Cash Flow Statement

For the year ended 31 December 2020

(Amounts expressed in Singapore dollars)

	Note	Group 2020 $'000	Group 2019 $'000
Cash flows from investing activities			
Proceeds from disposal of fixed assets		53	54
Proceeds from disposal of investment securities		1,577	3,289
Purchase of fixed assets	4	(227)	(302)
Purchase of investment securities		(2,004)	(11,087)
Dividends received		428	221
Increase in amount due from associates (non-trade)		–	(47)
Bank deposit pledged		–	(100)
Additions of investment in associates		(30)	–
Net cash outflow on acquisition of subsidiaries	8(d)	–	(4,612)
Net cash flows used in investing activities		(203)	(12,584)
Cash flows from financing activities			
Capital contribution from non-controlling interests		–	95
Dividends paid on ordinary shares		(201)	–
Dividends paid to non-controlling interest of a subsidiary		(107)	–
Repayment of trust receipts and bills payable, net		(9,160)	(8,092)
Payment of principal portion of lease liabilities		(797)	(703)
Interest paid on lease liabilities		(584)	(559)
Proceeds of term loans, net		635	2,217
Net cash flows used in financing activities		(10,214)	(7,042)
Net decrease in cash and cash equivalents		(1,156)	(12,753)
Effect of exchange rate changes on cash and cash equivalents		11	25
Cash and cash equivalents at beginning of year		8,732	21,460
Cash and cash equivalents at end of year	16	7,587	8,732

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

1. Corporate information

Far East Group Limited (the "**Company**") is a limited liability company incorporated and domiciled in Singapore and is listed on the Catalist of Singapore Exchange Securities Trading Limited ("**SGX-ST**"). The registered office and principal place of business of the Company is located at 51 Ubi Avenue 3, Singapore 408858.

The Company's immediate and ultimate holding company is Universal Pte. Ltd., incorporated in Singapore.

The principal activities of the Company consist of manufacturing and trading of refrigeration parts, servicing of cold rooms, construction and installation of commercial and industrial cold rooms and all other incidental business of refrigeration.

The principal activities of its subsidiaries are disclosed in Note 8 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

The consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company have been prepared in accordance with Singapore Financial Reporting Standards (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 Dollars (SGD'000 or $'000), except when otherwise indicated.

2.2 *Adoption of new and amended standards and interpretations*

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2020. The adoption of these standards did not have material effect on the financial performance or position of the Group and the Company.

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to SFRS(I) 3: *References to the Conceptual Framework*	1 January 2022
Amendments to SFRS(I) 1-16: *Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
Amendments to SFRS(I) 1-37: *Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to SFRS(I) 1: *First-time Adoption of Singapore Financial Reporting Standards (International) – Subsidiary as a First-time Adopter*	1 January 2022
Amendments to SFRS(I) 9: *Financial Instruments – Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*	1 January 2022
Amendments to illustrative examples accompanying SFRS(I) 16: *Leases – Lease Incentives*	1 January 2022
Amendments to SFRS(I) 1-41: *Agriculture – Taxation in Fair Value Measurements*	1 January 2022
Amendments to SFRS(I) 1-1: *Classification of Liabilities as Current or Non-current*	1 January 2023
Amendments to SFRS(I) 17	1 January 2023

The directors expect that the adoption of the standards above will have no material impact on the financial statements in the year of initial application.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

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

(b) Business 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.

Non-controlling interest in the acquiree, that are present ownership interests and entitle their holders to a proportionate share of net assets are recognised on the acquisition date at fair value, or the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

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

(b) Business combinations and goodwill (cont'd)

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.

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

2.5 Transactions with non-controlling interests

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

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

2.6 Functional and foreign currency

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

(a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the reporting period are recognised in profit or loss 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 interest and are not recognised in profit or loss.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.7 Fixed assets

All fixed assets are initially recorded at cost. Subsequent to recognition, fixed assets other than freehold land are measured at cost less accumulated depreciation and any accumulated impairment losses.

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:

Freehold buildings	50 years
Leasehold buildings	20 to 32 years
Plant and machinery	5 to 10 years
Motor vehicles	5 to 10 years
Renovation	3 to 10 years
Office equipment, furniture and fittings	3 to 10 years
Computers	1 to 3 years
Software	10 years

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

The carrying values of fixed assets 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 fixed asset is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on de-recognition of the asset is included in profit or loss in the year the asset is de-recognised.

2.8 Intangible assets

Intangible assets acquired separately are measured initially at cost. Following initial acquisition, intangible assets are carried at cost less any accumulated amortisation and any accumulated impairment losses. Internally generated intangible assets are not capitalised and expenditure is reflected in profit or loss in the year in which the expenditure is incurred.

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite useful lives are amortised over the estimated useful lives and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing the amortisation period or method, as appropriate, and are treated as changes in accounting estimates.

Intangible assets with indefinite useful lives or not yet available for use are tested for impairment annually, or more frequently if the events and circumstances indicate that the carrying value may be impaired either individually or at the cash-generating unit level. Such intangible assets are not amortised. The useful life of an intangible asset with an indefinite useful life is reviewed annually to determine whether the useful life assessment continues to be supportable. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from de-recognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss when the asset is de-recognised.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.8 Intangible assets (cont'd)

Customer list

The customer list was acquired in business combinations and is amortised on a straight-line basis over its useful life of 10 years.

License

The license was issued by the Building and Construction Authority of Singapore and gives the rights to tender for government projects specifically to provide services such as installing, commissioning, maintenance and repairs of air-conditioning, refrigeration, cold rooms, cooling towers, heating and ventilation systems.

The license was acquired in business combinations and is amortised on a straight-line basis over its useful life of 3 years.

2.9 Right-of-use assets - land use rights

Land use rights are initially measured at cost. Following initial recognition, land use rights are measured at cost less accumulated depreciation. The land use rights are depreciated on a straight-line basis over the lease term of 50 years.

2.10 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

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.

2.11 Subsidiaries

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

In the Company's balance sheet, investments in subsidiaries are accounted for at cost less impairment losses.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.12 Associates

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

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

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

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

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

In the Company's balance sheet, investments in associates are stated at cost less accumulated impairment.

2.13 Affiliated companies

An affiliated company is a company, not being a subsidiary, associated company or joint venture company, in which one or more of the directors or shareholders of the Company or its subsidiaries have a significant equity interest or exercise significant influence.

2.14 Financial instruments

(a) Financial assets

Initial recognition and measurement

Financial assets are recognised when, and only when the entity becomes party to the contractual provisions of the instruments.

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

Trade receivables are measured at the amount of consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third party, if the trade receivables do not contain a significant financing component at initial recognition.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.14 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Subsequent measurement

Investments in debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the contractual cash flow characteristics of the asset.

Amortised cost

Financial assets that are held for the collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets are measured at amortised cost using the effective interest method, less impairment. Gains and losses are recognised in profit or loss when the assets are derecognised or impaired, and through amortisation process.

Investments in equity instruments

On initial recognition of an investment in equity instrument that is not held for trading, the Group may irrevocably elect to present subsequent changes in fair value in other comprehensive income ("**OCI**"). Dividends from such investments are to be recognised in profit or loss when the Group's right to receive payments is established. For investments in equity instruments which the Group has not elected to present subsequent changes in fair value in OCI, changes in fair value are recognised in profit or loss.

De-recognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.14 Financial instruments (cont'd)

(b) Financial liabilities (cont'd)

De-recognition

A financial liability is de-recognised when the obligation under the liability is discharged or cancelled or expires. On derecognition, the difference between the carrying amounts and the consideration paid is recognised in profit or loss.

2.15 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("**ECLs**") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. 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 expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. 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 recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default (a lifetime ECL).

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises 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 for forward-looking factors specific to the debtors and the economic environment.

The Group considers a financial asset in default when contractual payments are 90 days past due. However, in certain cases, the Group may also consider a financial asset to be in default when internal or external information indicates that the Group is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Group. A financial asset is written off when there is no reasonable expectation of recovering the contractual cash flows.

2.16 Cash and cash equivalents

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

2.17 Inventories

Inventories are stated at the lower of cost and net realisable value.

Cost is determined using the weighted average method. The cost of raw materials comprises cost of purchase. The cost of work-in-progress and finished goods comprises costs of direct materials, direct labour, other direct costs and a proportion of manufacturing overheads based on normal operating capacity.

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

For the financial year ended 31 December 2020

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

2.18 Provisions

General

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

Provisions are reviewed at 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.

2.19 Government grants

Government grant shall be recognised in profit or loss on a systematic basis over the periods in which the entity recognises as expenses the related costs for which the grants are intended to compensate. Grants related to income may be presented as a credit in profit or loss, either separately or under a general heading such as "Other operating income". Alternatively, they are deducted against the related expenses.

2.20 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 terms of a debt instrument.

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.15 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.21 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.

2.22 Employee benefits

(a) 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 Company and subsidiaries in Singapore, Malaysia, Indonesia, Vietnam and People's Republic of China ("**PRC**") in the Group make contributions to the Central Provident Fund scheme in Singapore, Employees Provident Fund in Malaysia, Indonesia Social Security Program, Vietnam Social Insurance Fund and Social Pension Fund scheme in PRC respectively, which are defined contribution pension schemes. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.22 Employee benefits (cont'd)

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to the employees. The undiscounted liability for leave expected to be settled wholly before twelve months after the end of the reporting period is recognised for services rendered by employees up to the end of the reporting period. Any employee leave entitlement expected to be settled beyond twelve months after the end of the reporting period is forfeited.

2.23 Leases

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) As lessee

The Group applies a single recognition and measurement approach for all leases, except for short-term leases and leases of low-value assets. The Group recognises lease liabilities representing the obligations to make lease payments and right-of-use assets representing the right to use the underlying leased assets.

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). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred, and lease payments made at or before the commencement date less any lease incentives received. The cost of a right-of-use asset also includes an estimate of the costs to be incurred by the Group in dismantling and removing the underlying asset, restoring the site on which the asset is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The Group incurs the obligation for those costs either at the commencement date or as a consequence of having used the underlying asset during a particular period.

Right-of-use assets are depreciated on a straight-line basis over the shorter of the lease term and the estimated useful lives of the assets, as follows:

Leasehold land	–	31 years
Office and warehouse premises	–	2 to 6 years
Motor vehicles	–	5 to 10 years
Office equipment	–	3 to 5 years

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 right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.10.

Lease liabilities

At the commencement date of the lease, the Group recognises lease liabilities measured at the present value of lease payments to be made over the lease term. The lease payments include fixed 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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.23 Leases (cont'd)

(a) As lessee (cont'd)

Lease liabilities (cont'd)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if 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.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to its short-term leases of office equipment, employee dormitory and office and warehouse premises (i.e. those leases that have a lease term of 12 months or less from the commencement date and do not contain a purchase option). It also applies the lease of low-value assets recognition exemption to leases of office equipment that are considered to be low value. Lease payments on short-term leases and leases of low value assets are recognised as expense on a straight-line basis over the lease term.

(b) As lessor

Leases in which 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.

2.24 Revenue

Revenue is measured based on the consideration to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties.

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or service to the customer, which is when the customer obtains control of the good or service. A performance obligation may be satisfied at a point in time or over time. The amount of revenue recognised is the amount allocated to the satisfied performance obligation.

(a) Sale of goods

The Group manufactures and distributes air-conditioning materials, refrigeration component parts for customers.

Revenue is recognised when the goods are delivered to the customer and all criteria for acceptance have been satisfied.

The amount of revenue recognised is based on the estimated transaction price, which comprises the contractual price, discounts and surcharges.

At the end of each reporting date, the Group updates its assessment of the estimated transaction price, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes. The Group also updates its measurement of the asset for the right to recover returned goods for changes in its expectations about returned goods.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.24 Revenue (cont'd)

(a) Sale of goods (cont'd)

Bill-and-hold arrangements

In some bill-and-hold arrangements, even though the goods have not been delivered to the customer yet, it has satisfied its performance obligation as control of the good has been transferred to the customer, and all of the following criteria are met: the reason for the bill-and-hold arrangement is substantive, the product is identified separately as belonging to the customer, the product currently is ready for physical transfer to the customer, and the Group does not have the ability to use the good or to direct it to another customer.

(b) Project installation and maintenance services

Project installation and maintenance services relate to services provided to customers and the revenue is recognised upon rendering of service.

The amount of revenue recognised is based on the contracted transaction price, which comprises the type and value of service provided, price of goods and materials consumed or provided, discounts and surcharges.

At the end of each reporting date, the Group updates its assessment of the revenue recognised, including its assessment of whether an estimate of variable consideration is constrained. The corresponding amounts are adjusted against revenue in the period in which the transaction price changes. The Group also updates its measurement of the asset for the right to recover returned goods for changes in its expectations about returned goods.

(c) Engineering contracts revenue

The Group provides services such as installing, commissioning, maintenance and repairs of air-conditioning, refrigeration, cold rooms, cooling towers, heating and ventilation systems. The Group's engineering contracts are accounted for as a single deliverable (i.e., single performance obligation).

The Group recognises revenue from engineering contracts over time as the Group's performance does not create an asset with alternative use to the Group and it has concluded that it has an enforceable right to payment for performance completed to date.

Contract revenue is recognised over time using input method, based on the total costs incurred to date as a proportion of the estimated total costs to be incurred.

Progress billings to the customers are based on a payment schedule in the contract and are typically triggered upon achievement of specified milestones. A contract asset is recognised when the Group has performed under the contract but has not yet billed the customer. Conversely, a contract liability is recognised when the Group has not yet performed under the contract but has received advanced payments from the customer. Contract assets are transferred to receivables when the rights to consideration become unconditional. Contract liabilities are recognised as revenue as the Group performs under the contract.

Contract modifications

The Group accounts for contract modifications arising from change orders to modify the scope or price of the contract as separate contracts if the modification adds distinct goods or services at their standalone selling prices. For contract modifications that add distinct goods or services but not at their standalone selling prices, the Group combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations. For contract modifications that do not add distinct goods or services, the Group accounts for the modification as continuation of the original contract and is recognised as a cumulative adjustment to revenue at the date of modification.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.24 Revenue (cont'd)

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Dividend income

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

(f) Rental income

Rental income arising from operating leases is accounted for on a straight-line basis over the lease terms. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis.

2.25 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

– Where the deferred 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, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the 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, 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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

2.25 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

(c) Sales tax

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

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

– Receivables and payables that are stated with the amount of sales tax included.

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

2.26 Share capital and share issuance expenses

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

2.27 Contingencies

A contingent liability is:

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

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

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

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

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

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

3. Significant accounting judgements and estimates

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

3.1 Judgements made in applying accounting policies

In the process of applying the Group's accounting policies, management has made the following judgements which have the most significant effect on the amounts recognised in the consolidated financial statements:

(i) Income taxes

Uncertainties exist with respect to the interpretation of complex tax regulations and the amount and timing of future taxable income. Given the Group's regional business relationships and the nature and complexity of existing contractual agreements, differences arising between the actual results and the assumptions made, or future changes to such assumptions, could necessitate future adjustments to tax provisions already recorded.

The Group establishes provisions, based on reasonable estimates, for possible consequences of audits by the tax authorities of the respective countries in which it operates. The amount of such provisions is based on various factors, such as experience of previous tax audits and differing interpretations of tax regulations by the taxable entity and the relevant tax authority. Such differences of interpretation may arise on a wide variety of issues depending on the conditions prevailing in the respective Group's domicile.

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

As at 31 December 2020, the carrying amounts of the Group's tax recoverable, provision for income tax, deferred tax assets and deferred tax liabilities amounted to $18,000 (2019: $18,000), $154,000 (2019: $150,000), $641,000 (2019: $504,000) and $2,187,000 (2019: $2,471,000) respectively.

(ii) Assessment of classification of unquoted investment security

The Group holds 30% equity interest in its unquoted investment security. The Group does not participate in the operating and financing decision process, fails to obtain representation on the board of directors and is unable to obtain timely or adequate financial information required to apply equity method. Based on these facts and circumstances, management concludes that the Group cannot exert a significant influence in its unquoted investment security and classifies this investment as financial instrument carried at fair value through other comprehensive income.

(iii) Determination of lease term of contracts with extension options

The Group determines the lease term as the non-cancellable term of the lease, together with any periods covered by an option to extend the lease if it is reasonably certain to be exercised, or any periods covered by an option to terminate the lease, if it is reasonably certain not to be exercised.

The Group has several lease contracts that include extension options. The Group applies judgement in evaluating whether it is reasonably certain whether or not to exercise the option to extend the lease. That is, it considers all relevant factors that create an economic incentive for it to exercise the extension. After the commencement date, the Group reassesses the lease term whether there is a significant event or change in circumstances that is within its control and affects its ability to exercise or not to exercise the option to extend (e.g., construction of significant leasehold improvements or significant customisation to the leased asset).

The Group included the extension option in the lease term for lease of leasehold land in alignment with the expected useful life of its leasehold building.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

3.2 Key sources of estimation uncertainty

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

(i) Useful lives of fixed assets

Fixed assets are depreciated on a straight-line basis over their estimated economic useful lives. Changes in the expected level of usage and future technological developments could impact the economic useful lives of these assets. Therefore, future depreciation charges could be revised.

As at 31 December 2020, the carrying amounts of the Group's and Company's fixed assets amounted to $31,146,000 (2019: $32,585,000) and $23,580,000 (2019: $24,589,000) respectively.

(ii) Impairment of non-financial assets

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 to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the forecast for the next five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

As at 31 December 2020, the carrying amounts of the Company's investments in subsidiaries and fixed assets were $16,210,000 (2019: $21,153,000) and $23,580,000 (2019: $24,589,000) respectively. The carrying amounts of the Group's fixed assets and goodwill were $31,146,000 (2019: $32,585,000) and $189,000 (2019: $408,000) respectively.

(iii) Allowance for obsolete and slow-moving inventories

When necessary, allowance is provided for obsolete and slow-moving inventories to adjust the carrying value of inventories to the lower of cost and net realisable value. Management has estimated the allowance for obsolete and slow-moving inventories based on review of an aging analysis of inventories at the end of the reporting period.

As at 31 December 2020, the carrying amounts of the Group's and Company's inventories amounted to $14,578,000 (2019: $13,285,000) and $7,665,000 (2019: $6,968,000) respectively.

(iv) Expected credit losses for trade receivables and contract assets

The Group uses a provision matrix to calculate ECLs for trade receivables and contract assets. For trade receivables and contract assets, the provision rates are based on days past due for groupings of various customer segments that have similar loss patterns.

The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. At every reporting date, historical default rates are updated and changes in the forward-looking estimates are analysed.

The assessment of the correlation between historical observed default rates, forecast economic conditions and ECLs is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future. The information about the ECLs on the Group's trade receivables and contract assets is disclosed in Note 35 to the financial statements.

As at 31 December 2020, the carrying amounts of the Group's and Company's trade receivables and contract assets, including balances with subsidiaries and associates amounted to $17,948,000 (2019: $24,641,000) and $2,561,000 (2019: $5,818,000) respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

3.2 Key sources of estimation uncertainty (cont'd)

(v) Fair value measurement of unquoted equity security

The Group has investment in unquoted equity security which is measured at FVOCI. This requires the Group to engage external valuation expert to perform the valuation.

This financial instrument is categorised as Level 3 in the fair value hierarchy where certain pricing inputs to value these instruments are unobservable. The valuation involves the application of unobservable inputs such as discount for lack of marketability used by the external valuation expert. The information about the fair value measurement is disclosed in Note 36 to the financial statements.

As at 31 December 2020, the carrying amount of the unquoted equity security amounted to $7,651,000 (2019: $8,984,000).

(vi) Revenue from engineering contracts

Engineering contracts revenue is recognised over time by reference to the Group's progress towards completing the performance obligation in the contract. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the performance obligation within the contract.

Significant assumptions are required to estimate the total contract costs that will affect the stage of completion and revenue recognised. The estimates are based on the past experiences and knowledge of the project director and the quantity surveyor team.

Contract revenue comprises the initial amount of revenue agreed in the contract and variations in contract work to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur when the uncertainty associated with the variable consideration is subsequently resolved.

As at 31 December 2020, the carrying amounts of the Group's contract assets arising from engineering contracts amounted to $5,800,000 (2019: $11,002,000).

Notes to the Financial Statements

For the financial year ended 31 December 2020

4. Fixed assets

Group	Freehold land	Freehold buildings	Leasehold buildings	Plant and machinery	Motor vehicles	Renovation	Office equipment, furniture and fittings	Computers	Software	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost										
At 1 January 2019	20	97	30,316	5,365	358	1,784	795	535	1,423	40,693
Additions	–	–	–	178	–	7	23	94	–	302
Disposals	–	–	–	(147)	(257)	–	(35)	–	–	(439)
Write off	–	–	–	(19)	–	(38)	(22)	(16)	–	(95)
Acquisition of subsidiaries (Note 8(d))	–	–	1,950	20	37	23	13	8	1	2,052
Translation differences	–	–	(189)	(102)	3	(4)	(6)	3	–	(295)
At 31 December 2019 and 1 January 2020	20	97	32,077	5,295	141	1,772	768	624	1,424	42,218
Additions	–	–	–	12	–	95	24	96	–	227
Disposals	–	–	–	(16)	(65)	–	–	(4)	–	(85)
Write off	–	–	–	(23)	–	(98)	(86)	(236)	–	(443)
Transfer from right-of-use assets	–	–	–	–	215	–	–	–	–	215
Translation differences	–	–	339	184	6	7	12	4	2	554
At 31 December 2020	20	97	32,416	5,452	297	1,776	718	484	1,426	42,686

Notes to the Financial Statements

For the financial year ended 31 December 2020

4. Fixed assets (cont'd)

Group (cont'd)	Freehold land	Freehold buildings	Leasehold buildings	Plant and machinery	Motor vehicles	Renovation	Office equipment, furniture and fittings	Computers	Software	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Accumulated depreciation										
At 1 January 2019	–	57	2,705	3,468	310	312	353	459	637	8,301
Charge for the year	–	2	1,151	415	30	80	66	52	139	1,935
Disposals	–	–	–	(105)	(244)	–	(34)	–	–	(383)
Write off	–	–	–	(14)	–	(22)	(17)	(16)	–	(69)
Translation differences	–	–	(71)	(70)	(2)	(5)	(5)	3	(1)	(151)
At 31 December 2019 and 1 January 2020	–	59	3,785	3,694	94	365	363	498	775	9,633
Charge for the year	–	2	1,160	405	35	83	82	76	139	1,982
Disposals	–	–	–	(9)	(58)	–	–	(4)	–	(71)
Write off	–	–	–	(23)	–	(98)	(84)	(235)	–	(440)
Impairment loss	–	–	–	–	–	23	12	6	–	41
Transfer from right-of-use assets	–	–	–	–	119	–	–	–	–	119
Translation differences	–	–	127	125	4	8	8	2	2	276
At 31 December 2020	–	61	5,072	4,192	194	381	381	343	916	11,540
Net carrying amount										
At 31 December 2019	20	38	28,292	1,601	47	1,407	405	126	649	32,585
At 31 December 2020	20	36	27,344	1,260	103	1,395	337	141	510	31,146

Notes to the Financial Statements

For the financial year ended 31 December 2020

4. **Fixed assets (cont'd)**

Company	**Leasehold buildings** $'000	**Plant and machinery** $'000	**Motor vehicles** $'000	**Renovation** $'000	**Office equipment, furniture and fittings** $'000	**Computers** $'000	**Software** $'000	**Total** $'000
Cost								
At 1 January 2019	23,370	185	156	1,370	395	402	1,387	27,265
Additions	–	148	–	4	21	77	–	250
Disposal	–	–	(69)	–	–	–	–	(69)
Write off	–	–	–	–	–	(9)	–	(9)
At 31 December 2019 and 1 January 2020	23,370	333	87	1,374	416	470	1,387	27,437
Additions	–	–	–	–	12	28	–	40
At 31 December 2020	23,370	333	87	1,374	428	498	1,387	27,477
Accumulated depreciation								
At 1 January 2019	734	18	141	23	37	353	601	1,907
Charge for the year	730	25	4	47	42	33	139	1,020
Disposal	–	–	(69)	–	–	–	–	(69)
Write off	–	–	–	–	–	(10)	–	(10)
At 31 December 2019 and 1 January 2020	1,464	43	76	70	79	376	740	2,848
Charge for the year	730	37	3	47	44	48	140	1,049
At 31 December 2020	2,194	80	79	117	123	424	880	3,897
Net carrying amount								
At 31 December 2019	21,906	290	11	1,304	337	94	647	24,589
At 31 December 2020	21,176	253	8	1,257	305	74	507	23,580

Notes to the Financial Statements

For the financial year ended 31 December 2020

4. Fixed assets (cont'd)

Assets pledged as security

The following fixed assets are pledged as collateral for the Group's and Company's banking facilities:

(a) Leasehold buildings of the Company with net carrying amount of $21,176,000 (2019: $21,906,000); and

(b) Leasehold buildings of subsidiaries with net carrying amount of $6,091,000 (2019: $6,303,000).

5. Intangible assets

Group	Goodwill	Customer list	License	Total
	$'000	$'000	$'000	$'000
Cost:				
At 1 January 2019	189	685	–	874
Acquisition of subsidiaries (Note 8(d))	219	–	437	656
Translation differences	–	(20)	–	(20)
At 31 December 2019 and 1 January 2020	408	665	437	1,510
Translation differences	–	39	–	39
At 31 December 2020	408	704	437	1,549
Accumulated amortisation:				
At 1 January 2019	–	469	–	469
Amortisation for the year	–	85	328	413
Translation differences	–	(14)	–	(14)
At 31 December 2019 and 1 January 2020	–	540	328	868
Amortisation for the year	–	88	109	197
Impairment loss	219	–	–	219
Translation differences	–	28	–	28
At 31 December 2020	219	656	437	1,312
Net carrying amount:				
At 31 December 2019	408	125	109	642
At 31 December 2020	189	48	–	237

Customer list

The customer list was acquired in business combinations and has a remaining amortisation period of 0.5 years (2019: 1.5 years).

License

The license was acquired through business combinations during the financial year ended 31 December 2019 and has been fully amortised during the financial year (2019: a remaining amortisation period of 4 months).

Notes to the Financial Statements

For the financial year ended 31 December 2020

5. Intangible assets (cont'd)

Amortisation expense

The amortisation expense is included in the "Administrative expenses" line item in profit or loss.

Impairment testing of goodwill

Goodwill acquired through business combinations have been allocated to the following cash-generating units ("**CGUs**") for the purpose of impairment testing. The CGUs are represented by the Group's investments in its subsidiaries. The carrying amount of goodwill allocated to each CGU is as follows:

		Group	
		2020	**2019**
		$'000	$'000
CGU A	Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd	182	182
CGU B	Green Point Compressor Services & Parts Sdn. Bhd.	7	7
CGU C	M-Tech Air-Con & Security Engineering Pte Ltd	–	165
CGU D	Coolwerkz Engineering Limited	–	54
		189	408

The recoverable amounts of CGUs have been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period, except for CGU B. Management did not perform impairment testing of goodwill for CGU B as its carrying amount is considered not material.

The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are as follows:

	Terminal growth rates (%)		Pre-tax discount rates (%)	
	2020	**2019**	**2020**	**2019**
CGU A	2.5	2.5	14.0	14.0
CGU C	1.7	1.5	12.0	11.4

Key assumptions used in the value in use calculations

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

Budgeted gross margin – Gross margin is based on average values achieved in the five years preceding the start of the budget period. This remained constant over the budget period and no major changes for the pricing are anticipated.

Growth rate – The forecasted growth rate is based on expected projects and customers of respective CGU.

Pre-tax discount rate – Discount rate represents the current market assessment of the risks, regarding the time value of money and individual risks of the underlying assets which have not been incorporated in the cash flow estimates. The discount rate calculation is based on the specific circumstances of each CGU and derived from its weighted average cost of capital ("**WACC**"). The WACC takes into account both debt and equity.

Sensitivity to changes in assumptions

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

Notes to the Financial Statements

For the financial year ended 31 December 2020

6. Right-of-use assets/Lease liabilities

As a lessee

In addition to the land use rights disclosed in Note 7, the Group and the Company have lease contracts for land, office and warehouse premises, office equipment and motor vehicles. These obligations under these leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension options which are further discussed below.

The Group also has certain leases of office equipment, employee dormitory and office and warehouse premises with lease terms of 12 months or less and leases of office equipment with low value. The Group applies the 'short-term lease' and 'leases of low-value assets' recognition exemptions for these leases.

Set out below are the carrying amounts of right-of-use assets recognised and the movements during the period:

	Group				
	Leasehold land	**Office and warehouse premises**	**Motor vehicles**	**Office equipment**	**Total**
	$'000	$'000	$'000	$'000	$'000
At 1 January 2019	13,287	505	58	31	13,881
Additions	–	47	353	69	469
Acquisition of subsidiaries (Note 8(d))	–	–	540	–	540
Depreciation	(429)	(257)	(133)	(18)	(837)
Translation differences	–	(1)	(5)	–	(6)
At 31 December 2019 and 1 January 2020	12,858	294	813	82	14,047
Additions	213	519	115	–	847
Depreciation	(435)	(332)	(135)	(24)	(926)
Transfer to fixed assets	–	–	(96)	–	(96)
Impairment loss	–	(26)	–	–	(26)
Translation differences	–	4	–	–	4
At 31 December 2020	12,636	459	697	58	13,850

	Company				
	Leasehold land	**Office and warehouse premises**	**Motor Vehicles**	**Office equipment**	**Total**
	$'000	$'000	$'000	$'000	$'000
At 1 January 2019	13,287	107	37	13	13,444
Additions	–	–	84	12	96
Depreciation	(429)	(33)	(28)	(3)	(493)
At 31 December 2019 and 1 January 2020	12,858	74	93	22	13,047
Additions	213	–	–	–	213
Depreciation	(435)	(33)	(34)	(5)	(507)
At 31 December 2020	12,636	41	59	17	12,753

Notes to the Financial Statements

For the financial year ended 31 December 2020

6. Right-of-use assets/Lease liabilities (cont'd)

As a lessee (cont'd)

Set out below are the carrying amounts of lease liabilities and the movements during the period:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
At 1 January	14,176	13,892	13,252	13,456
Acquisition of subsidiaries (Note 8(d))	–	532	–	–
Additions	847	454	213	75
Payments	(1,381)	(1,262)	(809)	(791)
Interest expense	584	559	511	512
Foreign exchange movement	3	1	–	–
At 31 December	14,229	14,176	13,167	13,252
Current	772	673	310	294
Non-current	13,457	13,503	12,857	12,958
At 31 December	14,229	14,176	13,167	13,252

The maturity analysis of lease liabilities is disclosed in Note 35.

The following are the amounts recognised in profit or loss:

	Group	
	2020	**2019**
	$'000	$'000
Depreciation of right-of-use assets (Note 28)	926	837
Interest expense on lease liabilities (Note 30)	584	559
Lease expense not capitalised in lease liabilities (Note 28):		
- Expense relating to short-term leases (included in administrative expenses)	393	633
- Expense relating to leases of low-value assets (included in administrative expenses)	13	11
	406	644
Total amount recognised in profit or loss	1,916	2,040

The Group had total cash outflows for leases of $1,787,000 (2019: $1,906,000). The Group also had non-cash additions to right-of-use assets and lease liabilities of $847,000 (2019: $469,000) and $847,000 (2019: $454,000) respectively. The Group has not entered into any lease contracts which have not yet commenced as at 31 December 2020.

The Group and the Company have several lease contracts that include extension options. These options are negotiated by management to provide flexibility in managing the leased-asset portfolio and align with the Group and the Company's business needs. Management exercises significant judgement in determining whether these extension options are reasonably certain to be exercised (Note 3.1).

Notes to the Financial Statements

For the financial year ended 31 December 2020

6. Right-of-use assets/Lease liabilities (cont'd)

As a lessor

The Group and the Company have entered into operating leases on its leasehold land and buildings. These non-cancellable leases have remaining lease terms of between 1 and 25 years.

Rental income recognised by the Group during the financial year ended 31 December 2020 is $770,000 (2019: $1,769,000).

The future minimum rental receivable under non-cancellable operating leases contracted for at the reporting period are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Not later than one year	662	781	648	648
Two to five years	673	1,352	648	1,296
Later than five years	17	18	–	–
	1,352	2,151	1,296	1,944

7. Right-of-use assets - land use rights

	Group	
	2020	**2019**
	$'000	$'000
Cost		
At 1 January	2,112	2,134
Translation differences	40	(22)
At 31 December	2,152	2,112
Accumulated amortisation		
At 1 January	288	246
Charged for the year	45	45
Translation differences	5	(3)
At 31 December	338	288
Net carrying amount	1,814	1,824
Amount to be amortised:		
- Not later than one year	45	45
- Later than one year but not later than five years	181	179
- Later than five years	1,588	1,600

The Group has land use rights over a plot of state-owned land in PRC where the Group's PRC manufacturing and storage facilities reside. The land use rights are not transferrable and have a remaining tenure of 40 years (2019: 41 years) up to 2061.

The land use rights are pledged as collateral for a subsidiary's term loans.

Notes to the Financial Statements

For the financial year ended 31 December 2020

8. Investments in subsidiaries

	Company	
	2020	**2019**
	$'000	$'000
Shares, at cost	21,353	15,302
Add: Investment in subsidiaries	–	6,051
Less: Impairment losses	(5,143)	(200)
	16,210	21,153

a. Composition of the Group

Name	Principal activities	Principal places of business	Proportion (%) of ownership interest 2020	Proportion (%) of ownership interest 2019
Held by the Company				
Far East Refrigeration (M) Sdn. Bhd. #	Trading of refrigeration and air-conditioning parts and investment holding	Malaysia	100	100
Far East Refrigeration Limited #	Trading of refrigeration and air-conditioning parts	Hong Kong	100	100
RSP Systems Pte Ltd @	Supply and solutions provider of refrigeration and air-conditioning monitoring and energy management systems	Singapore	57.1	57.1
Edenkool Pte Ltd @	Trading of refrigeration and air-conditioning parts	Singapore	100	100
GPS Compressor Services & Parts Pte Ltd @	Repair and maintenance for refrigeration and air-conditioning compressors	Singapore	100	100
Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd #	Manufacturing and trading of electrical, refrigeration and air-conditioning equipment and parts	People's Republic of China	84.25	84.25
Far East Refrigeration Vietnam Company Limited * ("**FERV**")	Trading of refrigeration and air-conditioning parts	Vietnam	100	100
M-Tech Air-Con & Security Engineering Pte Ltd @ ("**M-Tech**")	Plumbing, heating (non-electrical) and air-conditioning engineering solutions in the heating, ventilation, air-conditioning and refrigeration industry	Singapore	100	100

Notes to the Financial Statements

For the financial year ended 31 December 2020

8. Investments in subsidiaries (cont'd)

a. Composition of the Group (cont'd)

Name	**Principal activities**	**Principal places of business**	**Proportion (%) of ownership interest 2020**	**2019**
Held by the Company (cont'd)				
Coolwerkz Engineering Limited [&] ("**Coolwerkz**")	Provision of engineering (design, installation and commissioning) services, consultancy and maintenance works	Myanmar	60	60
Held by the Company and Edenkool Pte Ltd				
PT. Far East Refrigeration Indonesia [^] ("**FERI**")	Trading of refrigeration and air-conditioning parts	Indonesia	100	100
Held through Far East Refrigeration (M) Sdn. Bhd.				
Far East Maju Engineering Works Sdn. Bhd. [#]	Manufacturing and trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100
Far East Enterprises (K.L.) Sdn. Bhd. [#]	Trading of electrical, refrigeration and air-conditioning equipment and parts (Inactive)	Malaysia	100	100
Far East Enterprises (Penang) Sdn. Bhd.[#]	Trading of electrical, refrigeration and air-conditioning equipment and parts (Inactive)	Malaysia	93.88	93.88
FE & B Engineering (M) Sdn. Bhd. [^]	Trading of electrical, refrigeration and air-conditioning equipment and parts (Inactive)	Malaysia	100	100
Far East Refrigeration (Kuching) Sdn. Bhd.[^]	Trading of electrical, refrigeration and air-conditioning equipment and parts (Inactive)	Malaysia	100	100
Safety Enterprises Sdn. Bhd. [#]	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100
Green Point Compressor Services & Parts Sdn. Bhd. [#]	Repair and maintenance for air-conditioning compressors	Malaysia	100	100

Notes to the Financial Statements

For the financial year ended 31 December 2020

8. Investments in subsidiaries (cont'd)

a. Composition of the Group (cont'd)

Name	Principal activities	Principal places of business	Proportion (%) of ownership interest 2020	2019
Held through Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd				
Elite Envirotech Co., Ltd >	Manufacturing and trading of electrical, refrigeration and air-conditioning equipment and parts	People's Republic of China	51	51

@ Audited by Ernst & Young LLP, Singapore
# Audited by member firms of EY Global in the respective countries
* Audited by Ad Audit Co., Ltd in Vietnam
> Audited by Shanghai Huiyong Certified Public Accountants in People's Republic of China
& Audited by Cho Cho Toe and Associates in Myanmar
^ These entities are not required to be audited under the laws of the country of incorporation

b. Interest in subsidiary with material non-controlling interest ("NCI")

The Group has the following subsidiary that has NCI that is material to the Group.

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by NCI	Profit/(loss) allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period
		%	$'000	$'000
31 December 2020:				
Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd and its subsidiary	People's Republic of China	15.75	28	1,426
31 December 2019:				
Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd and its subsidiary	People's Republic of China	15.75	(19)	1,368

Significant restrictions

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests are:

Cash and cash equivalents of $1,839,000 (2019: $1,090,000) held in People's Republic of China are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends.

Notes to the Financial Statements

For the financial year ended 31 December 2020

8. Investments in subsidiaries (cont'd)

c. Summarised financial information about subsidiary with material NCI

Summarised financial information including goodwill on acquisition and consolidation adjustments but before intercompany eliminations of subsidiary with material non-controlling interests is as follows:

Summarised balance sheet

	Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd and its subsidiary	
	2020	**2019**
	$'000	$'000
Current		
Assets	9,309	6,781
Liabilities	(7,155)	(6,452)
Net current assets	2,154	329
Non-current		
Assets	7,844	9,846
Liabilities	(309)	(369)
Net non-current assets	7,535	9,477
Net assets	9,689	9,806

Summarised statement of comprehensive income

	2020	**2019**
	$'000	$'000
Revenue	18,065	12,195
Profit before tax	328	86
Income tax expense	(149)	(207)
Profit/(loss) after tax	179	(121)
Other comprehensive income	(296)	(172)
	(117)	(293)

Other summarised information

	2020	**2019**
	$'000	$'000
Net cash flows generated from operations	2,067	1,667
Acquisition of significant fixed assets	(12)	(26)

Notes to the Financial Statements

For the financial year ended 31 December 2020

8. Investments in subsidiaries (cont'd)

d. Acquisition of subsidiaries

Coolwerkz Engineering Limited

On 8 October 2019, the Company acquired an additional 20% equity interest in its 40% owned joint venture, Coolwerkz, a provider of engineering (design, installation and commissioning) services, consultancy and maintenance works in Myanmar. Upon the acquisition, Coolwerkz became a 60%-owned subsidiary of the Group.

The Group has acquired Coolwerkz in order to strengthen its distribution network and service offerings in Myanmar.

The Group has elected to measure the non-controlling interest at the non-controlling interest's proportionate share of Coolwerkz's net identifiable assets.

The fair value of the identifiable assets and liabilities of Coolwerkz as at the acquisition date were:

	Provisional fair value recognised on acquisition
	$'000
Fixed assets	31
Inventories	117
Trade receivables	304
Contract assets	15
Deposits and prepayments	27
Cash and cash equivalents	59
	553
Trade payables	(47)
Contract liabilities	(13)
Accruals and other liabilities	(305)
	(365)
Total identifiable net assets at fair value	188
Non-controlling interest measured at the non-controlling interest's proportionate share of Coolwerkz's net identifiable assets	(75)
Goodwill arising from acquisition	54
	167
<u>Consideration transferred for the acquisition of Coolwerkz</u>	
Cash paid	92
Fair value of equity interest in Coolwerkz held by the Group immediately before the acquisition	75
	167

Notes to the Financial Statements

For the financial year ended 31 December 2020

8. Investments in subsidiaries (cont'd)

d. Acquisition of subsidiaries (cont'd)

Coolwerkz Engineering Limited (cont'd)

	$'000
Effect of acquisition of Coolwerkz on cashflows	
Cash consideration for 20% equity interest acquired	92
Less: Cash and cash equivalents of subsidiary acquired	(59)
Net cash outflow on acquisition	33

Gain on remeasuring previously held equity interest in Coolwerkz to fair value at acquisition date

The Group recognised a gain of $30,000 as a result of measuring at fair value its 40% equity interest in Coolwerkz held before the business combination. The gain is included in the "Other operating income" line item in the Group's profit or loss for the financial year ended 31 December 2019.

Trade receivables and contract assets acquired

Trade receivables and contract assets were acquired at fair values of $304,000 and $15,000 respectively. At the acquisition date, all of the contractual cash flows pertaining to trade receivables and contract assets are expected to be collected.

Goodwill arising from acquisition

The goodwill of $54,000 comprises the value of strengthening the Group's market position in Myanmar and cost reduction synergies expected to arise from the acquisition. Goodwill is allocated entirely to CGU D (Note 5). None of the goodwill recognised is expected to be deductible for income tax purposes.

Impact of the acquisition on profit or loss

From the acquisition date, Coolwerkz has contributed $423,000 of revenue and net loss of $53,000 to the Group's net loss for the financial year ended 31 December 2019. If the business combination had taken place at the beginning of the year, Coolwerkz would have contributed total revenue of $1,010,000 and net loss of $18,000. Group's revenue would have been $71,190,000 and the Group's net loss would have been $1,373,000.

M-Tech Air-Con & Security Engineering Pte Ltd

On 1 January 2019, the Company acquired 100% equity interest in M-Tech, a provider of plumbing, heating (non-electrical) and air-conditioning engineering solutions in the heating, ventilation, air-conditioning and refrigeration industry in Singapore. Upon the acquisition, M-Tech became a wholly-owned subsidiary of the Group.

The Group has acquired M-Tech in order to expand the contribution from the residential and commercial (air-conditioning) segment via a well-regarded company with long-standing track record and existing customer base. In the provision and installation of refrigeration equipment and air-conditioning systems, M-Tech requires the supply of peripheral accessories such as copper pipes and fittings and insulation material. The Group will be able to provide these raw materials, which would manage downstream costs for M-Tech, as well as generate a new revenue stream for the Group.

Notes to the Financial Statements

For the financial year ended 31 December 2020

8. Investments in subsidiaries (cont'd)

d. Acquisition of subsidiaries (cont'd)

M-Tech Air-Con & Security Engineering Pte Ltd (cont'd)

The fair value of the identifiable assets and liabilities of M-Tech as at the acquisition date were:

	Fair value recognised on acquisition
	$'000
Fixed assets	2,021
Right-of-use assets	540
Deferred tax assets	17
Intangible assets	437
Inventories	425
Trade receivables	3,149
Contract assets	5,778
Other receivables and prepayments	674
Cash and cash equivalents	938
	13,979
Trade and other payables	(4,185)
Contract liabilities	(230)
Accruals and other liabilities	(320)
Trust receipts and bills payable	(2,240)
Term loans	(750)
Lease liabilities	(532)
Provision for income tax	(125)
Deferred tax liabilities	(223)
	(8,605)
Total identifiable net assets at fair value	5,374
Goodwill arising from acquisition	165
	5,539

Notes to the Financial Statements

For the financial year ended 31 December 2020

8. Investments in subsidiaries (cont'd)

d. Acquisition of subsidiaries (cont'd)

M-Tech Air-Con & Security Engineering Pte Ltd (cont'd)

	$'000
Consideration transferred for the acquisition of M-Tech	
Cash paid	5,500
Equity instruments issued (2,982,000 ordinary shares of the Company)	432
Adjustments to purchase consideration	(393)
Total consideration for 100% equity interest acquired	5,539
Effect of acquisition of M-Tech on cashflows	
Total consideration settled in cash	5,500
Add: Transaction costs as consideration for issuance of shares as consideration	17
Less: Cash and cash equivalents of subsidiary acquired	(938)
Net cash outflow on acquisition	4,579

Equity instruments issued as part of consideration transferred

In connection with the acquisition of 100% equity interest in M-Tech, the Company issued 2,982,000 new ordinary shares with a fair value of $0.145 each. The fair value of these shares is the published price of the shares at the acquisition date.

The attributable cost of the issuance of the shares as consideration of $17,000 have been recognised directly in equity as a deduction from share capital (Note 22).

Contingent consideration arrangement

As part of the purchase agreement with the previous owners of M-Tech (the "**Vendors**"), a contingent consideration has been agreed. Additional cash payments shall be payable to the previous owners of M-Tech of:

(a) $750,000, if the entity generates at least $750,000 of net profit after taxes ("**NPAT**") for the financial year ended 31 December 2019 ("**FY2019 Profit Guarantee**"); and

(b) $750,000, if the entity generates at least $750,000 of NPAT for the financial year ended 31 December 2020 ("**FY2020 Profit Guarantee**").

In the event that M-Tech fails to achieve the FY2019 Profit Guarantee and/or the FY2020 Profit Guarantee, the contingent purchase consideration will be adjusted according to the below formula:

NPAT of M-Tech for FY2019/FY2020 – [50% * (difference between $750,000 and NPAT of M-Tech for FY2019/FY2020)]

8. Investments in subsidiaries (cont'd)

d. Acquisition of subsidiaries (cont'd)

M-Tech Air-Con & Security Engineering Pte Ltd (cont'd)

Contingent consideration arrangement (cont'd)

In the event that M-Tech's NPAT is zero or a negative figure, the Vendors jointly and severally agree and undertake to compensate the Company by paying a cash sum as compensation for the non-fulfilment of FY2019 Profit Guarantee and/or FY2020 Profit Guarantee of $375,000 for each of FY2019 and/or FY2020, where applicable.

As at the acquisition date, the fair value of the contingent consideration was estimated at Nil.

As of 31 December 2019, the key performance indicators of M-Tech showed that FY2019 Profit Guarantee was not achieved and the achievement of FY2020 Profit Guarantee is not probable as the projected FY2020 NPAT is lower than the difference between $750,000 and its projected FY2020 NPAT.

In FY2019, management assessed that the probability of the M-Tech achieving FY2020 Profit Guarantee was remote and hence no adjustment was made to the fair value of the contingent consideration as at 31 December 2019.

As of 31 December 2020, the key performance indicators of M-Tech showed that FY2020 Profit Guarantee was not achieved. The Vendors requested for a lower compensation in respect of M-Tech's negative NPAT in FY2020, in light of the COVID-19 pandemic which has significantly impacted the built environment sector, arising from the lockdown of job sites during Circuit Breaker and outbreak of COVID-19 in foreign workers dormitories. Management is still in negotiation with the Vendors on the same.

Transaction costs

Transaction costs related to the acquisition were $72,000, of which $2,000 have been recognised in the "Administrative expenses" line item in the Group's profit or loss for the year ended 31 December 2019.

Adjustments to purchase consideration

As part of the purchase agreement with the Vendors of M-Tech, refunds to the consideration paid shall be made by the Vendors of M-Tech if the audited net assets of M-Tech as at 31 December 2018 is less than $4,701,956 ("**Agreed NTA**"). The Vendors shall pay to the Company an amount equal to the difference between the Agreed NTA and the audited net assets as at 31 December 2018. This amount is included in the "Other receivables" line item in the Group's and the Company's balance sheets as at 31 December 2019.

Trade receivables and contract assets acquired

Trade receivables and contract assets were acquired at fair values of $3,149,000 and $5,778,000 respectively. At the acquisition date, all of the contractual cash flows pertaining to trade receivables and contract assets are expected to be collected.

Goodwill arising from acquisition

The goodwill of $165,000 comprises the value of immediate entry into the contracting business in the heating, ventilation, air-conditioning and refrigeration ("**HVAC&R**") industry in Singapore with a reputable contractor with an excellent track record, led by a strong team with more than 20 years of experience in the HVAC&R industry in Singapore. Goodwill is allocated entirely to CGU C (Note 5). None of the goodwill recognised is expected to be deductible for income tax purposes.

Impact of the acquisition on profit or loss

From the acquisition date, M-Tech has contributed $23,034,000 of revenue and net profit of $91,000 to the Group's net loss for the financial year ended 31 December 2019.

Notes to the Financial Statements

For the financial year ended 31 December 2020

8. Investments in subsidiaries (cont'd)

e. Impairment of investment in subsidiaries

FERV, FERI and Coolwerkz

During the financial year, the Company carried out a review of the recoverable amounts of its investment in FERV, FERI and Coolwerkz because these subsidiaries had been persistently making losses and were in net liabilities positions. An impairment loss of $743,000, representing the write-down of these investments to their respective recoverable amounts was recorded.

M-Tech

In 2020, the Company carried out a review of the recoverable amounts of its investment in M-Tech as there were indicators of impairment. An impairment loss of $4,200,000, representing the write-down of this investment to its recoverable amount was recorded. The recoverable amount has been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The key assumptions used are disclosed in Note 5 (CGU C).

9. Investment in associates

The Group's investment in associates are summarised as below:

	Group	
	2020	**2019**
	$'000	$'000
Yealea Industry Co., Ltd	283	174
Fayi Technology Inc.	637	517
	920	691

	2020	**2019**
At 1 January	691	588
Share of results of associates	199	131
Additions	30	–
Translation differences	–	(5)
Dividends received from Fayi Taiwan	–	(23)
At 31 December	920	691

Name of associate	**Principal activities**	**Country of incorporation/ Principal places of business**	**Proportion (%) of ownership interest 2020**	**2019**
Yealea Industry Co., Ltd ("**Yealea**")	Manufacturing and trading of electrical, refrigeration and air-conditioning equipment and parts	People's Republic of China	14	14
Fayi Technology Inc. ("**Fayi Taiwan**")	Trading of electrical, refrigeration and air-conditioning equipment and parts	Republic of China (Taiwan)	27	27

Notes to the Financial Statements

For the financial year ended 31 December 2020

9. Investment in associates (cont'd)

The activities of the associates are strategic to the Group activities.

The summarised financial information in respect of Yealea and Fayi Taiwan based on its IFRS financial statements and a reconciliation with carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Yealea		Fayi Taiwan	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Current				
Assets	8,138	7,307	3,146	2,718
Liabilities	(6,940)	(7,067)	(2,099)	(1,564)
Net current assets	1,198	240	1,047	1,154
Non-current				
Assets	1,863	1,030	3,972	3,206
Liabilities	–	–	(2,591)	(2,469)
Net non-current assets	1,863	1,030	1,381	737
Net assets	3,061	1,270	2,428	1,891
Proportion of the Group's ownership	14%	14%	27%	27%
Group's share of net assets	429	178	656	510
Other adjustments	(146)	(4)	(19)	7
Carrying amount of the investment	283	174	637	517

Summarised statement of comprehensive income

	Yealea		Fayi Taiwan	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Revenue	19,267	14,825	5,937	5,975
Profit after tax	569	489	442	234
Proportion of the Group's ownership	14%	14%	27%	27%
Share of results of associates	80	68	119	63

Notes to the Financial Statements

For the financial year ended 31 December 2020

10. Investment securities

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
At fair value through other comprehensive income ("FVOCI")				
Unquoted equity security				
- Guangzhou Fayi Trading Co., Ltd. ("**Fayi Guangzhou**")	7,651	8,984	–	–
At fair value through profit or loss ("FVPL")				
Held for trading investment securities (quoted) on:				
- Bonds	7,293	5,329	7,293	5,329
- Money market funds	–	1,574	–	1,574
- Fixed income funds	977	1,012	977	1,012
	8,270	7,915	8,270	7,915
	15,921	16,899	8,270	7,915
Classified as:				
Current	8,270	7,915	8,270	7,915
Non-current	7,651	8,984	–	–
	15,921	16,899	8,270	7,915

The Group has elected to measure the unquoted equity security at FVOCI due to the Group's intention to hold the equity instruments for long-term appreciation.

During the financial year, the Group recognised a dividend income of $287,000 (2019: $447,000) from Fayi Guangzhou.

11. Deferred taxation

	Group – Consolidated balance sheet 2020 $'000	Group – Consolidated balance sheet 2019 $'000	Group – Consolidated income statement 2020 $'000	Group – Consolidated income statement 2019 $'000
Deferred tax assets:				
Provisions	472	450	(22)	(51)
Unutilised tax losses	–	–	–	144
Excess of tax written down value over net carrying amount of fixed assets	169	54	(115)	2
	641	504		
Deferred tax liabilities				
Fair value adjustments on unquoted investment securities	1,529	1,792	–	–
Fair value adjustments on acquisition of subsidiaries	223	223	–	–
Excess of net carrying amount over tax written down value of fixed assets	4	6	(2)	(3)
Undistributed earnings of an associate	56	31	25	4
Unremitted foreign sourced income	375	419	(44)	190
	2,187	2,471		
Deferred tax (credit)/expense			(158)	286

Tax consequences of proposed dividends

There are no income tax consequences (2019: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 39).

Notes to the Financial Statements

For the financial year ended 31 December 2020

12. Inventories

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Balance sheet				
Raw materials (at cost)	1,653	1,622	–	–
Work-in-progress (at cost)	272	225	–	–
Finished goods-in-transit (at cost)	2,480	709	1,902	308
Finished goods (at cost)	10,173	10,729	5,763	6,660
	14,578	13,285	7,665	6,968
Income statement				
Inventories recognised as an expense in cost of sales	33,498	35,308		
Inclusive of the following charge:				
- Allowance/(write back of allowance) for obsolete and slow-moving inventories, net	731	(98)		

The management of the Group and Company reviews an aging analysis of inventories to identify obsolete and slow-moving inventories at each reporting period.

The write back of inventories were made when the related inventories were sold above their carrying amounts in 2019.

13. Trade receivables

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Third party trade receivables	12,817	13,208	2,331	2,534
Allowance for expected credit losses	(1,501)	(616)	(296)	(86)
	11,316	12,592	2,035	2,448

Trade receivables are non-interest bearing and are generally on 30 to 90 days' terms. They are recognised at their original invoice amounts which represent their fair values on initial recognition.

Notes to the Financial Statements

For the financial year ended 31 December 2020

13. Trade receivables (cont'd)

Trade receivables denominated in foreign currencies at each reporting period are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
United States Dollar	554	780	541	677
Euro	679	620	679	620

Expected credit losses

The movement in allowance for expected credit losses of trade receivables and contract assets computed based on lifetime ECL are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Trade receivables				
Movement in allowance accounts:				
At 1 January	616	481	86	84
Acquisition of subsidiaries (Note 8(d))	–	133	–	–
Allowance for the year	1,246	136	286	43
Written back	(25)	(79)	–	(34)
Written off against allowance	(346)	(49)	(76)	(7)
Exchange differences	10	(6)	–	–
At 31 December	1,501	616	296	86
Contract assets				
Movement in allowance accounts:				
At 1 January	521	–	–	–
Acquisition of subsidiaries (Note 8(d))	–	333	–	–
Allowance for the year	716	204	–	–
Written back	(399)	–	–	–
Written off against allowance	–	(16)	–	–
At 31 December	838	521	–	–

Notes to the Financial Statements

For the financial year ended 31 December 2020

14. Other receivables

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Other receivables	1,548	1,536	700	758
Allowance for expected credit losses	–	(3)	–	(3)
	1,548	1,533	700	755

Other receivables denominated in foreign currency at each reporting period are as follows:

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
United States Dollar	11	11	–	–

Expected credit losses

The movement in allowance for expected credit losses of other receivables computed based on lifetime ECL are as follows:

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Movement in allowance accounts:				
At 1 January	3	–	3	–
Allowance for the year	–	3	–	3
Written off against allowance	(3)	–	(3)	–
At 31 December	–	3	–	3

15. Amounts due from/(to) subsidiaries Amounts due from/(to) associates

These balances are unsecured, non-interest bearing and repayable on demand in cash within twelve months from the end of the financial year, except for the Company's amounts due to subsidiaries (non-trade) of $2,778,000 (2019: $100,000) which bear interests at rates ranging from 1.92% to 3.38% (2019: 3.0%) per annum; and the Company's amount due from a subsidiary (non-trade) of $1,000,000 (2019: 500,000) bears interests at 3.8% (2019: 3.8%) per annum.

Expected credit losses

The Group does not recognise any allowance for expected credit losses of amounts due from associates.

The movement in allowance for expected credit losses of amounts due from subsidiaries computed based on lifetime ECL are as follows:

	Company 2020 $'000	Company 2019 $'000
At 1 January	99	99
Allowance for the year	2,797	–
At 31 December	2,896	99

Notes to the Financial Statements

For the financial year ended 31 December 2020

15. Amounts due from/(to) subsidiaries Amounts due from/(to) associates (cont'd)

Amount due from subsidiaries and associates denominated in foreign currencies at each reporting period are as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
United States Dollar	–	9	1,759	2,761
Renminbi	–	138	516	389
Euro	–	–	193	350
Ringgit Malaysia	–	–	16	110
Taiwan Dollar	–	134	–	–

Amount due to subsidiaries and associates denominated in foreign currencies at each reporting period are as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
United States Dollar	–	–	440	2,241
Ringgit Malaysia	–	–	18	40
Euro	–	–	153	199

16. Cash and bank balances Fixed deposits

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Cash and bank balances	7,568	5,548	1,705	654
Fixed deposits	219	3,497	209	3,183
	7,787	9,045	1,914	3,837

Cash at banks earns interest at floating rates based on daily bank deposit rates. The Group and the Company have bank deposits amounting to $200,000 (2019: $200,000) pledged for performance guarantee. Fixed deposits are made for varying periods between one day and twelve months, depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2020 for the Group and the Company were 1.1% (2019: 2.12%) and 1.1% (2019: 2.11%) per annum respectively.

As at 31 December 2020, fixed deposits earn interest at 0.15% to 0.25% (2019: 0.25% to 1.96%) per annum. Fixed deposits included in cash and cash equivalents are for periods of mainly less than one month.

Notes to the Financial Statements

For the financial year ended 31 December 2020

16. Cash and bank balances
Fixed deposits (cont'd)

Cash and cash equivalents denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
United States Dollar	176	106	123	78
Euro	70	233	32	204
Renminbi	358	342	–	–

For the purpose of the consolidated cash flow statement, cash and cash equivalents comprise the following at the end of the reporting period:

	Group	
	2020	**2019**
	$'000	$'000
Cash and bank balances	7,568	5,548
Fixed deposits	219	3,497
	7,787	9,045
Less: bank overdraft (Note 21)	–	(113)
Less: bank deposit pledged	(200)	(200)
	7,587	8,732

17. Trade payables

Trade payables are non-interest bearing and are normally settled on 30 to 90 days' terms.

Trade payables denominated in foreign currencies at each reporting period are as follows:

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Euro	321	493	300	414
United States Dollar	957	1,017	826	1,016

18. Trust receipts and bills payable (secured)

Trust receipts and bills payable of the Company are secured by way of legal mortgage on the Company's leasehold buildings with net carrying amount of $21,176,000 (2019: $21,906,000).

Trust receipts and bills payable of a subsidiary are secured by way of legal mortgage on the subsidiary's leasehold buildings with net carrying amount of $1,785,000 (2019: $1,867,000) and guarantee by the Company.

The trust receipts and bills payable bear interest at 1.0% to 2.0% (2019: 1.0% to 2.0%) per annum above the bank's cost of funds. As at 31 December 2020, the effective interest rate was 2.56% (2019: 2.44%) per annum.

Notes to the Financial Statements

For the financial year ended 31 December 2020

18. Trust receipts and bills payable (secured) (cont'd)

Trust receipts and bills payable denominated in foreign currencies at each reporting period are as follows:

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Euro	1,092	3,797	1,092	3,797
United States Dollar	4,772	2,300	4,772	2,300

19. Accruals and other liabilities

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Accrued operating expenses	4,378	4,994	2,524	1,223
Deposits received	829	307	270	270
	5,207	5,301	2,794	1,493

20. Term loans

	Group 2020 $'000	Group 2019 $'000	Company 2020 $'000	Company 2019 $'000
Secured term loans				
(a) Term loan bears average interest at 2.70% (2019: 3.70%) per annum. The term loan is repayable in 180 monthly instalments commencing January 2018	15,064	16,115	15,064	16,115
(b) Term loan bears interest at 3.26% per annum with effect from 16 December 2019 to 21 January 2020	–	539	–	539
(c) Term loan bears interest at 2.25% per annum. The term loan is repayable in 60 monthly instalments commencing October 2020	2,425	–	2,425	–
(d) Term loan bears average interest at 3.45% starting from 16 April 2019. The term loan is repayable in 60 monthly instalments commencing April 2019	–	3,379	–	3,379
(e) Term loan bears average interest at 3.45% starting from 16 January 2020. The term loan is repayable in 52 monthly instalments commencing January 2020	2,678	–	–	–
(f) Term loan bears average interest at 7.00% (2019: 7.03%) per annum. The term loan is repayable in 240 monthly instalments commencing April 2007	132	148	–	–

Notes to the Financial Statements

For the financial year ended 31 December 2020

20. Term loans (cont'd)

		Group		Company	
		2020	**2019**	**2020**	**2019**
		$'000	$'000	$'000	$'000
Secured term loans (cont'd)					
(g)	Term loan bears average interest at 6.25% (2019: 6.26%) per annum. The term loan is repayable in 240 monthly instalments commencing July 2012	530	559	–	–
(h)	Term loan bears interest at 2.25% per annum with effect from 16 June 2020 to 15 June 2025	2,262	–	–	–
(i)	Term loan bears interest at 5.87% per annum with effect from 28 August 2019 to 27 February 2020	–	331	–	–
(j)	Term loan bears interest at 5.87% per annum with effect from 25 September 2019 to 24 March 2020	–	405	–	–
(k)	Term loan bears interest at 5.87% per annum with effect from 29 October 2019 to 28 April 2020	–	321	–	–
(l)	Term loan bears interest at 5.87% per annum with effect from 25 November 2019 to 24 May 2020	–	372	–	–
(l)	Term loan bears interest at 5.87% per annum with effect from 24 December 2019 to 23 June 2020	–	210	–	–
		23,091	22,379	17,489	20,033
Repayable within 12 months		2,915	3,932	1,597	2,248
Repayable after 12 months		20,176	18,447	15,892	17,785
		23,091	22,379	17,489	20,033

(a)-(d) The term loans are secured by legal mortgages over the Company's leasehold buildings with net carrying amount of $21,176,000 (2019: $21,906,000). These loans include a financial covenant which requires the total carrying amount of these loans to not exceed 80% of the market value of the total pledged fixed assets.

(d) During the financial year ended 31 December 2020, the term loan was novated to a subsidiary of the Company.

(d)-(h) The term loans are secured by a legal mortgage over a subsidiary's leasehold buildings with net carrying amount of $1,785,000 (2019: $1,867,000) and guarantee by the Company.

(i)-(m) The term loans are secured by a legal mortgage over a subsidiary's land use rights and leasehold buildings with net carrying amount of $1,814,000 (2019: $1,824,000) and $4,306,000 (2019: $4,436,000) respectively and guarantee by the Company.

During the financial year ended 31 December 2020, the effective interest rates are 2.59% and 2.59% (2019: 4.0% and 3.5%) per annum for the Group and the Company respectively.

Notes to the Financial Statements

For the financial year ended 31 December 2020

20. Term loans (cont'd)

A reconciliation of liabilities arising from financing activities is as follows:

	Group							
			Non-cash changes					
	1 January 2020	Net cash flows from financing activities	New leases	Settlement of trade payables	Accretion of interest for lease liabilities	Foreign exchange movement	Other	31 December 2020
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trust receipts and bills payable	9,047	(9,160)	–	9,269	–	113	–	9,269
Term loans								
- Current	3,932	(3,932)	–	–	–	77	2,838	2,915
- Non-current	18,447	4,567	–	–	–	–	(2,838)	20,176
Lease liabilities								
- Current	673	(1,381)	–	–	584	3	893	772
- Non-current	13,503	–	847	–	–	–	(893)	13,457
Total	45,602	(9,906)	847	9,269	584	193	–	46,589

	Group								
			Non-cash changes						
	1 January 2019	Net cash flows from financing activities	Acquisition of subsidiaries (Note 8(d))	New leases	Settlement of trade payables	Accretion of interest for lease liabilities	Foreign exchange movement	Other	31 December 2019
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trust receipts and bills payable	5,842	(8,092)	2,240	–	9,047	–	10	–	9,047
Term loans									
- Current	3,381	(1,120)	43	–	–	–	(62)	1,690	3,932
- Non-current	16,093	3,337	707	–	–	–	–	(1,690)	18,447
Lease liabilities									
- Current	495	(1,262)	168	–	–	559	1	712	673
- Non-current	13,397	–	364	454	–	–	–	(712)	13,503
Total	39,208	(7,137)	3,522	454	9,047	559	(51)	–	45,602

The "Other" column relates to reclassification of non-current portion of term loans and lease liabilities due to passage of time.

Notes to the Financial Statements

For the financial year ended 31 December 2020

21. Bank overdraft

The bank overdrafts are secured by a legal mortgage over a subsidiary's leasehold buildings with net carrying amount of Nil (2019: $1,867,000) and guarantee by the Company. The weighted average effective interest rate is Nil (2019: 1.17%) per annum.

22. Share capital

	Group and Company			
	2020		2019	
	No. of shares	$'000	No. of shares	$'000
Issued and fully paid ordinary shares				
At 1 January	111,462	19,680	108,480	19,265
Issued for acquisition of a subsidiary (Note 8(d))	–	–	2,982	432
Share issuance expenses (Note 8(d))	–	–	–	(17)
At 31 December	111,462	19,680	111,462	19,680

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

23. Fair value adjustment reserve

Fair value adjustment reserve represents the cumulative fair value changes, net of tax, of financial instruments carried at fair value through other comprehensive income until they are disposed of or impaired.

24. Translation reserve

The 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.

Notes to the Financial Statements

For the financial year ended 31 December 2020

25. Revenue

(a) Disaggregation of revenue

Segment	Residential and commercial (air-conditioning)		Commercial and light industrial (refrigeration)		Oil, marine and gas (refrigeration and air-conditioning)		Total	
	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000	2020 $'000	2019 $'000
Primary geographical markets								
Singapore	10,847	24,081	4,495	5,269	739	857	16,081	30,207
Malaysia	1,739	1,963	8,713	8,623	178	311	10,630	10,897
Indonesia	6	166	8,141	7,238	8	–	8,155	7,404
Hong Kong/Macau/People's Republic of China	593	603	14,363	15,413	141	232	15,097	16,248
Indo-China*	26	489	3,282	3,265	–	–	3,308	3,754
Others	31	162	1,253	1,937	15	–	1,299	2,099
	13,242	27,464	40,247	41,745	1,081	1,400	54,570	70,609
Major revenue stream								
Sale of goods	3,144	4,430	38,203	40,712	1,081	1,400	42,428	46,542
Project installation and maintenance services	485	570	284	516	–	–	769	1,086
Engineering contracts revenue	9,613	22,464	1,760	517	–	–	11,373	22,981
	13,242	27,464	40,247	41,745	1,081	1,400	54,570	70,609
Timing of transfer of goods or services								
At a point in time	3,629	5,000	38,487	41,228	1,081	1,400	43,197	47,628
Over time	9,613	22,464	1,760	517	–	–	11,373	22,981
	13,242	27,464	40,247	41,745	1,081	1,400	54,570	70,609

* relates to Vietnam, Myanmar and Cambodia

Notes to the Financial Statements

For the financial year ended 31 December 2020

25. Revenue (cont'd)

(b) Judgement and methods used in estimating revenue

Recognition of revenue from engineering contracts over time

For engineering contracts revenue where the Group satisfies its performance obligations over time, management has determined that a cost-based input method provides a faithful depiction of the Group's progress towards completing the performance obligation in the contract, as it reflects the Group's efforts incurred to date relative to the total inputs expected to be incurred for the engineering projects. The measure of progress is based on the costs incurred to date as a proportion of total costs expected to be incurred up to the completion of the engineering projects.

Project costs are estimated by the project director and the quantity surveyor team, based on contracted requirements, equipment specifications, and estimated man hours to be incurred. In making these estimates, management takes into consideration the historical trends of the amounts incurred in past similar contracts.

(c) Contract assets and liabilities

Information about contract assets and liabilities from contracts with customers is disclosed as follows:

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Receivables from contracts with customers (Note 13)	11,316	12,592	2,035	2,448
Contract assets	5,800	11,002	–	–
Contract liabilities	1,091	1,146	72	253

During the financial year ended 31 December 2020, the Group and the Company recognised impairment losses on receivables arising from contracts with customers amounting to $1,221,000 and $286,000 (2019: $57,000 and $9,000) respectively.

Contract assets primarily relate to the Group's right to consideration for work completed but not yet billed at reporting date for construction contracts. Contract assets are transferred to receivables when the rights become unconditional.

Contract liabilities primarily relate to the Group's obligation to transfer goods or services to customers for which the Group has received advances received from customers for sale of goods and project installation and maintenance services.

Notes to the Financial Statements

For the financial year ended 31 December 2020

25. Revenue (cont'd)

(c) Contract assets and liabilities (cont'd)

Contract liabilities are recognised as revenue as the Group performs under the contract.

(i) Significant changes in contract assets are explained as follows:

	Group	
	2020	**2019**
	$'000	$'000
Contract assets reclassified to receivables	(7,700)	(5,432)
Changes due to business combinations (Note 8(d))	–	5,793
Net impairment loss on contract assets	(317)	(204)

(ii) Significant changes in contract liabilities are explained as follows:

	Group	
	2020	**2019**
	$'000	$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	1,142	1,143
Changes due to business combinations (Note 8(d))	–	243

(d) Transaction price allocated to remaining performance obligations

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2020 is $28,043,000 (31 December 2019: $13,730,000). This amount has not included the variable consideration that is constrained and therefore is not included in the transaction price.

The Group expects to recognise $22,917,000 as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2020 in financial year ending 31 December 2021 and $5,126,000 after the financial year ending 31 December 2022.

The Group expects to recognise $11,243,000 as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2019 in financial year ended 31 December 2020 and $2,487,000 after the financial year ending 31 December 2021.

Notes to the Financial Statements

For the financial year ended 31 December 2020

26. Other operating income

	Group	
	2020	**2019**
	$'000	$'000
Dividend income from investment securities	287	447
Gain on disposal of fixed assets, net	39	–
Rental income	770	1,769
Management fee from third party	492	180
Scrap sales	110	127
Government grants	1,823	118
Sponsorships and incentives	44	40
Net fair value gains on held for trading investment securities	–	111
Gains on disposal of held for trading investment securities	–	9
Gain on remeasuring previously held equity interest in joint venture to fair value on business combination (Note 8(d))	–	30
Consultancy income	38	23
Others	39	118
	3,642	2,972

Government grants mainly relating to the Jobs Support Scheme ("**JSS**"). The JSS was introduced in the Singapore Budget 2020 and enhanced subsequently in several supplementary budgets to provide wage support to employers to help them retain their local employees during the period of economic uncertainty.

27. Other operating expenses

	Group	
	2020	**2019**
	$'000	$'000
Donations	17	28
Loss on disposal of fixed assets, net	–	2
Impairment loss on goodwill	219	–
Impairment losses on fixed assets and right-of-use assets	67	–
Net fair value loss on held for trading investment securities	72	–
Foreign currency loss, net	329	137
	704	167

Notes to the Financial Statements

For the financial year ended 31 December 2020

28. (Loss)/profit from operations

Other than as disclosed in Notes 26 and 27, loss/gain from operations is arrived after charging/(crediting) the following:

	Group	
	2020	**2019**
	$'000	$'000
Amortisation of intangible assets	197	413
Depreciation of right-of-use assets - land use rights	45	45
Depreciation of fixed assets	1,982	1,935
Depreciation of right-of-use assets	926	837
Personnel expenses (Note 29)	13,561	14,456
Directors' fees		
- directors of the Company	181	186
- directors of subsidiaries	3	6
Directors' remuneration		
- directors of the Company	904	950
- directors of subsidiaries	584	643
Fixed assets written off	3	26
Inventories recognised as an expense in cost of sales (Note 12), inclusive of the following charge:	33,498	35,308
- Allowance/(write back of allowance) for obsolete and slow-moving inventories, net	731	(98)
Lease expenses relating to short-term leases and leases of low-value assets (Note 6)	406	644

29. Personnel expenses

	Group	
	2020	**2019**
	$'000	$'000
Wages and salaries *	11,514	11,699
Defined contribution plans *	1,052	1,598
Other social expenses, net	995	1,159
	13,561	14,456

* Personnel expenses include amounts disclosed as directors' remuneration in Note 28.

Notes to the Financial Statements

For the financial year ended 31 December 2020

30. Finance expenses

	Group	
	2020	**2019**
	$'000	$'000
Interest expense on:		
- Term loans	654	879
- Trust receipts	238	221
- Lease liabilities	584	559
- Bank overdrafts	–	1
	1,476	1,660

31. Tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2020 and 2019 are:

	Group	
	2020	**2019**
	$'000	$'000
Consolidated income statement		
Current income tax		
- Current income taxation	304	119
- Over provision in respect of prior years	(2)	(12)
Deferred income tax		
- Origination and reversal of temporary differences	53	283
- (Over)/under provision in respect of prior years	(211)	3
	144	393
Statement of comprehensive income:		
Deferred tax credit related to other comprehensive income:		
- Net fair value changes on equity instrument at fair value through OCI	(263)	(12)

As at 31 December 2020, the Group had unrecognised tax losses and capital allowances of approximately $14,120,000 (2019: $5,300,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these losses and allowances 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 tax losses and capital allowances have no expiry date.

Notes to the Financial Statements

For the financial year ended 31 December 2020

31. Tax expense (cont'd)

Relationship between tax expense and accounting loss

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable tax rate for the years ended 31 December 2020 and 2019 is as follows:

	Group	
	2020	**2019**
	$'000	$'000
Loss before tax	(6,994)	(1,015)
Tax at applicable rate of 17% (2019: 17%)	(1,189)	(172)
Tax effect of non-taxable income	(288)	(105)
Tax effect of non-deductible expenses	293	461
Tax effect arising from differences in tax rates	(20)	(8)
Over provision in respect of prior years	(213)	(8)
Deferred tax asset not recognised	1,566	234
Withholding tax on unremitted income	81	98
Effect of utilisation of deferred tax asset previously not recognised	(66)	(35)
Effect of partial tax exemption and tax relief	(6)	(47)
Share of results of associates	(34)	(25)
Others	20	–
Tax expense	144	393

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

32. Earnings per share

	Group	
	2020	**2019**
	$'000	$'000
Loss for the year attributable to owners of the Company	(7,179)	(1,425)
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of ordinary shares	111,462	110,604

Basic earnings per share are calculated by dividing the loss for the year that is attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year.

Diluted earnings per share are calculated by dividing loss for this year that is attributable to owners of the Company by the weighted average number of ordinary shares plus the weighted average number of ordinary shares that would be issued on the conversion of all the diluted potential ordinary shares into ordinary shares. There were no potential dilutive ordinary shares existing during the respective financial years.

Notes to the Financial Statements

For the financial year ended 31 December 2020

33. Related party information

(a) Sale and purchase of goods and services

In addition to the 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		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Income				
Sale of goods to subsidiaries	–	–	7,827	10,493
Sale of goods to associates	2,671	3,740	–	64
Sale of goods to affiliated companies	9	267	–	–
Management fee income from subsidiaries	–	–	1,277	1,423
Interest income from a subsidiary	–	–	12	5
Royalty fee income from a subsidiary	–	–	121	107
Dividend income from subsidiaries	–	–	1,334	948

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Expenses				
Purchases from subsidiaries	–	–	2,777	3,390
Purchases from affiliated companies	83	161	–	–
Rental paid to an affiliated company	26	26	–	–
Loan interest paid to subsidiaries	–	–	75	3

(b) Compensation of key management personnel

	Group		Company	
	2020	**2019**	**2020**	**2019**
	$'000	$'000	$'000	$'000
Executive Directors:				
- Short-term employee benefits	880	924	851	896
- Central Provident Fund contributions	24	26	24	26
Other key management personnel:				
- Short-term employee benefits	1,020	1,068	981	1,034
- Central Provident Fund contributions	57	62	57	62
Total compensation paid to key management personnel	1,981	2,080	1,913	2,018

Compensation paid to Executive Directors relates to Directors' remuneration in Note 28.

Notes to the Financial Statements

For the financial year ended 31 December 2020

34. Contingent liabilities

	Company	
	2020	**2019**
	$'000	$'000
Financial guarantees given to financial institutions in connection with facilities given to its subsidiaries	15,521	16,392

The fair value of the financial guarantees provided for its subsidiaries is not expected to be material as a portion of the loans and borrowings are collateralised against the subsidiaries' leasehold buildings. Further, the probability of the subsidiaries defaulting on the credit lines is remote. Accordingly, the financial guarantees have not been recognised.

35. 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 Group's principal financial instruments, other than unquoted investment, comprise bank loans, trust receipts and bills payable, leases liabilities, cash and bank balances and fixed deposits. The main purpose of these financial instruments is to finance the Group's and the Company's operations. The Group and the Company have various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The key financial risks include interest rate risk, liquidity risk, foreign currency risk and credit risk. The board of directors reviews and agrees policies for the management of these risks. The Audit Committee provides independent oversight to the effectiveness of the risk management process. It is, and has been throughout the current and previous financial year, the Group's policy that no trading in derivatives for speculative purposes shall be undertaken.

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

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

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.

Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's borrowings.

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

At the end of the reporting period, if interest rate had been 50 (2019: 50) basis points lower/higher with all other variables held constant, the Group's loss before tax would have been $165,000 lower/higher (2019: $161,000 lower/higher), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

Notes to the Financial Statements

For the financial year ended 31 December 2020

35. Financial risk management objectives and policies (cont'd)

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.

In the management of liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Short-term funding is obtained from trust receipts, overdraft and revolving credit facilities.

Analysis of financial instruments by remaining contractual maturities

The table below summaries the maturity profile of the Group's and the Company's financial assets and liabilities at the end of the reporting period based on contractual undiscounted repayment obligations:

	31 December 2020			
	1 year or less	**1 to 5 years**	**More than 5 years**	**Total**
Group	$'000	$'000	$'000	$'000
Financial assets				
Trade receivables	11,316	–	–	11,316
Other receivables	1,548	–	–	1,548
Deposits	191	–	–	191
Amounts due from associates	977	–	–	977
Fixed deposits	219	–	–	219
Cash and bank balances	7,568	–	–	7,568
Total undiscounted financial assets	21,819	–	–	21,819
Financial liabilities				
Trade payables	6,457	–	–	6,457
Trust receipts and bills payable (secured)	9,269			9,269
Other creditors	1,024	–	–	1,024
Accruals and other liabilities	5,207	–	–	5,207
Dividend payable	137	–	–	137
Amounts due to associates	155	–	–	155
Lease liabilities	1,342	3,616	17,910	22,868
Term loans	3,404	11,880	10,452	25,736
Total undiscounted financial liabilities	26,995	15,496	28,362	70,853
Total net undiscounted financial liabilities	(5,176)	(15,496)	(28,362)	(49,034)

Notes to the Financial Statements

For the financial year ended 31 December 2020

35. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

	31 December 2019			
	1 year or less	**1 to 5 years**	**More than 5 years**	**Total**
Group	$'000	$'000	$'000	$'000
Financial assets				
Trade receivables	12,592	–	–	12,592
Other receivables	1,533	–	–	1,533
Deposits	292	–	–	292
Amounts due from associates	1,209	–	–	1,209
Fixed deposits	3,497	–	–	3,497
Cash and bank balances	5,548	–	–	5,548
Total undiscounted financial assets	24,671	–	–	24,671
Financial liabilities				
Trade payables	7,770	–	–	7,770
Trust receipts and bills payable (secured)	9,047	–	–	9,047
Other creditors	856	–	–	856
Accruals and other liabilities	5,301	–	–	5,301
Dividend payable	137	–	–	137
Amounts due to associates	158	–	–	158
Lease liabilities	1,216	3,577	18,380	23,173
Term loans	4,805	9,381	13,119	27,305
Bank overdraft	113	–	–	113
Total undiscounted financial liabilities	29,403	12,958	31,499	73,860
Total net undiscounted financial liabilities	(4,732)	(12,958)	(31,499)	(49,189)

	31 December 2020			
	1 year or less	**1 to 5 years**	**More than 5 years**	**Total**
	$'000	$'000	$'000	$'000
Company				
Financial assets				
Trade receivables	2,035	–	–	2,035
Other receivables	700	–	–	700
Deposits	48	–	–	48
Amounts due from subsidiaries	4,645	–	–	4,645
Fixed deposits	209	–	–	209
Cash and bank balances	1,705	–	–	1,705
Total undiscounted financial assets	9,342	–	–	9,342
Financial liabilities				
Trade payables	1,300	–	–	1,300
Trust receipts and bills payable (secured)	5,864	–	–	5,864
Other creditors	265	–	–	265
Accruals and other liabilities	2,794	–	–	2,794
Dividend payable	137	–	–	137
Amounts due to subsidiaries	1,787	1,935	–	3,722
Lease liabilities	808	3,056	17,863	21,727
Term loans	1,956	7,735	9,985	19,676
Total undiscounted financial liabilities	14,911	12,726	27,848	55,485
Total net undiscounted financial liabilities	(5,569)	(12,726)	(27,848)	(46,143)

Notes to the Financial Statements

For the financial year ended 31 December 2020

35. Financial risk management objectives and policies (cont'd)

Liquidity risk (cont'd)

	31 December 2019			
	1 year or less	**1 to 5 years**	**More than 5 years**	**Total**
	$'000	$'000	$'000	$'000
Company				
Financial assets				
Trade receivables	2,448	–	–	2,448
Other receivables	755	–	–	755
Deposits	69	–	–	69
Amounts due from subsidiaries	8,183	–	–	8,183
Amounts due from associates	12	–	–	12
Fixed deposits	3,183	–	–	3,183
Cash and bank balances	654	–	–	654
Total undiscounted financial assets	15,304	–	–	15,304
Financial liabilities				
Trade payables	1,634	–	–	1,634
Trust receipts and bills payable (secured)	6,182	–	–	6,182
Other creditors	356	–	–	356
Accruals and other liabilities	1,493	–	–	1,493
Dividend payable	137	–	–	137
Amounts due to subsidiaries	2,734	–	–	2,734
Lease liabilities	797	3,062	18,318	22,177
Term loans	2,926	9,024	12,461	24,411
Total undiscounted financial liabilities	16,259	12,086	30,779	59,124
Total net undiscounted financial liabilities	(955)	(12,086)	(30,779)	(43,820)

The table below shows the contractual expiry by maturity of the Company's contingent liabilities. The maximum amount of the financial guarantee contracts are allocated to the earliest period in which the guarantees could be called.

	1 year or less	**More than 1 year**	**Total**
	$'000	$'000	$'000
Company			
31 December 2020			
Financial guarantees provided to subsidiaries	15,521	–	15,521
31 December 2019			
Financial guarantees provided to subsidiaries	16,392	–	16,392

Notes to the Financial Statements

For the financial year ended 31 December 2020

35. Financial risk management objectives and policies (cont'd)

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar (USD), Euro (EUR) and Chinese Renminbi (RMB). Foreign exchange risk arises when future commercial transactions, recognised assets or liabilities, investments in foreign operations whose net assets are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD, Hong Kong Dollar (HKD), Ringgit Malaysia (RM), Indonesia Rupiah (IDR), Vietnam Dong (VND) and Chinese Renminbi (RMB).

The Group is exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, Hong Kong, Indonesia, Vietnam and China. The Group's net investments in foreign operations are not hedged as currency positions in RM, HKD, IDR, VND and RMB are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the USD, EUR and RMB exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Decrease/(increase) in loss before tax 2020 $'000	Decrease/(increase) in loss before tax 2019 $'000
USD/SGD	- strengthened 5% (2019: 5%)	(76)	(132)
	- weakened 5% (2019: 5%)	76	132
EUR/SGD	- strengthened 5% (2019: 5%)	(221)	(183)
	- weakened 5% (2019: 5%)	221	183
RMB/SGD	- strengthened 5% (2019: 5%)	2	6
	- weakened 5% (2019: 5%)	(2)	(6)
SGD/RMB	- strengthened 5% (2019: 5%)	3	(15)
	- weakened 5% (2019: 5%)	(3)	15

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 receivables. For other financial assets (including cash and bank balances and fixed deposits), the Group and the Company minimises credit risk by dealing with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result of minimising the Group's exposure to bad debts.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and other receivables (including related party balances), the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Notes to the Financial Statements

For the financial year ended 31 December 2020

35. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

– Internal credit rating;

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations; and

– Actual or expected significant changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

– There is significant difficulty of the debtor or the borrower;

– A breach of contract, such as a default or past due event; or

– It is becoming probable that the debtor or the borrower will enter bankruptcy or other financial reorganisation.

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 180 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where recoveries are made, these are recognised in profit or loss. The Group's historical information shows low defaulted accounts which were also substantially recovered subsequently, resulting in insignificant write-offs.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

(i) Trade receivables and contract assets

The Group provides lifetime expected credit losses for all trade receivables and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance with days past due by grouping of customers based on geographical region.

The expected credit losses below also incorporate forward-looking information such as forecast of economic conditions which show the probability of defaults in the relevant industry.

Notes to the Financial Statements

For the financial year ended 31 December 2020

35. Financial risk management objectives and policies (cont'd)

Credit risk (cont'd)

(i) Trade receivables and contract assets (cont'd)

Summarised below is the information about the credit risk exposure on the Group's trade receivables and contract assets using provision matrix, grouped by geographical region:

	Contract assets*	Singapore	Hong Kong/ Macau/ People's Republic of China	Malaysia	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000
31 December 2020						
Gross carrying amount	6,638	5,010	2,993	2,759	2,055	19,455
Loss allowance provision	838	878	97	115	411	2,339
31 December 2019						
Gross carrying amount	11,523	4,758	1,559	3,802	3,089	24,731
Loss allowance provision	521	235	232	106	43	1,137

* Contract assets are primarily from Singapore.

Information regarding loss allowance movement of trade receivables and contract assets are disclosed in Note 13.

During the financial year, the Group wrote off $469,000 (2019: $49,000) and Nil (2019: $16,000) of trade receivables and contract assets respectively, as the Group does not expect to receive future cash flows from and there are no recoveries from collection of cash flows previously written off.

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	31 December 2020		31 December 2019	
	$'000	% of total	$'000	% of total
Singapore	4,132	37%	4,523	36%
Malaysia	2,644	23%	3,696	29%
Indonesia	833	7%	1,117	9%
Hong Kong/Macau/People's Republic of China	2,896	26%	1,327	10%
Indo-China*	616	5%	1,605	13%
Other countries	195	2%	324	3%
	11,316	100%	12,592	100%

* Relates to Vietnam, Myanmar and Cambodia.

At the end of the reporting period, approximately 32% (2019: 25%) of the Group's trade receivables were due from 5 (2019: 5) major customers.

As at 31 December 2020, the Company has significant concentration of credit in the amounts due from subsidiaries and associates amounting to $4,645,000 (2019: $8,195,000).

Notes to the Financial Statements

For the financial year ended 31 December 2020

36. Fair value of assets and liabilities

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Financial assets				
Financial assets at FVOCI				
Unquoted equity security	7,651	8,984	–	–
Financial assets at FVPL				
Held for trading investment securities	8,270	7,915	8,270	7,915
Financial assets carried at amortised cost				
Trade receivables	11,316	12,592	2,035	2,448
Other receivables	1,548	1,533	700	755
Deposits	191	292	48	69
Amounts due from subsidiaries	–	–	4,645	8,183
Amounts due from associates	977	1,209	–	12
Fixed deposits	219	3,497	209	3,183
Cash and bank balances	7,568	5,548	1,705	654
	21,819	24,671	9,342	15,304

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Financial liabilities				
Financial liabilities carried at amortised cost				
Trade payables	6,457	7,770	1,300	1,634
Trust receipts and bills payable	9,269	9,047	5,864	6,182
Other creditors	1,024	856	265	356
Accruals and other liabilities	5,207	5,301	2,794	1,493
Dividend payable	137	137	137	137
Amounts due to subsidiaries	–	–	3,636	2,734
Amounts due to associates	155	158	–	–
Lease liabilities	14,229	14,176	13,167	13,252
Term loans	23,091	22,379	17,489	20,033
Bank overdraft	–	113	–	–
	59,569	59,937	44,652	45,821

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

(a) Fair value hierarchy

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

– Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

– Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

– Level 3 – Unobservable inputs for the asset or liability.

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

(b) Assets carried at fair value

	Group 2020 $'000			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
At FVOCI – unquoted equity security (Note 10)	–	–	7,651	7,651
At FVPL – held for trading investment securities (quoted) (Note 10)	8,270	–	–	8,270

	Group 2019 $'000			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
At FVOCI – unquoted equity security (Note 10)	–	–	8,984	8,984
At FVPL – held for trading investment securities (quoted) (Note 10)	7,915	–	–	7,915

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

(c) Level 3 fair value measurements

i. Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value as at 31 December 2020 $'000	Valuation techniques	Unobservable inputs	Range (weighted average)
Recurring fair value measurements				
At FVOCI				
Unquoted equity security	7,651	Market comparable approach	Discount for lack of marketability ("**DLOM**")	30%

Description	Fair value as at 31 December 2019 $'000	Valuation techniques	Unobservable inputs	Range (weighted average)
Recurring fair value measurements				
At FVOCI				
Unquoted equity security	8,984	Market comparable approach	DLOM	30%

A significant increase (decrease) in DLOM would result in a significantly lower (higher) fair value measurement. A change in assumption used for dividend yield may warrant a directionally opposite change in assumption for discount for lack of marketability.

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

(c) Level 3 fair value measurements (cont'd)

i. Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)

The following table shows the impact on the Level 3 fair value measurement of assets that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

	Effect of reasonably possible alternative assumptions Increase/(decrease) in other comprehensive income	
	2020	**2019**
	$'000	$'000
Recurring fair value measurements		
Financial assets at FVOCI		
Unquoted equity security		
- increase DLOM by 10%	(1,000)	(1,217)
- decrease DLOM by 10%	1,000	1,217

In order to determine the effect of the above reasonably possible alternative assumption, for the unquoted equity security, the Group adjusted the DLOM by increasing and decreasing the assumption by 10%.

ii. Movements in Level 3 assets measured at fair value

The following table presents the reconciliation for all assets measured at fair value based on significant unobservable inputs (Level 3):

	Group 2020 $'000
	Fair value measurements using significant unobservable inputs (Level 3)
	Financial assets at FVOCI
	Unquoted equity security
At 1 January 2020	8,984
Total loss for the period, included in other comprehensive income	(1,333)
At 31 December 2020	7,651

	Group 2019 $'000
	Fair value measurements using significant unobservable inputs (Level 3)
	Financial assets at FVOCI
	Unquoted equity security
At 1 January 2019	9,042
Total loss for the period, included in other comprehensive income	(58)
At 31 December 2019	8,984

Notes to the Financial Statements

For the financial year ended 31 December 2020

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

(c) Level 3 fair value measurements (cont'd)

iii. Valuation policies and procedures

The Group's Chief Financial Officer, who is assisted by the Group Financial Controller (collectively referred to as the "**CFO office**"), oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the CFO office reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 *Fair Value Measurement* guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to consider a minimum of two valuation approaches to allow for cross-checks.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The CFO office documents and reports its analysis and results of the external valuations to the Audit Committee as and when it is required. The Audit Committee performs a high-level independent review of the valuation process and results and recommends if any revisions need to be made before presenting the results to the Board of Directors for approval.

37. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital structure is to maintain an efficient mix of debt and equity in order to achieve a low cost of capital, while taking into account the desirability of retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows.

The management regularly reviews the Group's capital structure and makes adequate adjustments to reflect economic conditions, business strategies and future commitments. No changes were made to the objectives, policies and processes during the years ended 31 December 2020 and 31 December 2019.

The Group and the Company are required to comply with certain financial covenants as imposed by certain financial institutions with respect to banking facilities that were granted. The Group and the Company continuously monitor its compliance with these covenants. As at 31 December 2020 and 2019, the Group and the Company have complied with these covenants.

The Group monitors capital using a gearing ratio, which is loans and borrowings divided by total capital plus loans and borrowings. The Group includes within total loans and borrowings, trust receipts and bills payable (secured), leases liabilities under hire purchase and term loans (secured). Capital includes equity attributable to the owners of the Company.

Notes to the Financial Statements

For the financial year ended 31 December 2020

37. Capital management (cont'd)

	Group		Company	
	2020	2019	2020	2019
	$'000	$'000	$'000	$'000
Trust receipts and bills payable (secured)	9,269	9,047	5,864	6,182
Leases liabilities under hire purchase	656	751	76	95
Term loans (Note 20)	23,091	22,379	17,489	20,033
Bank overdraft	–	113	–	–
Loans and borrowings	33,016	32,290	23,429	26,310
Equity attributable to owners of the Company	43,203	51,342	34,393	43,706
Capital and loans and borrowings	76,219	83,632	57,822	70,016
Gearing ratio percentage	43%	39%	41%	38%

38. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

– Residential and commercial (air-conditioning) segment relates to sale and distribution of air-conditioning materials which mainly comprises copper pipes, copper tubes, Class 0 and Class 1 closed cell insulation pipes and sheets, PVC trunkings, electrical wires and refrigerants.

– Commercial and light industrial (refrigeration) segment relates to sale of refrigeration component parts including compressors, condensers, condensing units, multiple compressor racks units, electronic controls, energy management solutions, service equipment and tools and the Group's range of thermal heat exchangers comprising evaporators, condensers and custom coils.

– Oil, marine and gas (refrigeration and air-conditioning) segment relates to sales and distribution of a range of air-conditioning and refrigeration systems suitable for the oil, marine and gas industry. These products include the Group's brand of heat exchangers and packaged condensing units installed onboard ships, vessels and oil rigs, which are primarily used to preserve food, other perishables and also to provide air-conditioning for the living and working spaces of the vessel's crew.

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segment.

Management monitors the gross profit or loss of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on gross profit or loss only.

Notes to the Financial Statements

For the financial year ended 31 December 2020

38. Segment information (cont'd)

Assets and liabilities, as well as income and expenses (other than revenue and cost of sales) are managed on a group basis and are not allocated to operating segments.

Group	Residential and commercial (air-conditioning)	Commercial and light industrial (refrigeration)	Oil, marine and gas (refrigeration and air-conditioning)	Total
	$'000	$'000	$'000	$'000
2020				
Revenue	13,242	40,247	1,081	54,570
Cost of sales	(11,850)	(32,070)	(739)	(44,659)
Gross profit	1,392	8,177	342	9,911
2019				
Revenue	27,464	41,745	1,400	70,609
Cost of sales	(17,926)	(33,019)	(986)	(51,931)
Gross profit	9,538	8,726	414	18,678

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Group	
	2020	2019
	$'000	$'000
Revenue		
Singapore	16,081	30,207
Malaysia	10,630	10,897
Indonesia	8,155	7,404
Hong Kong/Macau/People's Republic of China	15,097	16,248
Indo-China*	3,308	3,754
Others	1,299	2,099
	54,570	70,609

	Group	
	2020	2019
	$'000	$'000
Non-current assets		
Singapore	38,886	40,536
Malaysia	570	376
Hong Kong	60	63
People's Republic of China	7,455	8,004
Indonesia	20	18
Indo-China*	56	101
	47,047	49,098

* Relates to Vietnam, Myanmar and Cambodia.

Notes to the Financial Statements

For the financial year ended 31 December 2020

38. Segment information (cont'd)

Non-current assets information presented above consist of fixed assets, intangible assets, right-of-use assets and land use rights as presented in the consolidated balance sheet.

Information about a major customer

Revenue from one major customer amounted to $6,534,000 (2019: $7,115,613), arising from engineering contracts revenue in residential and commercial industrial (air-conditioning) segment.

39. Dividends

	Group and Company	
	2020	**2019**
	$'000	$'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2019: 0.18 cent (2018: Nil) per share	201	–
	201	–
Proposed but not recognised as a liability as at 31 December		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- Final exempt (one-tier) dividend for 2020: 0.18 cent (2019: 0.18) per share	201	201

40. Events after the reporting period

On 15 January 2021, the Company acquired additional 22.9% equity interest in RSP Systems Pte Ltd ("**RSP**"), a subsidiary, from the non-controlling interest for a cash consideration of $160,000. As a result of this acquisition, the Company's shareholdings in RSP increase from 57.1% to 80.0%. The carrying value of the net assets of RSP at 15 January 2021 was $270,000.

The outbreak of the Coronavirus Diseases ("**COVID-19**") around the world has introduced uncertainties to the Group's operations. Given the unpredictable outcome of COVID-19, management is unable to estimate the financial impact of the COVID-19 outbreak on the Group's businesses, if any, in the next 12 months. The Group will continue to monitor the developments of the COVID-19 situation closely and assess its impact on the 2021 financial position and performance of the Group.

41. Authorisation of financial statements

The financial statements for the year ended 31 December 2020 were authorised for issue in accordance with a directors' resolution dated on 9 April 2021.

Statistics of Shareholdings

As at 30 March 2021

SHARE CAPITAL

Issued and fully paid-up capital	:	$19,679,831
Total number of issued shares	:	111,462,000
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil
Class of shares	:	Ordinary shares
Voting right	:	1 vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

(As recorded in the Register of Members and Depository Register)

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	57	20.88	713	0.00
100 - 1,000	42	15.39	29,639	0.03
1,001 - 10,000	56	20.51	328,420	0.29
10,001 - 1,000,000	105	38.46	13,354,526	11.98
1,000,001 AND ABOVE	13	4.76	97,748,702	87.70
TOTAL	**273**	**100.00**	**111,462,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

(As recorded in the Register of Members and Depository Register)

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PRIVATE LIMITED	64,831,500	58.16
2	LENG CHEE KEONG	7,439,800	6.67
3	CHEUNG WAI SUM	6,300,000	5.65
4	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	4,874,700	4.37
5	LIM BOON HOCK BERNARD	3,000,000	2.69
6	CHUA KENG LOY	1,689,100	1.52
7	LOH MUN YEW	1,581,900	1.42
8	PHILLIP SECURITIES PTE LTD	1,547,528	1.39
9	LEE SUI FOOK OR LEE YEN SIN	1,491,000	1.34
10	QUEK POH CHUAN	1,491,000	1.34
11	EST OF LOH AH PENG @ LOH EE MING, DECEASED	1,260,500	1.13
12	OCBC SECURITIES PRIVATE LIMITED	1,217,400	1.09
13	RAFFLES NOMINEES (PTE) LIMITED	1,024,274	0.92
14	YAP KOK KIONG	807,600	0.72
15	ESTATE OF NG TAT KEONG, DECEASED	711,600	0.64
16	WARD ALLAN	705,000	0.63
17	CITIBANK NOMINEES SINGAPORE PTE LTD	700,000	0.63
18	JAKE LAM	619,300	0.56
19	DBS NOMINEES (PRIVATE) LIMITED	609,410	0.55
20	FUCO RUDYANTO CHANDRA	600,000	0.54
	TOTAL	**102,501,612**	**91.96**

Statistics of Shareholdings

As at 30 March 2021

Substantial Shareholders

	Direct Interest		Deemed Interest	
	Number of Shares	**%**	**Number of Shares**	**%**
Loh Mun Yew (1)(2)	2,331,900	2.09	65,115,500	58.42
Universal Pte. Ltd. (2)	63,855,000	57.29	–	–
Cheung Wai Sum (3)	6,300,000	5.65	–	–
Loh Pui Lai (3)	–	–	6,300,000	5.65
Leng Chee Keong	7,439,800	6.67	–	–

Notes:

(1) Loh Mun Yew (the CEO and Executive Director of the Company) is deemed to have an interest in the 63,855,000 shares held by Universal Pte. Ltd. by virtue of Section 7 of the Companies Act, Chapter 50 and the 1,260,500 shares held by the Estate of Loh Ah Peng @ Loh Ee Ming arising from his capacity as executor of his late father's will, by virtue of Section 7 of the Companies Act, Chapter 50.

(2) Universal Pte. Ltd. is an investment holding company incorporated in Singapore and its 63,855,000 shares in the Company are held through a nominee, UOB Kay Hian Private Limited. The shareholders are Loh Mun Yew, Loh Pui Lai (Loh Mun Yew and Loh Pui Lai are siblings and Loh Pui Lai is the spouse of Cheung Wai Sum), Lum Soo Mooi (parent of Loh Mun Yew and Loh Pui Lai) and Loh Pui Pui (daughter of Lum Soo Mooi, and sibling of Loh Mun Yew and Loh Pui Lai) with shareholding interest of 43.69%, 18.82%, 18.47% and 19.02% respectively. The directors of Universal Pte. Ltd. are Loh Mun Yew, Loh Pui Pui and Lum Soo Mooi.

(3) Loh Pui Lai (the Non-Executive Chairman of the Company) is deemed to have an interest in the 6,300,000 shares held by her spouse, Cheung Wai Sum, by virtue of Section 164(15)(a) of the Companies Act, Chapter 50.

SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at 30 March 2021, approximately 24.84% of the issued ordinary shares of the Company are held by the public and therefore Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited is complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of FAR EAST GROUP LIMITED (the "**Company**") will be convened and held by electronic means on Wednesday, 28 April 2021 at 11.00 a.m. (of which there will be a live webcast), for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2020 together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare a final (tax exempt one-tier) dividend of 0.18 cent per ordinary share for the financial year ended 31 December 2020 (2019: Final (tax exempt one-tier) dividend of 0.18 cent per ordinary share). **(Resolution 2)**

3. To approve the payment of Directors' fees of $185,600 for the financial year ending 31 December 2021, payable half-yearly in arrears (2020: $185,600). **(Resolution 3)**

4. To re-elect Loh Mun Yew, a Director retiring pursuant to Regulation 104 of the Company's Constitution. *(see explanatory note 1)* **(Resolution 4)**

5. To re-elect Mak Yen-Chen Andrew, a Director retiring pursuant to Regulation 104 of the Company's Constitution. *(see explanatory note 2)* **(Resolution 5)**

6. To re-elect Tan Hwee Kiong, a Director retiring pursuant to Regulation 104 of the Company's Constitution. *(see explanatory note 3)* **(Resolution 6)**

7. To re-elect Ho Boon Chuan Wilson, a Director retiring pursuant to Regulation 114 of the Company's Constitution. *(see explanatory note 4)* **(Resolution 7)**

8. To re-appoint Ernst & Young LLP as auditor of the Company and to authorise the Directors to fix its remuneration. **(Resolution 8)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions (with or without amendments) as Ordinary Resolutions:

9. **Authority to issue Shares**

That pursuant to Section 161 of the Companies Act, Chapter 50 ("**Companies Act**") and Rule 806 of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors be authorised and empowered to: **(Resolution 9)**

(a) (i) allot and issue shares in the capital of 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 may at their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while 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 Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a *pro rata* basis to shareholders of the Company does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:

    (a) new Shares arising from the conversion or exercise of convertible securities;

    (b) new Shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

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

    Adjustments in accordance with sub-paragraphs (2)(a) and (2)(b) above are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

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

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

(see explanatory note 5)

Notice of Annual General Meeting

10. **Renewal of Share Buyback Mandate**

That for the purposes of Sections 76C and 76E of the Companies Act, the Directors be authorised to buy back Shares from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) ascertained as at the time of passing of this Resolution, at the price of up to but not exceeding the Maximum Price as set out in the following Appendix to Shareholders and this mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the date that the next AGM of the Company is held or is required by law to be held or the date when purchases and acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated, whichever is the earlier. **(Resolution 10)**

In this Resolution:

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding applicable brokerage, stamp duties, commission, goods and services tax and other related expenses) not exceeding:

(i) in the case of a market purchase, 105% of the Average Closing Price; and

(ii) in the case of an off-market purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price,

where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days on which transactions in the Shares were recorded, immediately preceding the day of the market purchase and deemed to be adjusted for any corporate action that occurs during the relevant five (5) market days and the day of the market purchase;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the market day on which there were trades in the Shares, immediately preceding the day of the making of the offer pursuant to the off-market purchase and deemed to be adjusted for any corporate action that occurs after the relevant market day; and

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price for an off-market purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase.

11. That, subject to and contingent upon the passing of Resolution 5 by shareholders of the Company by appointing the Chairman of the AGM as proxy to vote at the AGM and the passing of Resolution 12 by shareholders of the Company by appointing the Chairman of AGM as proxy to vote at the AGM, excluding the Directors and the Chief Executive Officer of the Company, and their respective associates (as defined in the Catalist Rules): **(Resolution 11)**

(a) the continued appointment of Mak Yen-Chen Andrew as an independent Director, for purposes of Rule 406(3)(d)(iii)(A) of the Catalist Rules (which will take effect from 1 January 2022) be approved; and

(b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mak Yen-Chen Andrew as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

(see explanatory note 2)

Notice of Annual General Meeting

12. That, subject to and contingent upon the passing of Resolution 5: **(Resolution 12)**

    (a) the continued appointment of Mak Yen-Chen Andrew as an independent Director, for purposes of Rule 406(3)(d)(iii)(B) of the Catalist Rules (which will take effect from 1 January 2022) be approved; and

    (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Mak Yen-Chen Andrew as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution,

    provided that this Resolution shall only be proposed and voted upon if Resolution 11 is passed by shareholders of the Company by appointing the Chairman of the AGM as proxy to vote at the AGM.

    (see explanatory note 2)

13. That, subject to and contingent upon the passing of Resolution 6 by shareholders of the Company by appointing the Chairman of the AGM as proxy to vote at the AGM and the passing of Resolution 14 by shareholders of the Company by appointing the Chairman of AGM as proxy to vote at the AGM, excluding the Directors and the Chief Executive Officer of the Company, and their respective associates (as defined in the Catalist Rules): **(Resolution 13)**

    (a) the continued appointment of Tan Hwee Kiong as an independent Director, for purposes of Rule 406(3)(d)(iii)(A) of the Catalist Rules (which will take effect from 1 January 2022) be approved; and

    (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Tan Hwee Kiong as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution.

    (see explanatory note 3)

14. That, subject to and contingent upon the passing of Resolution 6: **(Resolution 14)**

    (a) the continued appointment of Tan Hwee Kiong as an independent Director, for purposes of Rule 406(3)(d)(iii)(B) of the Catalist Rules (which will take effect from 1 January 2022) be approved; and

    (b) the authority conferred by this Resolution shall continue in force until the earlier of the following: (i) the retirement or resignation of Tan Hwee Kiong as a Director; or (ii) the conclusion of the third AGM of the Company following the passing of this Resolution,

    provided that this Resolution shall only be proposed and voted upon if Resolution 13 is passed by shareholders of the Company by appointing the Chairman of the AGM as proxy to vote at the AGM.

    (see explanatory note 3)

15. To transact any other business that may be properly transacted at an AGM.

BY ORDER OF THE BOARD

Wee Woon Hong
Francis Lai Kum Wai
Company Secretaries

13 April 2021
Singapore

Notice of Annual General Meeting

Explanatory Notes:

1. Mr Loh Mun Yew will, upon re-election as a Director, remain as the CEO and Executive Director of the Company. Please refer to the section entitled "Information on Directors Seeking Re-election" in the Corporate Governance Report of the Annual Report of the Company for the detailed information required pursuant to Rule 720(5) of the Catalist Rules.

2. Mr Mak Yen-Chen Andrew will, upon re-election as a Director, remain as an independent Director, the Chairman of the Nominating Committee and a member of the Audit and Remuneration Committees of the Company. He is considered independent for the purposes of Rule 704(7) of the Catalist Rules. Please refer to the section entitled "Information on Directors Seeking Re-election" in the Corporate Governance Report of the Annual Report of the Company for the detailed information required pursuant to Rule 720(5) of the Catalist Rules.

   Ordinary Resolutions 11 and 12 proposed in items 11 and 12 respectively above are in anticipation of Rule 406(3)(d)(iii) of the Catalist Rules which will take effect from 1 January 2022 and provide that a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (a) all shareholders; and (b) shareholders excluding the directors and the chief executive officer of the company, and their respective associates.

   Mr Mak Yen-Chen Andrew is an independent Director who has served for more than nine years from 28 June 2020. Since Mr Mak Yen-Chen Andrew is seeking re-election as a Director at the AGM, the Company is proposing to seek, at the same time, the requisite approvals from shareholders for his continued appointment as an independent Director. Please refer to the Corporate Governance Report at Provision 2.1 of the Annual Report of the Company for the Board's review of the independence of Mr Mak Yen-Chen Andrew.

   If Ordinary Resolution 11 and/or Resolution 12 are not passed, Mr Mak Yen-Chen Andrew will be re-designated to non-executive director and will step down as chairman while remaining a member of the Nominating Committee, as the Group continues its search for new independent director to comply with the requirement of the Code of Corporate Governance 2018 and the Catalist Rules.

3. Mr Tan Hwee Kiong will, upon re-election as a Director, remain as an independent Director, the Chairman of the Remuneration Committee and a member of the Audit and Nominating Committees of the Company. He is considered independent for the purposes of Rule 704(7) of the Catalist Rules. Please refer to the section entitled "Information on Directors Seeking Re-election" in the Corporate Governance Report of the Annual Report of the Company for the detailed information required pursuant to Rule 720(5) of the Catalist Rules.

   Ordinary Resolutions 13 and 14 proposed in items 13 and 14 respectively above are in anticipation of Rule 406(3)(d)(iii) of the Catalist Rules which will take effect from 1 January 2022 and provide that a director will not be independent if he has been a director for an aggregate period of more than nine years and his continued appointment as an independent director has not been sought and approved in separate resolutions by (a) all shareholders; and (b) shareholders excluding the directors and the chief executive officer of the company, and their respective associates.

   Mr Tan Hwee Kiong is an independent Director who has served for more than nine years from 28 June 2020. Since Mr Tan Hwee Kiong is seeking re-election as a Director at the AGM, the Company is proposing to seek, at the same time, the requisite approvals from shareholders for his continued appointment as an independent Director. Please refer to the Corporate Governance Report at Provision 2.1 of the Annual Report of the Company for the Board's review of the independence of Mr Tan Hwee Kiong.

   If Ordinary Resolution 13 and/or Resolution 14 are not passed, Mr Mak Yen-Chen Andrew will be re-designated to non-executive director and will step down as chairman while remaining a member of the Nominating Committee, as the Group continues its search for new independent director to comply with the requirement of the Code of Corporate Governance 2018 and the Catalist Rules.

4. Mr Ho Boon Chuan Wilson will, upon re-election as a Director, remain as the Lead Independent Director, the Chairman of the Audit Committee and a member of the Nominating and Remuneration Committees of the Company. He is considered independent for the purposes of Rule 704(7) of the Catalist Rules. Please refer to the section entitled "Information on Directors Seeking Re-election" in the Corporate Governance Report of the Annual Report of the Company for the detailed information required pursuant to Rule 720(5) of the Catalist Rules.

5. Ordinary Resolution 9 proposed in item 9 above, if passed, will empower the Directors, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earliest, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), of which up to 50% may be issued other than on a *pro rata* basis to shareholders of the Company.

Notice of Annual General Meeting

Measures to Minimize Risk of Community Spread of 2019 Novel Coronavirus ("COVID-19"):

Printed copies of this notice and the accompanying Annual Report and Proxy Form will NOT be sent to members. These documents will be sent to members by electronic means via publication on the Company's website at the URL http://www.fareastgroup.com.sg/ and on the SGXNET at the URL https://www.sgx.com/securities/company-announcements.

Alternative arrangements relating to members' participation at the AGM are: (a) observing the AGM proceedings contemporaneously via a live webcast and live audio feed of the AGM proceedings ("**Live AGM Webcast**" and "**Live AGM Audio Feed**", respectively); (b) submitting questions in advance in relation of the resolutions set out in the Notice of AGM; and (c) appointing the Chairman of the AGM as proxy to attend, speak and vote on their behalf at the AGM.

Members will be able to participate in the AGM in manner set out in the paragraphs below.

Live AGM Webcast and Live AGM Audio Feed:

1. The Live AGM Webcast and the Live AGM Audio Feed will take place on Wednesday, 28 April 2021 at 11.00 a.m. in place of the physical AGM. **Members will be able to watch or listen to the AGM proceedings through the Live AGM Webcast or the Live AGM Audio Feed via mobile phone, tablet, computer or any such electronic device. The Company will not accept any physical attendance by members. Any member seeking to attend the AGM physically in person will be turned away.**
2. In order to do so, members must pre-register online the Company's website at www.fareastgroup.com.sg (the "**Registration Link**") by 11.00 a.m. on 26 April 2021 (the "**Registration Deadline**"), being not less than 48 hours before the time appointed for holding the AGM, to enable the Company to verify their members' status. Following verification and upon closure of pre-registration, authenticated members will receive email instructions to access the Live AGM Webcast and the Live AGM Audio Feed of the AGM proceedings by 11.00 a.m. on 27 April 2021 (being 24 hours before the time appointed for the holding of the AGM). Members are reminded that the AGM proceedings are private. Accordingly, members must not forward the abovementioned email instructions to any other person who is not a member and who is not entitled to attend the AGM. Only one person will be allowed to the Live AGM Webcast per registration.
3. Members who register by the Registration Deadline but do not receive the abovementioned email instructions by 11.00 a.m. on 27 April 2021 may contact the Company's technical support by email at FEGAGM@fareastref.com.sg for assistance.
4. Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act), including investors who buy shares using SRS monies ("**SRS Investors**"), and who wish to participate in the AGM should, in addition to pre-registering online, contact their respective relevant intermediaries (which would include SRS Operators) through which they hold such shares as soon as possible in order for the necessary arrangements to be made for their participation in the AGM.

Submission of Questions in Advance:

1. **Please note that members will not be able to raise questions at the AGM during the Live AGM Webcast or the Live AGM Audio Feed, and therefore it is important for members to pre-register their participation in order to be able to submit their questions in advance of the AGM.**
2. Members may submit questions relating to the items on the resolutions set out in the Notice of AGM in advance:
   (a) by post to the Company's appointed polling agent, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or
   (b) via the Registration Link.

   All questions must be submitted by 11.00 a.m. on 25 April 2021 (being 72 hours before the time appointed for the holding of the AGM).
3. A member who wishes to submit his questions by post is required to indicate his full name (for individuals)/company name (for corporates), NRIC/passport number/company registration number, contact number, shareholding type and number of shares held together with his submission of questions, to the office address provided.
4. Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act), including SRS Investors, can also submit their questions related to the resolutions to be tabled for approval at the AGM based on the abovementioned instructions.
5. Responses to questions from members will be posted on the SGXNET and the Company's website before the AGM, or if answered during the AGM, to be included in the minutes of the AGM which will be published on the SGXNET and the Company's website within one (1) month after the date of the AGM.

Submission of Proxy Forms to Vote:

1. **Members will not be able to vote online or through the Live AGM Webcast or the Live AGM Audio Feed on the resolutions to be tabled for approval at the AGM. Members who wish to exercise their votes must submit a proxy form to appoint the Chairman of the AGM to cast votes on their behalf.** Members (whether individual or corporate) appointing the Chairman of the AGM as proxy must give specific instructions as to his manner of voting, or abstentions from voting, in the proxy form, failing which the appointment will be treated as invalid. The Chairman of the AGM, as proxy, need not be a member of the Company. The instrument appointing a proxy must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.

Notice of Annual General Meeting

2. The proxy form, duly executed together with the power of attorney or other authority, if any, under which the instrument of proxy is signed or a notarially certified copy of that power of attorney or other authority (failing previous registration with the Company), must be submitted:

   (a) by post to the Company's appointed polling agent, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or

   (b) by email to proxyform@fareastref.com.sg, in each case, not less than 72 hours before the time appointed for holding the AGM, i.e. by 11.00 a.m. on 25 April 2021.

3. A member who wishes to submit the proxy form must download, complete and sign the proxy form, then submit by post to the address provided above, or sending it by email to the email address provided above. **Members are strongly encouraged to submit completed Proxy Forms electronically via email.**

4. Investors who hold shares through relevant intermediaries (as defined in Section 181 of the Companies Act), including SRS Investors, who wish to exercise their votes by appointing the Chairman of the AGM as proxy should approach their respective relevant intermediaries (which would include SRS Operators) through which they hold such shares in order to submit their voting instructions at least seven (7) working days before the AGM (i.e. by 11.00 a.m. on 21 April 2021) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by 11.00 a.m. on 25 April 2021.

5. The Company shall be entitled to reject the instrument appointing the Chairman of the AGM as proxy if it is incomplete, improperly completed, 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 AGM as proxy (such as in the case where the appointor submits more than one instrument of proxy).

6. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time appointed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

IMPORTANT NOTICE: Due to the evolving COVID-19 situation in Singapore, the Company may change the AGM arrangements at short notice. The Company will announce any changes to the holding or conduct of the AGM via the SGXNET. Members are advised to check our Company website at www.fareastgroup.com.sg or the SGXNET at https://www.sgx.com/securities/company-announcements regularly for updates on the AGM.

The Company wishes to thank all shareholders for their patience and co-operation in enabling the Company to hold the AGM with the optimum safe distancing measures amidst the current COVID-19 pandemic.

Personal Data Privacy:

By (a) submitting a form appointing the Chairman of the AGM as proxy to attend, speak and vote at the AGM and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the AGM via the Live AGM Webcast or the Live AGM Audio Feed, or (c) submitting any question prior to the AGM in accordance with this 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 following purposes:

(i) processing and administration by the Company (or its agents or service providers) of the appointment of the Chairman of the AGM as proxy for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof);

(ii) processing of the registration for purpose of granting access to members (or their corporate representatives in the case of members which are legal entities) to observe the proceedings of the AGM and providing them with any technical assistance where necessary;

(iii) addressing relevant and substantial questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions; and

(iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines by the relevant authorities.

The member's personal data and its proxy's and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the abovementioned purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

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*This notice has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made or reports contained in this notice.*

The contact person for the Sponsor is Ms Lee Khai Yinn (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

Appendix

APPENDIX DATED 13 APRIL 2021

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the contents herein or as to any action you should take, you should consult your broker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

This Appendix is circulated to the Shareholders (as defined herein) of Far East Group Limited (the "**Company**") together with the Company's annual report for the financial year ended 31 December 2020 (the "**Annual Report**"). Its purpose is to explain to Shareholders the rationale and provide information relating to, and to seek Shareholders' approval for, the Proposed Renewal of the Share Buyback Mandate (as defined herein) to be tabled at the 2021 AGM (as defined herein) of the Company to be held by electronic means on Wednesday, 28 April 2021 at 11.00 a.m. (of which there will be a live webcast).

The Notice of AGM (as defined herein) and Proxy Form (as defined herein) are enclosed with the Annual Report.

If you have sold or transferred all your issued and fully paid ordinary shares in the capital of the Company held through The Central Depository (Pte) Limited (the "**CDP**"), you need not forward this Appendix to the purchaser or transferee as arrangements will be made by the CDP for a separate Appendix with the Notice of AGM and the accompanying Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your issued and fully paid ordinary shares in the capital of the Company represented by physical share certificate(s), you should immediately forward this Appendix, together with the Annual Report, the Notice of AGM and the accompanying Proxy Form, to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

*This Appendix has been reviewed by the Company's sponsor, SAC Capital Private Limited ("**Sponsor**"). This Appendix has not been examined or approved by Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements or opinions made, or reports contained in this Appendix.*

The contact person for the Sponsor is Ms Lee Khai Yinn (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

Far East Group Limited
(Company Registration No.: 196400096C)
(Incorporated in the Republic of Singapore)

APPENDIX IN RELATION TO

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

Appendix

DEFINITIONS

In this Appendix, the following definitions apply throughout, except where the context otherwise requires, or unless otherwise stated:

"2020 Mandate"	:	Has the meaning ascribed to it in Section 2.1 of this Appendix
"2021 AGM"	:	The AGM to be held by electronic means on 28 April 2021 at 11.00 a.m., notice of which is set out in the Notice of AGM
"AGM"	:	The annual general meeting of the Company
"Annual Report"	:	The annual report of the Company for FY2020
"Appendix"	:	This Appendix to Shareholders dated 13 April 2021 in respect of the Proposed Renewal of the Share Buyback Mandate
"Approval Date"	:	Has the meaning ascribed to it in Section 3.1 of this Appendix
"Associate"	:	(a) In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: (i) his Immediate Family; (ii) the trustee of any trust of which he or his Immediate Family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his Immediate Family together (directly or indirectly) have an interest of 30% or more; and (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more, or such other definition as the Catalist Rules may from time to time prescribe
"Average Closing Price"	:	Has the meaning ascribed to it in Section 3.4 of this Appendix
"Board"	:	The board of Directors of the Company for the time being
"Catalist"	:	The Catalist Board of the SGX-ST
"Catalist Rules"	:	The SGX-ST Listing Manual Section B: Rules of Catalist, as amended, modified or supplemented from time to time
"CDP"	:	The Central Depository (Pte) Limited
"Companies Act"	:	The Companies Act (Chapter 50) of Singapore, as may be amended, modified or supplemented from time to time
"Company"	:	Far East Group Limited, a company incorporated in the Republic of Singapore on 18 March 1964

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"Constitution"	:	The Constitution of the Company, as amended, modified or supplemented from time to time
"control"	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company
"Controlling Shareholder"	:	A person who (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares (excluding treasury shares) in the Company (notwithstanding, the SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder); or (b) in fact exercises control over the Company, or such other definition as the Catalist Rules may from time to time prescribe
"Directors"	:	The directors of the Company for the time being
"EPS"	:	Earnings per Share
"FY"	:	Financial year ended or ending, as the case may be, 31 December
"Group"	:	The Company and its subsidiaries, collectively
"Highest Last Dealt Price"	:	Has the meaning ascribed to it in Section 3.4 of this Appendix
"Immediate Family"	:	A person's spouse, child, adopted child, step-child, sibling and parent, or such other definition as the Catalist Rules may from time to time prescribe
"Latest Practicable Date"	:	30 March 2021, being the latest practicable date prior to the printing of this Appendix
"Market Day"	:	A day on which the SGX-ST is open for trading of securities
"Market Purchases"	:	Has the meaning ascribed to it in Section 3.3(a) of this Appendix
"Maximum Price"	:	Has the meaning ascribed to it in Section 3.4 of this Appendix
"NAV"	:	Net asset value
"**Notice of AGM**"	:	The notice of AGM as set out on pages 137 to 143 of the Annual Report
"Off-Market Purchases"	:	Has the meaning ascribed to it in Section 3.3(b) of this Appendix
"Proposed Renewal of the Share Buyback Mandate"	:	The proposed renewal of the Share Buyback Mandate at the 2021 AGM
"Proxy Form"	:	The proxy form in respect of the 2021 AGM as set out on the last 2 pages of the Annual Report
"Registrar"	:	The Registrar of Companies appointed under the Companies Act and includes any Deputy or Assistant Registrar of Companies
"Related Expenses"	:	Has the meaning ascribed to it in Section 3.4 of this Appendix

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"Relevant Period"	:	The period commencing from the date on which the resolution relating to the Share Buyback Mandate is passed in a general meeting and expiring on the earliest of (a) the date the next AGM is or is required by law to be held, (b) the date on which the Share Buybacks are carried out to the full extent mandated, or (c) the date the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting
"Securities Account"	:	The securities account maintained by a Depositor with the CDP but does not include a securities sub-account maintained with a Depository Agent
"SFA"	:	The Securities and Futures Act (Chapter 289) of Singapore, as may be amended, modified or supplemented from time to time
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"**Share Buyback**"	:	The purchase or acquisition by the Company of its own Shares pursuant to the terms of the Share Buyback Mandate
"Share Buyback Mandate"	:	A general mandate given by Shareholders to authorise the Directors to purchase or otherwise acquire, on behalf of the Company, Shares in accordance with the terms set out in this Appendix as well as the rules and regulations set forth in the Companies Act and the Catalist Rules
"Shareholders"	:	Registered holders of Shares, except where the registered holder is the CDP, the term "**Shareholders**" shall, in relation to such Shares, mean the Depositors whose Securities Accounts maintained with CDP are credited with Shares
"Shares"	:	Ordinary shares in the share capital of the Company
"Sponsor"	:	SAC Capital Private Limited
"Substantial Shareholder"	:	A person who has an interest in one or more voting Shares (excluding treasury shares) of the Company and the total votes attached to that Share, or those Shares, is not less than 5% of the total votes attached to all the voting Shares (excluding treasury shares) in the Company
"Take-over Code"	:	The Singapore Code on Take-overs and Mergers, as may be amended, modified or supplemented from time to time
"treasury shares"	:	Has the meaning ascribed to it under Section 4 of the Companies Act
"S$" and "Cents"	:	Singapore dollars and cents respectively, the lawful currency of the Republic of Singapore
"%"	:	Per centum or percentage

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them, respectively, in Section 81SF of the SFA.

The term "**subsidiary**" shall have the meaning ascribed to it in Section 5 of the Companies Act. The term "**subsidiary holdings**" means shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act.

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine shall, where applicable, include the feminine and neuter gender and vice versa. References to persons shall, where applicable, include corporations.

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Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA, the Catalist Rules, the Take-over Code or any statutory modification thereof and used in this Appendix shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA, the Catalist Rules, the Take-over Code or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of a day and date in this Appendix shall be a reference to Singapore time and date, respectively, unless otherwise stated.

Any discrepancy in the figures included in this Appendix between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Appendix may not be an arithmetic aggregation of the figures that precede them.

Appendix

1. INTRODUCTION

The Directors propose to seek the approval of Shareholders at the 2021 AGM for the Proposed Renewal of the Share Buyback Mandate.

The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and to explain the rationale for, the Proposed Renewal of the Share Buyback Mandate.

Shareholders are advised that the SGX-ST assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements or opinions made or reports contained in this Appendix.

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

2.1. Background

Under the Companies Act, a company may purchase or otherwise acquire its own shares, stocks and/or preference shares if it is expressly permitted to do so by its Constitution. Regulation 15(1) of the Constitution expressly permits the Company to, *inter alia*, purchase or otherwise acquire any of its issued Shares. It is a requirement under the Companies Act that a company which wishes to purchase or otherwise acquire its own shares should obtain approval from its shareholders to do so at a general meeting of its shareholders. In this regard, Shareholders had approved the renewal of the Share Buyback Mandate at the AGM held on 15 June 2020 (the "**2020 Mandate**"). The 2020 Mandate will be expiring on 28 April 2021, being the date of the 2021 AGM.

Accordingly, approval is being sought from Shareholders for the Proposed Renewal of the Share Buyback Mandate. Upon Shareholders' approval, the Proposed Renewal of the Share Buyback Mandate, will authorise the Directors to exercise all powers of the Company to purchase or otherwise acquire its issued Shares under the Share Buyback Mandate from the Approval Date until the date when the next AGM is held, or is required by law to be held, whichever is the earlier, whereupon it will lapse, unless it is renewed at such meeting. The authority may be revoked or varied in any general meeting of the Company held prior to the date when the next AGM is held or is required by law to be held.

2.2. Rationale

The Directors constantly seek to increase Shareholder's value and to improve, *inter alia*, the return on equity of the Group. A Share Buyback at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced. Share Buybacks provide the Company with a mechanism to facilitate the return to Shareholders of surplus cash/funds over and above its ordinary capital requirements, and in excess of the financial and possible investment needs of the Company, in an expedient, effective and cost-efficient manner.

The Proposed Renewal of the Share Buyback Mandate will provide the Directors with greater flexibility over, *inter alia*, the Company's share capital structure with a view to enhancing the earnings and/or NAV per Share or to maintain a pool of Shares to be deployed for future purposes as deemed appropriate by the Directors. The Directors further believe that Share Buybacks by the Company will help mitigate short-term market volatility, offset the effects of short-term speculation and bolster Shareholders' confidence.

While the Share Buyback Mandate would authorise a purchase or acquisition of Shares up to the 10% limit described in Section 3.1 below during the period referred to in Section 3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out to the full 10% limit as authorised and may be made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best endeavours to ensure that after a purchase or acquisition of Shares pursuant to the Share Buyback Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

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3. AUTHORITY AND LIMITS OF THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buyback Mandate are summarised below:

3.1. Maximum Number of Shares

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired pursuant to the Share Buyback Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares of the Company as at the date of the AGM at which the Proposed Renewal of the Share Buyback Mandate is approved (the "**Approval Date**"), unless the Company has, at any time during the Relevant Period, reduced its share capital by a special resolution under Section 78C of the Companies Act, or the court has, at any time during the Relevant Period, made an order under Section 78I of the Companies Act confirming the reduction of share capital of the Company, in which event the total number of Shares shall be taken to be the total number of Shares as altered by the special resolution of the Company or the order of the court, as the case may be. Any Shares which are held as treasury shares and subsidiary holdings will be disregarded for purposes of computing the 10% limit.

For illustrative purposes only, based on the existing 111,462,000 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the 2021 AGM, not more than 11,146,200 Shares (representing 10% of the issued ordinary share capital of the Company as at that date) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate during the period referred to in Section 3.2 below. There are no treasury shares or subsidiary holdings as at the Latest Practicable Date.

3.2. Duration of Authority

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the Approval Date, up to the earliest of:

(a) the date on which the next AGM is held or required by law to be held;

(b) the date on which the Share Buybacks are carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting.

The Share Buyback Mandate may be renewed at each AGM or other general meetings of the Company.

3.3. Manner of Purchase or Acquisition of Shares

Purchases or acquisitions of Shares may be made by way of, amongst others:

(a) on-market purchases ("**Market Purchases**"), transacted on the SGX-ST through the SGX-ST's trading system or through one or more duly licensed stockbrokers appointed by the Company for the purpose of the Share Buyback; and/or

(b) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions of the Companies Act and the Catalist Rules ("**Off-Market Purchases**").

The Directors may impose such terms and conditions which are consistent with the Share Buyback Mandate, the Catalist Rules and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all the following conditions:

(i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

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(ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made to them; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded, where applicable: (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; (2) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid (if applicable); and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to the Catalist Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document to all Shareholders containing at least the following information:

(1) the terms and conditions of the offer;

(2) the period and procedures for acceptances;

(3) the reasons for the purchase or acquisition of Shares;

(4) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;

(5) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;

(6) details of any purchases or acquisitions of Shares made by the Company in the previous twelve (12) months (whether by way of Market Purchases or Off-Market Purchases), giving the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, and the total consideration paid for such purchases or acquisitions; and

(7) whether the Shares purchased or acquired by the Company will be cancelled or kept as treasury shares.

3.4. Maximum Purchase Price

The purchase price (excluding applicable brokerage, stamp duties, commission, goods and services tax and other related expenses ("**Related Expenses**") to be paid for a Share will be determined by the Directors. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price (as defined hereinafter),

(the "**Maximum Price**") in either case, excluding Related Expenses.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase and deemed to be adjusted for any corporate action that occurs during the relevant five (5) Market Days and the day of the Market Purchase;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares, immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase and deemed to be adjusted for any corporate action that occurs after the relevant Market Day; and

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

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4. STATUS OF THE PURCHASED OR ACQUIRED SHARES

The Shares purchased or acquired by the Company may be cancelled or kept as treasury shares.

4.1. Cancellation

Any Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

Any Shares purchased or acquired by the Company and cancelled will be automatically delisted by the SGX-ST. Certificates in respect of purchased or acquired Shares that are cancelled by the Company will be cancelled by the Company as soon as reasonably practicable following settlement of any purchase or acquisition of such Shares.

At the time of each purchase or acquisition of Shares by the Company, the Directors will decide whether the Shares purchased or acquired will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company and as the Directors deem fit in the interests of the Company at that time.

4.2. Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

(a) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares. Any Shares in excess of the 10% limit shall be disposed of or cancelled in accordance with Section 76K of the Companies Act within six (6) months or such further periods as the Registrar may allow.

(b) Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares and any purported exercise of such right is void. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of Shares as fully paid bonus Shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time (but subject always to the Take-over Code):

(i) sell the treasury shares (or any of them) for cash;

(ii) transfer the treasury shares (or any of them) for the purposes of or pursuant to an employees' share scheme;

(iii) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;

(iv) cancel the treasury shares (or any of them); or

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(v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under the Catalist Rules, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "**usage**"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after the usage and the percentage of the number of treasury shares comprised in the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage and the value of the treasury shares comprised in the usage.

5. REPORTING REQUIREMENTS

Within thirty (30) days of the passing of a Shareholders' resolution to approve the Proposed Renewal of the Share Buyback Mandate by the Company, the Company shall lodge a copy of such resolution with the Registrar.

The Company shall notify the Registrar within thirty (30) days of a purchase or acquisition of Shares on the SGX-ST or otherwise. Such notification shall include, *inter alia*, the date of the purchase or acquisition, the number of Shares purchased or acquired by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued ordinary share capital before and after the purchase or acquisition of Shares, and the amount of consideration paid by the Company for the purchase or acquisition, whether the Shares were purchased out of profits or capital of the Company and such other particulars as may be required in the prescribed form.

Within thirty (30) days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Directors shall lodge with the Registrar the notice of cancellation or disposal of treasury shares in the prescribed form as required by the Registrar.

6. SOURCE OF FUNDS FOR THE SHARE BUYBACK

The Companies Act permits the Company to purchase or acquire its own Shares out of capital or profits so long as the Company is solvent. Payments could be made from capital or profits so long as the Company is solvent (as defined in Section 76F(4) of the Companies Act).

In the event the Shares which are purchased or acquired by the Company are cancelled immediately on purchase or acquisition (as opposed to being held as treasury shares to the extent permitted under the Companies Act), the Company shall:

(a) reduce the amount of its share capital where the Shares were purchased or acquired out of capital of the Company;

(b) reduce the amount of profits where the Shares were purchased or acquired out of the profits of the Company; or

(c) reduce the amount of its share capital and profits proportionately where the Shares were purchased or acquired out of both capital and profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares cancelled.

The Company will use internal resources or external borrowings or a combination of both to fund purchases or acquisitions of Shares pursuant to the Proposed Renewal of the Share Buyback Mandate. In considering the use of external funding, the Company will take into consideration the availability of external financing and the resulting impact on the prevailing gearing level of the Company and the Group. The Company will only exercise the Share Buyback Mandate in the interest of the Company and the Group without causing adverse financial impact to the Company and the Group. In particular, the Company will have regard to any relevant financial covenants which are applicable to the Company and/or the Group under any agreements for banking and credit facilities which may be granted by a financial institution to the Company and/or the Group from time to time. The Company will not effect any Share Buyback if such purchases or acquisitions would result in any breaches of the relevant financial covenants. The Company will also not propose to exercise the Share Buyback Mandate in such a manner and to such an extent that the liquidity and capital adequacy position of the Company and the Group would be materially adversely affected.

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7. FINANCIAL EFFECTS OF THE SHARE BUYBACK MANDATE

The actual impact on the financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Buyback Mandate will depend on, *inter alia*, the exact number of Shares purchased or acquired, the purchase price paid at the relevant time of purchase, how the purchase or acquisition is funded, whether the Shares are purchased or acquired out of profits and/or capital of the Company or the Group, whether the Shares purchased or acquired are held in treasury or immediately cancelled on purchase or acquisition as well as how the Shares held in treasury are subsequently dealt with by the Company in accordance with Section 76K of the Companies Act.

7.1. Purchase or Acquisition out of Capital or Profits

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (after deducting the Related Expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount of distributable profits available for cash dividends by the Company will not be reduced.

7.2. Number of Shares Acquired or Purchased

Based on 111,462,000 Shares in issue as at the Latest Practicable Date, and assuming no further Shares are issued and no Shares are held by the Company as treasury shares on or prior to the 2021 AGM, the exercise in full of the Share Buyback Mandate will result in the purchase or acquisition of 11,146,200 Shares, representing 10% of the total issued share capital of the Company.

7.3. Maximum Price to be Paid for the Share Buybacks

For illustrative purposes only:

(a) In the case of a Market Purchase by the Company and assuming that the Company purchases or acquires the 11,146,200 Shares at the Maximum Price of S$0.111 (rounded to three (3) decimal places) for one (1) Share (being 105% of the Average Closing Price of a Share immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 11,146,200 Shares is approximately S$1,237,000 (excluding Related Expenses).

(b) In the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires the 11,146,200 Shares at the Maximum Price of S$0.128 (rounded to three (3) decimal places) for one (1) Share (being 120% of the Highest Last Dealt Price of a Share on the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 11,146,200 Shares is approximately S$1,427,000 (excluding Related Expenses).

7.4. Illustrative Financial Effects

For illustrative purposes only, the financial effects of the Share Buyback Mandate on the Company and the Group, based on the audited financial statements of the Company and the Group for the financial year ended 31 December 2020 and are based on the following assumptions:

(a) the purchase or acquisition of Shares took place at the beginning of the financial year on 1 January 2020;

(b) the purchase or acquisition of Shares was financed by internal sources of funds of the Company; and

(c) the Relevant Expenses incurred for the purchase or acquisition of Shares pursuant to the Share Buyback Mandate were insignificant and have been ignored for the purpose of computing the financial effects.

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Purchases or acquisitions made out of capital or profits and: (A) Cancelled; and (B) Held as treasury shares:

	GROUP				
		Market Purchase		Off-Market Purchase	
		(A)	(B)	(A)	(B)
	Audited before buyback	After buyback and cancelled	After buyback and held as treasury shares	After buyback and cancelled	After buyback and held as treasury shares
	S$'000	S$'000	S$'000	S$'000	S$'000
As at 31 December 2020					
Loss attributable to Shareholders	(7,179)	(7,179)	(7,179)	(7,179)	(7,179)
Total shareholders' equity[1]	43,203	41,966	41,966	41,776	41,776
Current assets	52,127	50,890	50,890	50,700	50,700
Current liabilities	27,181	27,181	27,181	27,181	27,181
Working capital	24,946	23,709	23,709	23,519	23,519
Total borrowings	33,016	33,016	33,016	33,016	33,016
Number of issued Shares (exclude treasury shares) ('000)	111,462	100,316	100,316	100,316	100,316
Number of treasury shares ('000)	–	–	11,146	–	11,146
Weighted average number of Shares ('000)	111,462	100,316	100,316	100,316	100,316
Financial Ratios					
EPS (cents)[2]	(6.44)	(7.16)	(7.16)	(7.16)	(7.16)
NAV per Share (cents)[3]	38.76	41.83	41.83	41.64	41.64
Gearing ratio (times)[4]	0.43	0.44	0.44	0.44	0.44
Current ratio (times)[5]	1.92	1.87	1.87	1.87	1.87

Notes:

(1) Total shareholders' equity does not include non-controlling interests.

(2) EPS represents the ratio of losses attributable to Shareholders to the weighted average number of Shares.

(3) NAV per Share represents the ratio of total shareholders' equity to the number of issued Shares (exclude treasury shares).

(4) Gearing ratio represents the ratio of total borrowings to total shareholders' equity plus total borrowings.

(5) Current ratio represents the ratio of current assets to current liabilities.

Shareholders should note that the financial effects set out above are based on the abovementioned assumptions and are purely for illustrative purposes only. In particular, it is important to note that it is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions that may be made pursuant to the Share Buyback Mandate on the NAV per Share and EPS as the resultant effect would depend on the factors such as the aggregate number of Shares purchased, the purchase price paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases or acquisitions. Although the Share Buyback Mandate would authorise the Company to purchase or acquire up to 10% of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the issued Shares. In addition, the Company may cancel all or part of the Shares purchased or hold all or part of the Shares purchased in treasury. The above analysis is based on historical figures for the financial year ended 31 December 2020 and is not necessary representative of the Company's or the Group's future financial performance.

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The Directors would emphasise that they do not propose to carry out purchases or acquisitions of Shares to such an extent that would, or in circumstances that might, result in a material adverse effect on the financial position of the Company or the Group, or results in the Company being delisted from the SGX-ST. The Company will take into account both financial and non-financial factors (for example, share market conditions and the performance of the Shares) in assessing the relative impact of purchases or acquisitions of Shares before execution.

8. OBLIGATIONS UNDER THE TAKE-OVER CODE

Appendix 2 of the Take-over Code contains the Share Buyback Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

8.1. Obligation to Make a Take-Over Offer

Under Rule 14 of the Take-over Code, a Shareholder and persons acting in concert with the Shareholder will incur an obligation to make a mandatory takeover offer if, *inter alia*, he and persons acting in concert with him increase their voting rights in the Company to 30% or more or, if they, together holding between 30% and 50% of the Company's voting rights, increase their voting rights in the Company by more than 1% in any period of six (6) months.

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a mandatory take-over offer for the Company under Rule 14 of the Take-over Code.

8.2. Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will, *inter alia*, be presumed to be acting in concert:

(a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

(b) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, any company whose associated companies include any of the above companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above companies for the purchase of voting rights. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company;

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;

(e) a financial or other professional adviser, including a stockbroker, with its clients in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

(f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer where they have reason to believe a *bona fide* offer for their company may be imminent;

Appendix

(g) partners; and

(h) an individual with his close relatives, his related trusts, and any person who is accustomed to act according to his instructions and companies controlled by any of the above, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above persons and/or entities for the purchase of voting rights.

The circumstances under which Shareholders of the Company (including Directors of the Company) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

8.3. Effect of Rule 14 and Appendix 2 of the Take-Over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Proposed Renewal of the Share Buyback Mandate.

However, Shareholders will be subject to the provisions of Rule 14 of the Take-over Code if they acquire Shares after the purchase or acquisition of Shares by the Company. For this purpose, an increase in the percentage of voting rights as a result of the purchase or acquisition of Shares by the Company will be taken into account in determining whether a Shareholder and persons acting in concert with him have increased their voting rights by more than 1% in any period of six (6) months.

Shareholders (including Directors) and their concert parties who hold more than 50% of the Company's voting rights are under no obligation to make a take-over offer if the voting rights of such Shareholders and their concert parties were to increase as a result of the Company purchasing or acquiring Shares.

The statements in this Appendix do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders are advised to consult their professional advisers and/or the Securities Industry Council at the earliest opportunity as to whether an obligation to make a takeover offer under the Take-over Code would arise by reason of any purchases or acquisitions of Shares by the Company.

8.4. Applicability of Rule 14 and Appendix 2 of the Take-Over Code

Based on the interests of the Directors and the Substantial Shareholders in the Shares as at the Latest Practicable Date as recorded in the Register of Directors' Shareholding and the Register of Substantial Shareholding as set out in Section 12 below, none of the Substantial Shareholders would become obliged to make a take-over offer under Rule 14 of the Take-over Code as a result of the purchase or acquisition by the Company of the maximum limit of 10% of its issued Shares.

Appendix

9. OBLIGATIONS UNDER THE CATALIST RULES

9.1. Catalist Rules

The Catalist Rules specifies that a listed company shall announce all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m., (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement (which must be in the form of Appendix 8D to the Catalist Rules) currently requires the inclusion of details of, *inter alia*, the total number of shares purchased or acquired, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, the number of shares cancelled, the number of shares held as treasury shares, the number of shares purchased or acquired as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and the number of treasury shares held after the purchase or acquisition.

9.2. Suspension of Share Buyback

While the Catalist Rules does not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buyback Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in line with the best practices on securities dealings stipulated in the Catalist Rules, the Company will not deal in the Shares during the period commencing one (1) month before the announcement of the Company's half-yearly and full year financial statements of its financial year, and ending on the date of announcement of the relevant results.

9.3. Listing Status on the SGX-ST

The Company does not have any individual shareholding limit or foreign shareholding limit. The Catalist Rules requires a listed company to ensure that at least 10% of the total number of issued shares (excluding preference shares, convertible equity securities, treasury shares and subsidiary holdings) in a class that is listed must be held by public Shareholders. Where such percentage falls below 10%, the SGX-ST may at any time suspend trading of the shares of the listed company. The term "**public**", as defined under the Catalist Rules, are persons other than (i) the Directors, chief executive officer, Substantial Shareholders or Controlling Shareholder of the Company and its subsidiaries; and (ii) Associates of the persons in (i).

As at the Latest Practicable Date, approximately 27,686,800 issued Shares, representing approximately 24.84% of the issued Shares are held by public Shareholders. For illustrative purposes only, assuming the Company exercises the Share Buyback Mandate in full and purchases 10% of the issued ordinary share capital of the Company through Market Purchases from the public, the public float would be reduced to 16,540,600 issued Shares, representing approximately 16.49% of the issued ordinary share capital of the Company.

The Directors will use their best efforts to ensure that the Company does not effect a purchase or acquisition of Shares if the purchase or acquisition of Shares would result in the number of Shares remaining in the hands of the public falling to such a level as to cause market illiquidity or adversely affect the listing status of the Company. Before deciding to effect a purchase of Shares, the Directors will ensure that, notwithstanding such purchase, a sufficient float in the hands of the public will be maintained to provide for an orderly market for trading in the Shares.

10. TAX IMPLICATIONS

Shareholders who are in doubt as to their respective tax positions or the tax implications of a Share Buyback or who may be subject to tax, whether in or outside Singapore, should consult their own professional advisers.

11. PREVIOUS SHARE BUYBACKS

The Company has not made any Share Buybacks in the twelve (12) months preceding the Latest Practicable Date.

Appendix

12. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders in the Shares, based on the Register of Directors' Shareholding and the Register of Substantial Shareholding, respectively, are as follows:

	Direct Interest		Deemed Interest	
	Number of Shares	**%**	**Number of Shares**	**%**
Directors				
Loh Pui Lai [(a)(d)]	–	–	6,300,000	5.65
Loh Mun Yew [(a)(b)]	2,331,900	2.09	65,115,500	58.42
Leng Chee Keong	7,439,800	6.67	–	–
Ho Boon Chuan Wilson	–	–	–	–
Mak Yen-Chen Andrew	–	–	–	–
Tan Hwee Kiong	–	–	–	–
Substantial Shareholders (other than Directors)				
Universal Pte. Ltd. [(c)]	63,855,000	57.29	–	–
Cheung Wai Sum [(a)(d)]	6,300,000	5.65	–	–

Notes:

(a) Loh Mun Yew and Loh Pui Lai are siblings and Loh Pui Lai is the spouse of Cheung Wai Sum.

(b) Loh Mun Yew is deemed to have an interest in the 63,855,000 Shares, held by Universal Pte. Ltd. by virtue of Section 7 of the Companies Act, and the 1,260,500 Shares held by the Estate of Loh Ah Peng @ Loh Ee Ming arising from his capacity as executor of his late father's will, by virtue of Section 7 of the Companies Act.

(c) Universal Pte. Ltd. is an investment holding company incorporated in Singapore and its 63,855,000 Shares in the Company are held through a nominee, UOB Kay Hian Private Limited. The shareholders are Loh Mun Yew, Loh Pui Lai, Lum Soo Mooi (parent of Loh Mun Yew and Loh Pui Lai) and Loh Pui Pui (daughter of Lum Soo Mooi, and sibling of Loh Mun Yew and Loh Pui Lai) with shareholding interest of 43.69%, 18.82%, 18.47% and 19.02% respectively. The directors of Universal Pte. Ltd. are Loh Mun Yew, Loh Pui Pui and Lum Soo Mooi.

(d) Loh Pui Lai is deemed to have an interest in the 6,300,000 Shares held by her spouse, Cheung Wai Sum, by virtue of Section 164(15)(a) of the Companies Act.

13. DIRECTORS' RECOMMENDATIONS

Having fully considered the rationale, the benefit and the information relating to the Proposed Renewal of the Share Buyback Mandate, the Directors are of the opinion that the Proposed Renewal of the Share Buyback Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of ordinary resolution in respect of the Proposed Renewal of the Share Buyback Mandate at the 2021 AGM.

14. ACTION TO BE TAKEN BY SHAREHOLDERS

14.1 Alternative Arrangements of AGM

In view of the evolving Covid-19 situation, Shareholders will not be able to attend the 2021 AGM in person.

Instead, alternative arrangements have been put in place to allow Shareholders to participate at the 2021 AGM by (a) watching or listening to the 2021 AGM proceedings via live webcast, (b) submitting questions in advance of the 2021 AGM, and/or (c) voting by proxy at the 2021 AGM. Shareholders should refer to the Notice of AGM for further information on the alternative arrangements.

Appendix

14.2. **When Depositor Regarded as Shareholder**

A Depositor shall not be regarded as a Shareholder entitled to attend the 2021 AGM and to vote thereof unless his name appears on the Depository Register at least seventy-two (72) hours before the 2021 AGM.

15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the Proposed Renewal of the Share Buyback Mandate, and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

16. DOCUMENTS FOR INSPECTION

The following documents may be inspected at the registered office of the Company at 51 Ubi Avenue 3, Singapore 408858 during normal business hours from the date of this Appendix up to and including the date of the 2021 AGM:

(a) the Annual Report of the Company for FY2020;

(b) the Constitution of the Company.

Yours faithfully,
For and on behalf of the Board of Directors of
Far East Group Limited

Loh Mun Yew
Chief Executive Officer and Executive Director

FAR EAST GROUP LIMITED

(Registration Number 196400096C)
(Incorporated in the Republic of Singapore)

PROXY FORM

IMPORTANT

(a) Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM.

(b) Alternative arrangements relating to attendance at the AGM via electronic means (including arrangements by which the meeting can be electronically accessed via live webcast or live audio feed), submission of questions in advance of the AGM, addressing of substantial and relevant questions before or at the AGM and voting by appointing the Chairman of the AGM as proxy at the AGM, are set out in the Notice of AGM dated 13 April 2021.

(c) SRS investors who wish to appoint the Chairman of the AGM as proxy should approach their respective SRS Operators to submit their votes by 11.00 a.m. on 21 April 2021 (being seven (7) working days before the AGM).

I/We*, ______________________ (Name) ______________________ (NRIC/Passport/Registration Number)

of ____ (Address)

being a member/members* of **FAR EAST GROUP LIMITED** (the "**Company**") hereby appoint the Chairman of the Annual General Meeting of the Company ("**AGM**"), being Mr. Loh Mun Yew, the Executive Director and Chief Executive Officer of the Company as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the AGM to be held by electronic means on Wednesday, 28 April 2021 at 11.00 a.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for, vote against or abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as your proxy for that resolution will be treated as invalid.

NO.	RESOLUTIONS	FOR**	AGAINST**	ABSTAIN**
	ORDINARY BUSINESS			
1.	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2020 together with the Independent Auditor's Report thereon			
2.	To declare a final (tax exempt one-tier) dividend of 0.18 cent per ordinary share for the financial year ended 31 December 2020			
3.	To approve the payment of Directors' fees of $185,600 for the financial year ending 31 December 2021, payable half-yearly in arrears			
4.	To re-elect Loh Mun Yew as a Director of the Company			
5.	To re-elect Mak Yen-Chen Andrew as a Director of the Company			
6.	To re-elect Tan Hwee Kiong as a Director of the Company			
7.	To re-elect Ho Boon Chuan Wilson as a Director of the Company			
8.	To re-appoint Ernst & Young LLP as auditor of the Company and to authorise the Directors to fix its remuneration			
	SPECIAL BUSINESS			
9.	To authorise the Directors to issue shares and convertible securities			
10.	To approve the renewal of Share Buyback Mandate			
11.	To approve the continued appointment of Mak Yen-Chen Andrew as an independent Director, for purposes of Rule 406(3)(d)(iii)(A) of the Catalist Rules (which will take effect from 1 January 2022)			
12.	To approve the continued appointment of Mak Yen-Chen Andrew as an independent Director, for purposes of Rule 406(3)(d)(iii)(B) of the Catalist Rules (which will take effect from 1 January 2022)			
13.	To approve the continued appointment of Tan Hwee Kiong as an independent Director, for purposes of Rule 406(3)(d)(iii)(A) of the Catalist Rules (which will take effect from 1 January 2022)			
14.	To approve the continued appointment of Tan Hwee Kiong as an independent Director, for purposes of Rule 406(3)(d)(iii)(B) of the Catalist Rules (which will take effect from 1 January 2022)			

* Delete accordingly
** If you wish to exercise all your votes "For", "Against" or "Abstain", please indicate with a tick [√] within the boxes provided. Alternatively, please indicate the number of votes as appropriate.

Dated this __________ day of ________________ 2021

Total number of Shares in	Number of Shares
(a) Depository Register	
(b) Register of Members	

____
Signature(s) or Common Seal of Member(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. If the member has shares entered against his name in the Depository Register, he should insert that number of shares. If the member has shares registered in his name in the Register of Members, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this instrument of proxy will be deemed to relate to all the shares held by the member.

2. Due to the current COVID-19 restriction orders in Singapore, a member will not be able to attend the AGM in person. A member (whether individual or corporate) must appoint the Chairman of the AGM as his/her/its proxy to attend, speak and vote on his/her/its behalf at the AGM if such member wishes to exercise his/her/its voting rights at the AGM. Where a member (whether individual or corporate) appoints the Chairman of the AGM as his/her/its proxy, he/she/it must give specific instructions as to voting, or abstentions from voting, in respect of a resolution in the form of proxy, failing which the appointment of the Chairman of the AGM as proxy for that resolution will be treated as invalid.

3. The Chairman of the AGM, being a proxy, need not be a member of the Company.

4. This instrument appointing a proxy or proxies, duly executed, must be submitted (a) by post to the Company's appointed polling agent, Boardroom Corporate & Advisory Services Pte Ltd, at 50 Raffles Place, #32-01 Singapore Land Tower, Singapore 048623; or (b) by email to proxyform@fareastref.com.sg, in each case, not less than 72 hours before the time appointed for holding the AGM. In view of the current COVID-19 situation and the related safe distancing measures which may make it difficult for members to submit completed proxy forms by post, members are strongly encouraged to submit completed proxy forms electronically via email.

5. This instrument appointing a proxy or proxies must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.

6. Where this instrument appointing a proxy or proxies is signed on behalf of the appointor by an attorney, the power of attorney or a notarially certified copy thereof (failing previous registration with the Company) must be lodged with this instrument of proxy, failing which this instrument of proxy may be treated as invalid.

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

8. Investors who hold shares through relevant intermediaries as defined in Section 181 of the Companies Act (Chapter 50) of Singapore, including investors under the Supplementary Retirement Scheme ("**SRS Investors**"), who wish to exercise their votes by appointing the Chairman of the AGM as proxy should approach their respective relevant intermediaries, including SRS Operators, to submit their voting instructions at least seven (7) working days before the AGM (i.e. by 11.00 a.m. on 21 April 2021) in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to appoint the Chairman of the AGM to vote on their behalf by the cut-off date.

9. The Company shall be entitled to reject this instrument appointing a proxy or proxies if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this instrument appointing a proxy or proxies (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting this instrument appointing a proxy(ies) and/or representative(s), the member is deemed to have accepted and agreed to the personal data privacy terms set out in the notice of AGM of the Company dated 13 April 2021.

General Information

DIRECTORS

Karen Loh Pui Lai	(Non-Executive Chairman)
Steven Loh Mun Yew	(Chief Executive Officer and Executive Director)
David Leng Chee Keong	(Chief Operating Officer and Executive Director)
Ho Boon Chuan Wilson	(Lead Independent Director)
Mak Yen-Chen Andrew	(Independent Director)
Tan Hwee Kiong	(Independent Director)

COMPANY SECRETARIES

Wee Woon Hong
Francis Lai Kum Wai

REGISTERED OFFICE

51 Ubi Avenue 3
Singapore 408858
Tel: (65) 6293 9733
Fax: (65) 6296 5326

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, #18-01
Singapore 048583

Partner-in-charge: Yong Kok Keong
(Since financial year ended 31 December 2018)

BANKERS

United Overseas Bank Limited
DBS Bank Ltd

SPONSOR

SAC Capital Private Limited
1 Robinson Road
#21-00 AIA Tower
Singapore 048542

AUDIT COMMITTEE

Ho Boon Chuan Wilson (Chairman)
Mak Yen-Chen Andrew
Tan Hwee Kiong

REMUNERATION COMMITTEE

Tan Hwee Kiong (Chairman)
Ho Boon Chuan Wilson
Mak Yen-Chen Andrew

NOMINATING COMMITTEE

Mak Yen-Chen Andrew (Chairman)
Ho Boon Chuan Wilson
Tan Hwee Kiong

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