Far East Group Limited

MOVING FORWARD
WITH TECHNOLOGY

ANNUAL REPORT **2017**

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 in.

CONTENTS

This annual report has been prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), SAC Capital Private Limited for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"), being the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**"). The Sponsor has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST. The Sponsor and the SGX-ST assume no responsibility for the accuracy of the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Ms Lee Khai Yinn (Telephone: (65) 6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.

CORPORATE PROFILE

Established in 1953 and listed on the Catalist Board of the Singapore Stock Exchange since 8 August 2011, Far East Group Limited ("Far East" or "the Group") is one of the pioneers in the refrigeration and air-conditioning businesses in Singapore. Today, it has built up a strong network to become a comprehensive provider of refrigeration and air-conditioning systems and products for the Heating, Ventilation, Air-conditioning and Refrigeration ("HVAC&R") industry.

Far East provides end-to-end solutions in cooling and refrigeration ranging from consulting to after-sales support, and is principally engaged in the sourcing and distribution of a wide range of agency products as well as the manufacturing and distribution of heat exchangers and condensing units under its proprietary brand, "Eden".

Far East has a strong customer base comprising distributors, dealers as well as refrigeration and air-conditioning contractors. Its products are used in a diverse range of industries such as hypermarkets, cold store distribution centres, food processing and catering facilities, hotels, hospitals, food and beverage establishments, convenience stores, petrol stations, marine vessels, oil rigs and barges.

Headquartered in Singapore with over 200 employees, the Group has subsidiaries in Singapore, Malaysia, Hong Kong, Vietnam and China, a representative office in Indonesia, as well as approximately 20 distributors in the Southeast Asia ("SEA") region covering countries like Thailand and the Philippines, and also in other countries like Mauritius, Australia and Sri Lanka. Far East is a leading distributor of commercial and light industrial refrigeration systems and products in the SEA region, with manufacturing facilities in Malaysia and China.

In 2013, Far East acquired a controlling stake in Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd. ("ERM"), which manufactures its patented line of Eden energy-efficient products, and has established itself as one of China's leading providers of quality heat-exchangers.

Far East prides itself on being a one-stop refrigeration systems provider and continues to move up the value chain through the strengthening of its research and development capabilities and engineering consultancy services. The Group continues to chart expansion into China and SEA.

CEO'S MESSAGE

Mr Loh Mun Yew

DEAR SHAREHOLDERS,

On behalf of the Board of Directors ("Board" or "Directors"), I am pleased to present to you the annual report for Far East Group Limited ("Far East Group" or the "Group") for the financial year ended 31 December ("FY") 2017.

FY2017 was a year of recovery for us, steering the Group back to profitability. The Group and its staff have put in a tremendous effort to turn the Company around. Firstly, this is the first year where all our "Eden" brand of heat-exchangers and condensing units are produced solely from our manufacturing facilities in our subsidiary, Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd. ("ERM") in China, after the consolidation exercise of the Group's manufacturing plants at the end of FY2016.

Our research and development centre and test lab within ERM's premises in Changzhou, China, focusing on developing cutting-edge and cost-efficient products, have also been put into operation to test our new range of "Eden" products. We are pleased to announce that we have started rolling out our new range of G5-series of heat-exchangers and condensing units which will position us at the forefront of HVAC&R technology going forward.

The Group has also expanded its regional presence in setting up a subsidiary in Indonesia in May 2017 to better serve and support our customers locally. We foresee the Indonesian market to be one of the key markets for the Group. We have also set up a joint-venture company in Myanmar in September 2017 to take on engineering contracts with a vision to be a leading contractor in the HVAC&R industry in the country.

Nearer home, we have, at the end of the year, completed the purchase of a building at 51 Ubi Avenue 3, Singapore 408858 ("Ubi Property"). This will be our regional headquarter and the Singapore operations will be consolidated at this premise, improving communication and logistical efficiencies. The management is very excited by the potential that this new premise can bring to the Group's business expansion plans.

With the various consolidation of our manufacturing operations and physical locations, we have put on sale our properties in Malaysia (previously used as manufacturing facility in Malaysia) and Singapore (due to consolidation of physical locations) to partially reduce the gearing of the Group and also for business expansion and investment opportunities.

As first announced in our corporate and business update in July 2014, we have three broad strategies to take the Group to the next level: Expanding manufacturing operations and increasing revenue in China; moving up the HVAC&R value chain by strengthening our capabilities; and developing economies of scale and scalability through the distribution of "Eden" and third-party products. These strategies are steering the Group in the right direction.

The Directors are of the view that the abovementioned developments will lead the Group to new technological competitiveness in FY2018.

OPERATIONS AND FINANCIAL REVIEW

The Group's revenue decreased by S$2.1 million or 5.2% to S$37.1 million in FY2017 from S$39.2 million in FY2016, mainly due to decreased sales from Singapore, Hong Kong and Indonesia markets. The decrease was partially offset by higher sales in China, Malaysia and Vietnam markets.

The commercial and light industrial segment remains our largest revenue contributor, accounting for 87.0% of our FY2017 top line. Residential and commercial (air-conditioning) segment accounted for 10.2% of total revenue, while oil, marine and gas (refrigeration and air-conditioning) segment accounted for the remaining 2.8%.

Despite the lower revenue compared to the preceding financial year, gross profit increased by S$1.7 million or 17.2% to S$11.3 million in FY2017 from S$9.6 million in FY2016, while gross profit margin increased by 5.8ppt to 30.4% from 24.6% over the comparative periods. The higher margin was mainly due to write-back of stocks provision in FY2017 upon realization of the stocks.

The Group's cash flow in FY2017 was mainly used for working capital and operating activities. Cash flow from financing activities were mainly used for the investment in the purchase of the Ubi Property. Cash and cash equivalents decreased from S$6.3 million as at 31 December 2016 to S$4.6 million as at 31 December 2017.

The Group reversed a net loss attributable to shareholders of S$1.2 million in FY2016 to a net profit of S$0.4 million in FY2017. Earnings per share came to 0.35 cents in FY2017 compared to loss per share of 1.09 cents in FY2016, while net asset value per share increased to 21.6 cents as at 31 December 2017 versus 21.3 cents as at 31 December 2016.

DIVIDEND

In appreciation of shareholders' continued support, I am pleased to inform you that the Directors have proposed a final cash dividend of 0.18 Singapore cents per ordinary share for FY2017, subject to 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 would also like to extend my sincere appreciation to our management and staff.

BOARD OF DIRECTORS

LOH PUI LAI
Non-Executive Chairman

Ms Loh Pui Lai 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 at 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 Old FER HK and Far East HK, respectively.

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

LOH MUN YEW
Chief Executive Officer and Executive Director

Mr Loh Mun Yew was appointed to the Board of Far East Group in 1990. He has over 20 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.

LENG CHEE KEONG
Chief Operating Officer (Sales and Marketing) and Executive Director

Mr Leng Chee Keong 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.

HEW KOON CHAN

Lead Independent Non-Executive Director

Mr Hew Koon Chan was appointed to the Board on 28 June 2011 and was appointed Lead Independent Non-Executive Director of the Group on 24 February 2017. He is currently the managing director of Integer Capital Pte. Ltd., a company providing business consultancy services on mergers and acquisitions. He was a process engineer at Texas Instruments Singapore (Pte) Ltd from 1986 to 1988 before joining Seavi Venture Services Pte Ltd, a private equity firm which is an affiliate of Advent International Corporation, as an investment director from 1988 to 2004.

Mr Hew graduated from the National University of Singapore with a Bachelor of Engineering (Mechanical) Degree. He also holds a Certified Diploma in Accounting and Finance conferred by the Chartered Association of Certified Accountants, and a Graduate Diploma in Financial Management from the Singapore Institute of Management.

MAK YEN-CHEN ANDREW

Independent Non-Executive Director

Mr Andrew Mak was appointed to the Board on 28 June 2011. He is a practising lawyer with more than 22 years' experience in legal practice. He is currently a consultant with Fortis Law Corporation.

Mr Mak is an independent director of Falcon Energy Group Limited, Leader Environmental Technologies Limited and China Jishan Holdings Limited, all listed on the Main Board of the SGX-ST. 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).

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 27 years of industrial and commercial experience, 16 years of which was involved in the HVAC&R industry. Mr Tan spent most of his HVAC&R career in Carrier Refrigeration Corporation (a division of UTC Group), where he served in various capacities in the commercial and transportation refrigeration business, including being the regional managing director for South-Asia region, regional director for ASEAN, general manager of Qingdao Haier-Carrier Refrigeration, general sales manager of Carrier Refrigeration Shanghai Co., Ltd and country manager for Taiwan, etc.

Since 2008, he has been the managing director of Snap-On Tools (Singapore) Pte Ltd as well as its regional director for Southeast Asia and Korea, responsible for developing and implementing overall sales, key account management and operational strategies of the companies in Southeast Asia region, Hong Kong, Taiwan and Korea.

Mr Tan graduated from University of London with a Bachelor of Science (Economics) degree. He also obtained his Graduate Diploma in Marketing Management from Singapore Institute of Management.

EXECUTIVE OFFICERS

FRANCIS LAI KUM WAI

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 as joint Company Secretary of the Company on 26 June 2017. Mr Lai is responsible for the Finance function of the Group, including but not limited to due diligence studies of the Group's business expansion plans, developing the Group's finance policies and procedures and review of internal controls and managing the Group's insurance policies. 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, and was involved in the successful completion of several M&A deals that increased the group's revenue.

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 (NUS) where he graduated with a 2nd Class Honours degree in Arts specialising in Japanese Studies and where he concurrently pursued his ACCA qualifications. He is a member of the Institute of Singapore Chartered Accountants (CA Singapore) and a Fellow of the Association of Chartered Certified Accountants (ACCA).

ALLAN WARD

Chief Operating Officer (Engineering and Manufacturing)

Mr Allan Ward is responsible for all the engineering and design of "Eden" products, research and development activities, the Group's manufacturing activities, plant design, machinery evaluation, and ensuring the Group's ISO and design philosophies are not compromised.

He commenced his career in 1963 with Cooney Refrigeration Pty Ltd in Australia and worked his way to the position of engineer director in 1975, before joining F Muller Pty Ltd in Australia as refrigeration division business unit manager. There, he was responsible for domestic sales and international business development, product development and engineering of refrigeration products until 1988. Prior to joining the Group, he was an international business development manager of Bitzer Australia Pty Ltd in Australia from 1998 to 2000, mainly responsible for growing the export sales of heat transfer and unitary compressors to the Asia Pacific, the Middle East and India.

He is a full member of the American Society of Heating, Refrigerating and Air-Conditioning Engineers and the Australia Institute of Refrigeration Air-Conditioning and Heating Engineers. He was the president and chairman of the Commercial Refrigeration Manufacturers Association of Australia from 1991 to 1997, where he (i) was responsible for implementing the Australia refrigeration industries codes of practice; (ii) represented the refrigeration industry at government level; and (iii) unified industry specifications for refrigeration equipment with regard to ratings, temperature regulation for food storage, and health and safety within the refrigeration industry. He was also awarded patents in the United States of America, Australia and New Zealand as the inventor of drop-in refrigeration unit.

Mr Ward has been appointed as an Australian Justice of the Peace by the Governor of New South Wales, which is recognised in every state in Australia. He obtained his Diploma in Mechanical Engineering (Major in Refrigeration) from the University of Technology, Sydney, in 1967 and the Advanced Heat Transfer Design Certificate from McQuay/Muller Private Institute in 1974.

RICHARD CHUNG KONG POH

Head of Systems and Projects

Mr Richard Chung is responsible for the management and planning of all systems and projects. He leads 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. He 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).

He 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.

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

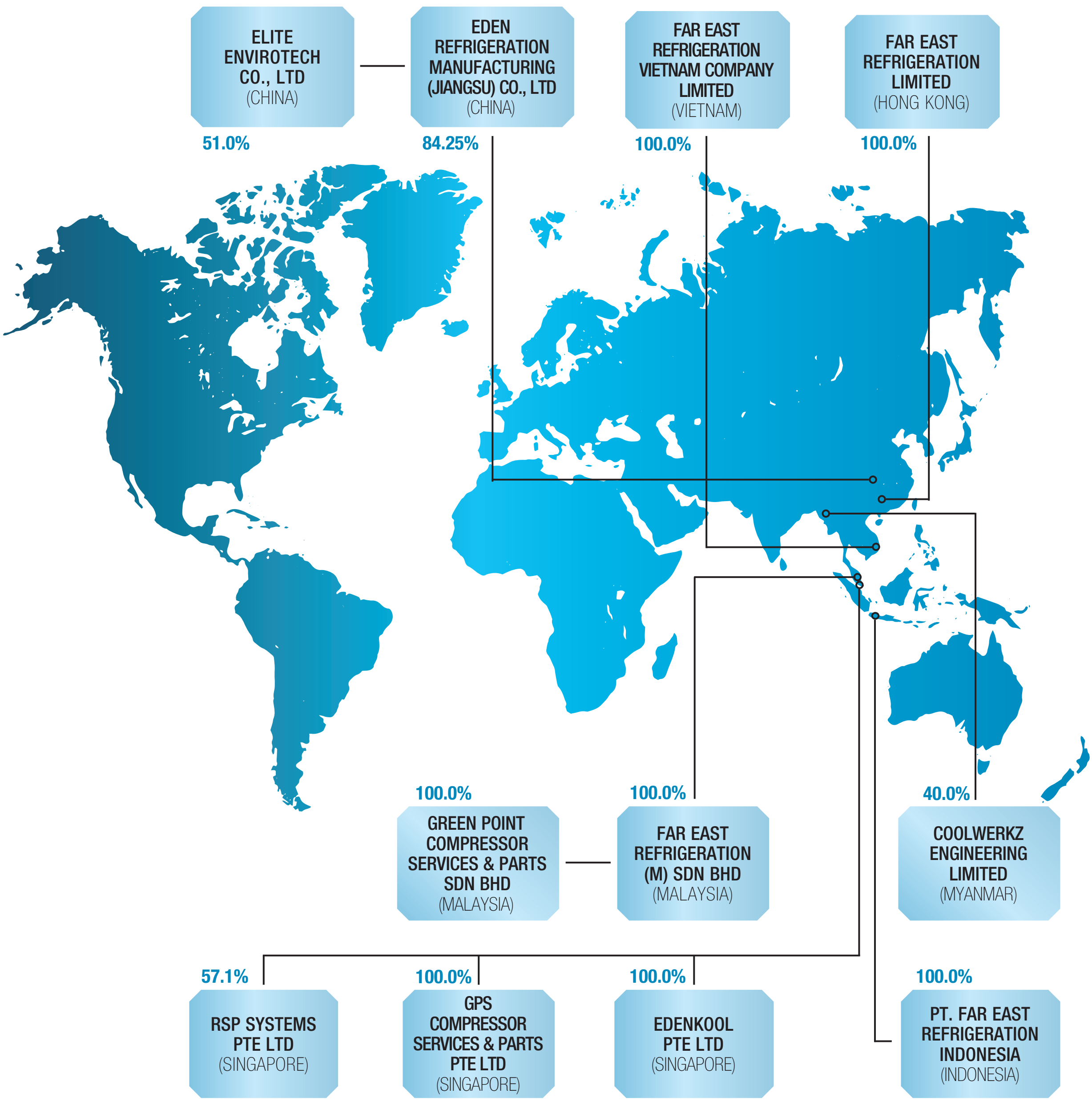
ROGER WONG THIAM HOCK

Sales Director

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, 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, and 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.

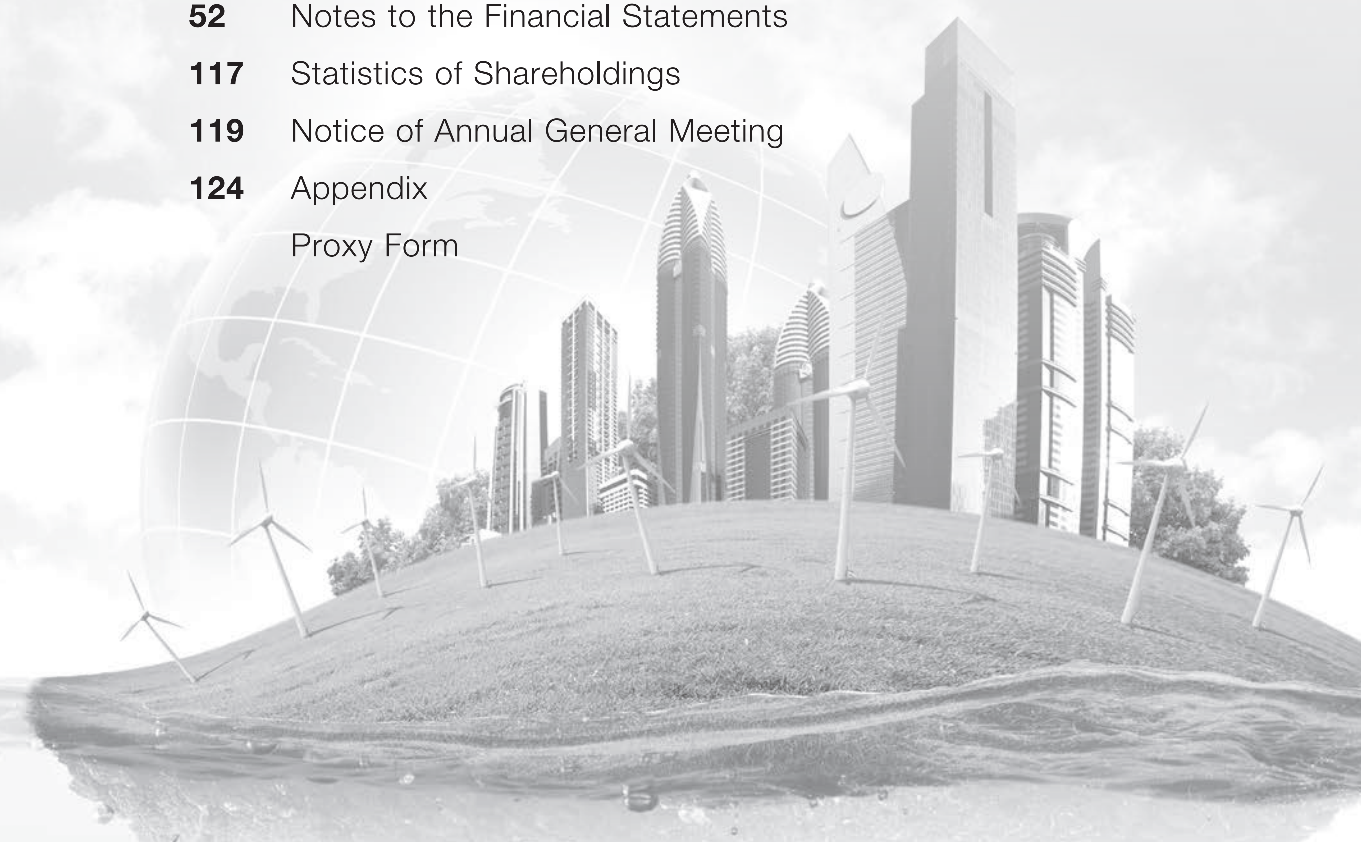
Prior to joining the Group, he held several technical managerial positions in Danfoss Pte Ltd and Linde Refrigeration (Singapore) Pte Ltd, and was a partner of PR Land & Marine Pte Ltd, where he built the business from scratch and made a strong mark on Singapore Technology Shipyard. He was awarded annual 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.

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 Company's corporate governance practices and structures that were in place for the financial year ended 31 December 2017 ("**FY2017**"), with specific reference made to each of the principles of the Code of Corporate Governance 2012 (the "**Code**"). The Board confirms that, for FY2017, the Group has complied with the principles and guidelines of the Code where appropriate. Where there are deviations from the Code, appropriate explanations are provided.

BOARD MATTERS

Principle 1: Effective Board to lead and control the Company.

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.

All Directors exercise due diligence and independent judgement and make decisions objectively in the best interests of the Company. The Board continues to approve matters within its statutory responsibilities. Specifically, the Board has direct responsibility for the following corporate events and actions:

- Corporate strategy and business plans;
- Investment and divestment proposals;
- Funding decisions of the Group;
- Nomination of Directors and appointment of key personnel;
- Half-year and full-year results announcements, the annual reports and financial statements;
- Material acquisitions and disposals of assets;
- Identification of the key stakeholder groups and recognition that their perceptions affect the Company's reputation;
- Setting of the Company's value and standards (including ethical standards), and ensuring that obligations to shareholders and other stakeholders are understood and met;
- Consideration of sustainability issues (e.g. environmental and social factors) in the formulation of its strategies; and
- All matters of strategic importance.

The Board has delegated certain matters to specialised committees (the "**Board Committees**") of the Board. 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. They assist the Board in carrying out and discharging its duties and responsibilities efficiently and effectively.

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.

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. Newly-appointed Directors will also be provided with a formal letter setting out their duties and obligations. 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 or other training institutions in areas such as accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties.

CORPORATE GOVERNANCE REPORT

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 FY2017, Directors were provided with briefings and updates on: (i) the developments in financial reporting and governance standards by the external auditors, Ernst & Young LLP; and (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.

Directors are also 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 risks 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 number of Board and Board Committee meetings held and attended by each Board member for FY2017 is set out as follows:

	Board	**Board Committees**		
		Audit	**Nominating**	**Remuneration**
Number of meetings held	**4**	**2**	**1**	**1**
	Number of meetings attended			
Ms Loh Pui Lai	4	2*	1*	1*
Mr Loh Mun Yew	4	2*	1*	1*
Mr Leng Chee Keong	4	2*	1*	1*
Mr Hew Koon Chan	4	2	1	1
Mr Mak Yen-Chen Andrew	4	2	1	1
Mr Tan Hwee Kiong	3	1	–	–

* *By Invitation*

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 periodical reviews and the provision of guidance and advice on various matters relating to the Group.

Principle 2: A strong and independent element on the Board.

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**") (Sales and Marketing) and Executive Director
Mr Hew Koon Chan	Lead Independent Director
Mr Mak Yen-Chen Andrew	Independent Director
Mr Tan Hwee Kiong	Independent Director

CORPORATE GOVERNANCE 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 Company endeavours to maintain a strong and independent element on the Board. As there are three (3) Independent Directors on the Board, the prevailing applicable requirement of the Code that at least half of the Board be comprised of Independent Directors is satisfied since Ms Loh Pui Lai (Non-Executive Chairman) and Mr Loh Mun Yew (CEO and Executive Director) are immediate family members. 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.

The Independent Directors have confirmed that they do not have any relationship with the Company or its related corporations or its officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company 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 Mak Yen-Chen Andrew, Mr Hew Koon Chan 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.

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. There are no Independent Directors who have served on the Board beyond nine (9) years from the date of his first appointment.

The Board periodically examines its size to ensure that it is of an appropriate number 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 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. Details of the Board members' qualifications and experience are presented in the section entitled "Board of Directors" of this Annual Report.

The Independent Directors and Non-Executive Director will constructively challenge and assist in the development of proposals on strategy, and 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.

Principle 3: Chairman and CEO to be separate persons to ensure a clear division of responsibilities and a balance of power and authority, such that no one individual represents a considerable concentration of power.

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.

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;

CORPORATE GOVERNANCE REPORT

(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.

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 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 Hew Koon Chan, 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.

Principle 4: A formal and transparent process for the appointment and re-appointment of Directors.

The members of the NC are Mr Mak Yen-Chen Andrew (Chairman), Mr Hew Koon Chan and Mr Tan Hwee Kiong, all of whom are independent directors. The NC meets at least once a year.

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;

(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 or her 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.

CORPORATE GOVERNANCE REPORT

Each member of the NC shall abstain from voting on any resolution relating to the assessment of his performance or his re-nomination as Director.

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 also determines, on an annual basis, the independence of Directors. For FY2017, the NC has assessed and affirmed that the Independent Directors are independent (within the meaning of the Code).

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 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.

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, participation, preparedness and candour).

In assessing the performance of each individual Director, the NC considers whether he or she has multiple board representations and other principal commitments, and is able to and adequately carry out his or her duties as a Director notwithstanding such commitments. The NC is satisfied that sufficient time and attention to the affairs of the Company has 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 representations 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. Directors may consult the Chairman of the NC before accepting any appointments as director. Currently, none of the Directors holds more than six (6) directorships in listed companies.

Directors are encouraged to attend relevant training programmes conducted by the Singapore Institute of Directors, the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), and business and financial institutions and consultants. The costs of such training programmes will be borne by the Company.

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.

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 annual general meeting of the Company ("**AGM**"). The Constitution also provides that the retiring Directors are eligible to offer themselves for re-election.

The NC has recommended to the Board that Mr Loh Mun Yew and Mr Mak Yen-Chen Andrew 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 Company. Mr Mak Yen-Chen Andrew will, upon re-election as a Director, remain as an Independent Director, the Chairman of the NC and a member of the AC and RC.

CORPORATE GOVERNANCE REPORT

The key information for each Director is disclosed in their profiles as set out in the section entitled "Board of Directors" of this Annual Report. The dates of initial appointment and last re-election of each Director, together with his and her 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)	46	Non-Executive Chairman	28 June 2011	28 April 2017	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None
Loh Mun Yew(1)	51	CEO and Executive Director	2 May 1990	26 April 2016	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None
Leng Chee Keong	61	COO (Sales and Marketing) and Executive Director	18 February 2005	28 April 2017	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None
Hew Koon Chan	56	Lead Independent Director	28 June 2011	26 April 2016	**Present Directorships** Nordic Group Limited Roxy-Pacific Holdings Limited DeClout Limited Shopper360 Limited **Past Directorships (in the last three (3) preceding years)** None

CORPORATE GOVERNANCE REPORT

Name	Age	Appointment	Date of initial appointment	Date of last re-election	Directorship in other listed companies
Mak Yen-Chen Andrew	48	Independent Director	28 June 2011	28 April 2015	**Present Directorships** Leader Environmental Technologies Limited Falcon Energy Group Limited China Jishan Holdings Limited **Past Directorships (in the last three (3) preceding years)** None
Tan Hwee Kiong	52	Independent Director	28 June 2011	26 April 2016	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None

Note:

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

Principle 5: Formal annual assessment of the effectiveness of the Board and the individual 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.

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. The NC also takes into consideration the feedback from individual Directors on areas relating to the Board's competencies and effectiveness. The results of the overall evaluation of the Board 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.

CORPORATE GOVERNANCE REPORT

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 abstains from the discussions in order to avoid any conflict of interests.

The NC has assessed the current Board's performance to-date and is of the view that the performance of 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.

Principle 6: Board members should be provided with complete, adequate and timely information.

Each member of the Board has complete access to such information regarding the Group as may be required for the discharge of his or her 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. 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.

The Directors have separate and independent access to the Company Secretaries. The Company Secretaries and/or their colleagues attend Board and Board Committee meetings and ensure that Board procedures and the provisions of the Companies Act, Chapter 50 of Singapore, the Constitution and the Listing Manual Section B: Rules of Catalist of the SGX-ST (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.

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 or her duties and responsibilities as a Director.

REMUNERATION MATTERS

Principle 7: Formal and transparent procedure for fixing remuneration packages of individual Directors and senior executives.

The members of the RC are Mr Tan Hwee Kiong (Chairman), Mr Hew Koon Chan and Mr Mak Yen-Chen Andrew, all of whom are independent directors. Each member of the RC shall abstain from voting on any resolution in respect of his remuneration package.

CORPORATE GOVERNANCE REPORT

The RC will recommend to the Board a framework of remuneration for the Directors and key management personnel and determine specific remuneration packages for each Executive Director. The recommendations of the RC will be submitted for endorsement by the Board. All aspects of remuneration, including but not limited to, Directors' fees, salaries, allowances, bonuses, options, share-based incentives, awards and benefits-in-kind shall be reviewed by the RC. 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.

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.

During FY2017, 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.

Principle 8: The level and structure of remuneration should be appropriate but not excessive.

Principle 9: Clear disclosure of remuneration policy, level and mix of remuneration, and procedure for setting remuneration.

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.

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.

The Company has entered into service agreements with Mr Loh Mun Yew, our CEO and Executive Director, and Mr Leng Chee Keong, our COO (Sales and Marketing) 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.

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.

All revisions to the remuneration packages for the Directors and key management personnel are subject to the review by and approval of the Board. Directors' fees are further subject to the approval of shareholders of the Company at AGMs.

CORPORATE GOVERNANCE REPORT

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. Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties. The RC would review such contractual provisions as and when necessary.

The breakdown, showing the level and mix of each individual Director's remuneration in FY2017 by percentage (%) is, as follows:

Remuneration Band and Name of Director	**Base/Fixed salary**	**Directors' fees**(1)	**Variable or performance benefits related income/Bonus**	**Other benefits**
Between S$250,000 – S$499,999				
Mr Loh Mun Yew	82%	–	9%	9%
Mr Leng Chee Keong	82%	–	9%	9%
S$249,999 and below				
Ms Loh Pui Lai	–	100%	–	–
Mr Hew Koon Chan	–	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 28 April 2017.

The remuneration packages for the top five (5) key management personnel of the Company 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).

CORPORATE GOVERNANCE REPORT

The breakdown, showing the level and mix of each of the top five (5) key management personnel's remuneration in FY2017 by percentage (%) is, as follows:

Remuneration Band and Name of Key Management Personnel	**Base/Fixed salary**	**Variable or performance benefits related income/Bonus**	**Other benefits**
Between S$250,000 – S$499,999			
Mr Allan Ward	75%	25%	–
Mr Francis Lai Kum Wai	77%	11%	12%
Mr Lee Han Keong	73%	15%	12%
Mr Wong Thiam Hock	80%	9%	11%
S$249,999 and below			
Mr Chung Kong Poh Richard	75%	11%	14%

The annual aggregate remuneration accrued to the top five (5) key management personnel of the Company (who are not Directors or the CEO) for FY2017 is S$1,501,080.

The Company has not disclosed the exact details of the remuneration of each individual Director and the top five (5) 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.

No employee who was an immediate family member of a Director or the CEO was paid more than S$50,000 during FY2017. "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 this Annual Report for more information on the FEG ESOS. No share option was granted pursuant to the FEG ESOS during FY2017.

CORPORATE GOVERNANCE REPORT

ACCOUNTABILITY AND AUDIT

Principle 10: The Board should present a balanced and understandable assessment of the Company's performance, position and prospects.

In line with the continuing disclosure obligations of the Company under the Catalist Rules, it is the Board's policy that shareholders be informed of all major developments of the Company. Information is presented to shareholders on a timely basis through SGXNET and/or the press. In presenting the annual financial statements and the half-year and full-year results announcements to its shareholders, it is the objective of the Board to provide its shareholders with a reasonable understanding of the Group's financial position, performance and prospects.

The Board reviews compliance requirements with the Management to ensure that the Group complies with the relevant requirements. In line with the requirements of the Catalist Rules, the Board provides a negative assurance statement to the shareholders in its half-year results announcements, confirming to the best of its knowledge that nothing had come to the attention of the Board which might render the financial statements false or misleading in any material aspect. In addition, the Company had, pursuant to Rule 720(1) of the Catalist Rules, received undertakings from all the Directors and the relevant executive officers that they each shall, in the exercise of their powers and duties as directors or executive officers of the Group, use their best endeavours to comply with the provisions of the Catalist Rules and will also procure the Company to do so.

The Management currently provides the Board with management accounts of the Group's performance, position and prospects on a quarterly basis or as and when deemed necessary by the Board.

RISK MANAGEMENT AND INTERNAL CONTROLS

Principle 11: The Board is responsible for the governance of risks and maintain a sound system of internal controls to safeguard shareholders' investments and the Company's assets.

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 ("**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.

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.

CORPORATE GOVERNANCE REPORT

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.

The CEO and the CFO have provided a letter of confirmation that as at the end of FY2017, (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 effective.

Based on the findings of the internal and external auditors and the various adequate and effective management controls put in place, 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 risks, and risk management policies and systems to meet the needs of the Group in their current business environment.

Principle 12: Establishment of an Audit Committee with clear written terms of reference.

The members of the AC are Mr Hew Koon Chan (Chairman), Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong, all of whom are independent directors.

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 with external auditors the audit plan, their audit report, their management letter and the Management's response;

– reviewing and ensuring the integrity of the financial statements of the Company and its subsidiaries before submission to the Board for approval;

– ensuring that the internal audit function is adequate and effective;

– 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 reporting to the Board annually on the effectiveness and adequacy of the Group's risk management and internal controls systems in addressing the financial, operational, compliance and information technology risks via reviews carried out by the internal auditors;

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

– 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 Company is in compliance with Rule 712 and Rule 715 of the Catalist Rules in relation to its appointment of the audit firm for the Group. No former partner or director of the Company's existing auditing firm is a member of the AC.

Each member of the AC shall abstain from voting on any resolutions in respect of matters in which he is interested.

CORPORATE GOVERNANCE REPORT

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 on page 11 of this Annual Report. 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.

The AC met once with the external auditors and once with the internal auditors respectively, without the presence of the Management in FY2017.

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 KAM presented by the external auditors and concur with the identification of the KAM and considered the following matters for each KAM:

Key Audit Matters (KAM)	AC commentary of the KAM, how the matters were reviewed and what decisions were taken
Impairment of Fixed Assets	The AC acknowledges that the annual impairment assessment of fixed assets involves significant judgement. Majority of the Group's assets are in land and building, and 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 the fixed assets in the Group are duly employed with no significant impairment issues.
Allowance for Doubtful Debts	The AC reviews the aging of trade receivables and the allowance for doubtful debts on a quarterly basis with the Management. During such reviews, the Management will present justifications to support any proposed allowance. The AC is satisfied that there is a system in place for regular periodic review of any long outstanding debts. The AC is satisfied that, together with the quarterly updates at Board meetings, there are adequate measures put in place to minimise significant losses from doubtful debts and adequate allowance has been made.
Allowance for Obsolete Inventories	The AC reviews, and is updated by the Management on a quarterly basis on, the status of allowance for obsolete inventories. The AC is satisfied that sufficient analysis of inventory obsolescence has been performed giving consideration to historical realisation of inventories in the various aging categories, at values above their carrying amounts. The Management has put in place targets to reduce the slow-moving inventories and additional measures to monitor inventory levels to bring the inventory levels down.
Impairment of Investment in Subsidiaries and Amount due from Subsidiaries	The AC considered the approach and methodology used by management in performing the impairment assessment as well as management's assessment of indicators of impairment of investment in subsidiaries and amounts due from subsidiaries. The AC reviews the reasonableness of any proposed impairment adjustments, and reviews Management's future projection of the performance of the subsidiaries. The AC is satisfied that no additional impairment of investments and amounts due from subsidiaries are required and management continuously monitors the subsidiaries' operations and results.

CORPORATE GOVERNANCE REPORT

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.

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 policies and arrangements have been made available to all employees of the Company and is also made available to the public on the Company's website.

The AC has full access to and cooperation 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.

Principle 13: Establishment of an internal audit function that is independent of the activities it audits.

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 FY2017, the Company has outsourced its internal audit function to a qualified public accounting firm, PricewaterhouseCoopers LLP, to strengthen the Company's internal audit functions and promote sound risk management, including financial, operational and compliance controls and good corporate governance. The AC has reviewed the adequacy and effectiveness of the internal auditors and is satisfied that the internal auditors are staffed by qualified and experienced personnel and that the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors are used as a reference and guide by the Company's internal auditors. The AC will review annually the adequacy and effectiveness of the internal auditors.

The objective of the internal audit function is to provide an independent review of the adequacy and effectiveness of the Group's internal controls and provide reasonable assurance to the AC and the Management that the Group's risk management, controls and governance processes are adequate and effective.

The internal audit plan is submitted to the AC for approval prior to the commencement of the internal audit, and the AC oversees and monitors the implementation or improvements as required. The internal auditors have unrestricted direct access to all of the Company's documents, records, properties and personnel and a direct and primary reporting line to the AC.

Principle 14: Fair and equitable treatment of all shareholders.

Principle 15: Regular, effective and fair communication with 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.

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.

CORPORATE GOVERNANCE REPORT

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 regarding the Group.

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 sensitive information is first publicly released before the Company meets with any group of investors or analysts.

The Group has specifically entrusted an investor relations team comprising the CEO, the COO (Sales and Marketing) and the CFO with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns.

Pertinent information is communicated to shareholders through:

(1) half-year and full-year results announcements which are published on the SGXNET and in news 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.

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. For FY2017, the Board has proposed a final (tax exempt one-tier) dividend of S$0.0018 per ordinary share, subject to shareholders' approval at the forthcoming AGM.

Principle 16: Greater shareholder participation and communication at general meetings of shareholders.

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. All minutes of general meetings that include substantial and relevant comments or queries from shareholders and responses from the Board and the Management are made available to shareholders upon their request.

Shareholders are given the opportunity to vote at general meetings. 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.

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.

CORPORATE GOVERNANCE REPORT

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-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.

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-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 FY2017, was S$127,000 and S$105,000 respectively, comprising approximately S$210,000 audit fees and S$22,000 non-audit fees for acting as tax agent. 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. 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.

Having been satisfied as to the foregoing and that Rule 712 of the Catalist Rules has been complied with, the AC has recommended the re-appointment of Ernst & Young LLP as external auditors at the forthcoming AGM.

NON-SPONSOR FEES

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees paid to the Company's sponsor, SAC Capital Private Limited, in FY2017.

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 FY2017, 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 FY2017 with a value of more than S$100,000 each.

CORPORATE GOVERNANCE REPORT

Disclosure on Compliance with the Code of Corporate Governance 2012

Guideline	Questions	How the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	(a) The Company has complied with all the principles and guidelines of the Code save for the following: • **Disclosure of the remuneration of directors and key management personnel** The Company has not disclosed the exact details of the remuneration of each individual Director and the top five (5) key management personnel due to the sensitive nature of such information and the highly competitive market for talents, and a disclosure of such would be prejudicial to the Company's interests.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(b) • **Disclosure of the remuneration of directors and key management personnel** The RC ensures that the remuneration of Directors and key management personnel, although undisclosed, is appropriate, by recommending 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.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	(a) Please refer to Principle 1 of the Corporate Governance Report.
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees?	(a) The Board comprises 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.
	(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	(b) The Board periodically examines its size to ensure that it is of an appropriate number 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.
	(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	(c) The NC has put in place a formal and transparent process for all appointments to the Board. It has adopted written terms of reference defining its membership, administration and duties. As part of the process for the selection, appointment and re-appointment of Directors, the NC takes into consideration the following issues: composition, diversity and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance. The Board is of the view that the current composition provides an appropriate balance and diversity of skills, experience, gender and knowledge of the Company.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	No new Directors were appointed in FY2017. Please refer to Principle 4 of the Corporate Governance Report for details on the nomination process.
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	(a) No new Directors were appointed in FY2017. Please refer to paragraph 5 of Principle 1 of the Corporate Governance Report. (b) Please refer to paragraphs 5, 6 and 7 of Principle 1 of the Corporate Governance Report.
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of directors?	(a) 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 representations 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. (b) Not applicable. (c) In assessing the performance of each individual Director, the NC considers whether he or she has multiple board representations and other principal commitments, and is able to and adequately carry out his or her duties as a Director notwithstanding such commitments.
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	(a) Please refer to Principle 5 of the Corporate Governance Report. (b) Yes. The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
Independence of Directors		
Guideline 2.1 and 2.2	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes. The Independent Directors currently make up half of the Board in view that the Non-Executive Chairman and the CEO are immediate family members. For good corporate governance, the Board has appointed Mr Hew Koon Chan as the Lead Independent Director of the Company to address the concerns of the shareholders and employees in the event that interactions with the Non-Executive Chairman, CEO or CFO cannot satisfactorily resolve their concerns or where such channel of communications is considered inappropriate.
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	(a) No. (b) Not applicable.
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	No.
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the CEO's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The Company has not disclosed the exact details of the remuneration of each individual Director 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 and the highly competitive market for talents.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	(a) Please refer to Principle 9 of the Corporate Governance Report.
	(b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the CEO).	(b) The annual aggregate remuneration paid to the top five (5) key management personnel of the Company (who are not Directors or the CEO) for FY2017 is S$1,501,080.
Guideline 9.4	Is there any employee who is an immediate family member of a director or the CEO, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the CEO.	No.
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria.	(a) Please refer to Principle 9 of the Corporate Governance Report.
	(b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes?	(b) Please refer to Principle 9 of the Corporate Governance Report.
	(c) Were all of these performance conditions met? If not, what were the reasons?	(c) Yes.
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Please refer to Principle 6 of the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	For FY2017, the Company has outsourced its internal audit function to a qualified public accounting firm, PricewaterhouseCoopers LLP. Please refer to Principle 13 of the Corporate Governance Report for further information.
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	(a) Please refer to Principle 11 of the Corporate Governance Report.
	(b) In respect of the past 12 months, has the Board received assurance from the CEO and the CFO as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	(b) Yes.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.	(a) The aggregate amount of fees paid to the Company's external auditors, Ernst & Young LLP and member firms of Ernst & Young Global, in FY2017 was S$232,000 of which audit fees amounted to approximately S$210,000.
	(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	(b) Save for a fee of S$22,000 for tax-related services, no other non-audit fees were paid to the Company's external auditors, Ernst & Young LLP and member firms of Ernst & Young Global for FY2017. 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.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	(a) Please refer to Principles 15 and 16 of the Corporate Governance Report.
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	(b) The Group has specifically entrusted an investor relations team comprising the CEO, COO (Sales and Marketing) and CFO with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	(c) Please refer to Principles 15 and 16 of the Corporate Governance Report.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	For FY2017, the Board has proposed a final (tax exempt one-tier) dividend of S$0.0018 per ordinary share, subject to shareholders' approval at the forthcoming AGM. 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.

DIRECTORS' STATEMENT

The directors are pleased to 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 2017.

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 2017 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
Hew Koon Chan
Mak Yen-Chen Andrew
Tan Hwee Kiong

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 2017**	**At 31 December 2017**	**At 1 January 2017**	**At 31 December 2017**
Universal Pte. Ltd.[1]				
Ordinary shares				
Loh Mun Yew	13,270	13,270	–	19,688
Loh Pui Lai	5,170	5,170	–	–

DIRECTORS' STATEMENT

Name of director	Direct interest At 1 January 2017	Direct interest At 31 December 2017	Deemed interest At 1 January 2017	Deemed interest At 31 December 2017
Far East Group Limited				
Ordinary shares				
Loh Pui Lai	–	–	6,300,000	6,300,000
Loh Mun Yew	981,900	981,900	63,855,000	65,115,500
Leng Chee Keong	7,339,800	7,339,800	–	–

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.

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 and 19,688 shares held by the Estate of Loh Ah Peng @ Loh Ee Ming, the late father of Loh Mun Yew, in the Company and the holding company respectively, 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 2018.

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 Hew Koon Chan	(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, on any share issue of any other corporation have been granted; and
- No options have been granted at a discount.

DIRECTORS' STATEMENT

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

- Reviewed effectiveness of the Group and the Company's material internal controls, including financial, operational and compliance controls and risk management via reviews carried out by the internal auditor

- 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

- 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 that the external auditor 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

- 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.

DIRECTORS' STATEMENT

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
26 March 2018

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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 2017, the statements of changes in equity of the Group and the 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 Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2017 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 judgment, 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.

Impairment of fixed assets

As at 31 December 2017, the carrying amount of the Group's fixed assets amounted to $36,779,183. At each reporting date, the Group assesses whether there are indicators of impairment and if there are such indicators, an estimate is made of the recoverable amount of the asset concerned. An asset's recoverable amount is the higher of (i) the fair value less cost of disposal and (ii) value-in-use. Management has assessed the recoverable amount of the fixed assets based on its value in use by performing cash flow projection for those fixed assets over its remaining useful lives. This assessment required management to use significant judgment over the assumptions and estimations used in performing the forecast. The key assumptions and estimations used in performing the forecast are the annual growth rate of the business, forecasted gross margins and discount rate. As such, we determined that this is a key audit matter.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Independent Auditor's Report to the Members of Far East Group Limited

Key Audit Matters (Cont'd)

Impairment of fixed assets (Cont'd)

Management identified indicators of impairment relating to fixed assets of the subsidiaries in People's Republic of China. 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 impairment of fixed assets, taking into consideration the financial performance over the past years, the future prospects and the cash generating potential of the fixed assets and available information;

– Evaluated the key assumptions and estimates used by management in the value-in-use calculations;

– Assessed the reasonableness of the growth rate used based on historical results, current developments and future plans of the business;

– Reviewed management's assessment on the reasonableness of the useful lives of fixed assets;

– Assessed the reasonableness of the gross margins and discount rate used by Management by comparing to historical trend and market comparable rate respectively and available information;

– Involved our internal valuation specialists to assist us in evaluating the reasonableness of the discount rate; and

– Performed sensitivity analysis on those key assumptions used.

We also assessed the adequacy of the relevant notes disclosure. The related disclosures are included in Note 2.7 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.

Allowance for doubtful debts

The Group has trade receivables from third parties and affiliated companies amounting to $7,513,205 and $398,602 as at 31 December 2017. The credit worthiness of customers may be impacted by specific and/or macro-economic conditions, resulting in overdue trade receivables. The Group's policy in providing allowance for doubtful debts is specifically identifying those accounts that have higher risk of non-collectability. Impairment assessment for those outstanding receivables require significant management judgment, as such, we determined that this is a 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;

– Understood the Group's processes and tested the controls relating to the monitoring of trade receivables;

– Reviewed management's assessment of collectability of trade receivables through analyses of ageing of receivables, assessment of material overdue individual trade receivables;

– Inquired management if there are any known disputed receivables;

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Independent Auditor's Report to the Members of Far East Group Limited

Key Audit Matters (Cont'd)

Allowance for doubtful debts (Cont'd)

- Reviewed the collectability of selected 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 reviewed their past payment trends and discussed with management if there are any disputed receivables with those debtors; and

- Selected samples to request for trade receivables confirmations. 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 allowance for doubtful debts assessment are included in Note 2.16, Note 14 and Note 16 to the financial statements. The key sources of estimation uncertainty in relation to impairment of loans and receivables are disclosed in Note 3.2 to the financial statements.

Allowance for obsolete inventories

The Group holds significant inventories and records allowance for identified obsolete inventories. As at 31 December 2017, the Group's inventories amounted to $10,720,201. The Group analyses its inventories, which comprises mainly finished goods, into different ageing brackets. Each ageing bracket is subject to different basis of allowance, which is estimated based on historical sale and allowance patterns. Given the significant judgment involved in management's assessment, 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:

- Discussed the basis of the allowance with management and checked to historical usage/sale patterns to assess reasonableness of the percentages used in the estimation of obsolescence allowance;

- Checked that the Group has provided for allowance for inventory obsolescence in accordance with the Group policy;

- Selected samples to test the integrity of the inventory ageing report in order to conclude that the inventory ageing report can be relied upon for the assessment of allowance for inventory obsolescence;

- Inquired for any identified obsolete or slow-moving inventories during our stocktake observation; and

- Performed net realisable value testing on selected inventory items to check that inventories are valued at the lower of cost and net realisable value.

We also assessed the adequacy of the relevant notes disclosure. The related disclosures on the allowance for obsolete inventories assessment are included in Note 2.18 and Note 13 to the financial statements. The key sources of estimation uncertainty in relation to allowance for obsolete inventories are disclosed in Note 3.2 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

Independent Auditor's Report to the Members of Far East Group Limited

Key Audit Matters (Cont'd)

Impairment of investment in subsidiaries and amount due from subsidiaries

As at 31 December 2017, the Company has investment in subsidiaries and amount due from subsidiaries with carrying values of $15,101,621 and $5,078,516. The Company assesses at each reporting date whether there are indicators of impairment and if there are such indicators, an estimate is made of the recoverable amount of the asset concerned. A cash flow forecast for the subsidiaries with indicators of impairment is performed by Management to assess both the recoverable amount of subsidiaries with impairment indicators and the amount the Company expects to recover in respect of amounts due from the subsidiaries. Significant judgment over the assumptions and estimations used in performing the forecast is required. The key assumptions and estimations used in performing the forecast are the annual growth rate of the business, forecasted gross margins and discount rate used to discount the future cash flow to its present value. As such, we determined that this is a key audit matter.

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

– Assessed the reasonableness of the growth rate used based on historical results, current developments and future plans of the business and comparing against relevant external data such as economy's growth forecast;

– Assessed the reasonableness of the gross margins and discount rate used by Management by comparing to historical trend and market comparable rate respectively and available information;

– We involved our internal valuation specialists to assist us in evaluating the reasonableness of the discount rate;

– Performed sensitivity analysis on those key assumptions used by management;

– Reviewed management's assessment of collectability of the amount due from subsidiaries; and

– Discussed with management on the collectability of intercompany receivables and adequacy of doubtful receivables allowances, if any.

We also assessed the adequacy of the relevant notes disclosure. The related disclosures are included in Note 2.11, Note 8 and Note 16 to the financial statements. The key sources of estimation uncertainty in relation to impairment of non-financial assets and impairment of loans and receivables are disclosed in Note 3.2 to the financial statements.

Other Information

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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 judgment 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.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

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 Ho Shyan Yan.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

26 March 2018

BALANCE SHEETS

AS AT 31 DECEMBER 2017

(Amounts expressed in Singapore dollars)

	Note	Group 2017	Group 2016	Company 2017	Company 2016
		$	$	$	$
Non-current assets					
Fixed assets	4	36,779,183	15,753,467	28,681,231	6,805,088
Investment property	5	–	–	–	–
Intangible assets	6	504,349	599,708	–	–
Land use rights	7	1,960,434	2,017,487	–	–
Investments in subsidiaries	8	–	–	15,101,621	15,001,621
Investment in joint venture	9	96,246	–	135,680	–
Investment in associate	10	143,129	145,740	–	–
Unquoted investment	11	89,767	91,940	–	–
Deferred tax assets	12	142,474	187,373	–	–
Deposits		9,993	10,208	–	–
		39,725,575	18,805,923	43,918,532	21,806,709
Current assets					
Inventories	13	10,720,201	8,595,830	4,307,478	3,034,802
Trade debtors	14	7,513,205	8,113,392	2,699,995	3,425,135
Other receivables	15	2,382,209	553,783	1,605,923	1,910
Deposits		132,491	185,800	8,294	7,634
Prepayments		324,050	113,346	206,698	34,309
Advance payment to suppliers		529,779	404,769	463,195	190,880
Amounts due from subsidiaries (trade)	16	–	–	2,561,630	3,551,375
Amounts due from subsidiaries (non-trade)	16	–	–	2,516,886	2,150,030
Amounts due from affiliated companies (trade)	16	398,602	916,430	–	–
Tax recoverable		235,369	314,538	–	–
Fixed assets held for sale	17	1,153,527	–	1,196,622	–
Fixed deposits	18	459,711	498,694	6,291	6,275
Cash and bank balances	18	4,191,113	5,786,534	1,369,753	1,656,683
		28,040,257	25,483,116	16,942,765	14,059,033
Total assets		67,765,832	44,289,039	60,861,297	35,865,742

BALANCE SHEETS
AS AT 31 DECEMBER 2017

(Amounts expressed in Singapore dollars)

	Note	Group 2017	Group 2016	Company 2017	Company 2016
		$	$	$	$
Current liabilities					
Trade payables	19	2,369,146	1,910,215	666,766	528,087
Advance payment from customers		772,565	815,027	159,455	298,180
Trust receipts and bills payable (secured)	20	4,050,162	4,061,835	4,050,162	3,938,962
Other creditors		404,986	502,512	110,184	155,776
Accruals and other liabilities	21	2,271,946	2,350,784	1,348,386	1,234,080
Dividend payable		114,839	114,830	114,419	114,419
Amounts due to subsidiaries (trade)	16	–	–	1,286,745	643,952
Amounts due to subsidiaries (non-trade)	16	–	–	123,892	103,695
Amounts due to affiliated companies (trade)	16	15,779	378,818	–	–
Amounts due to affiliated companies (non-trade)	16	155,896	170,019	–	–
Provision for income tax		2,731	7,191	–	–
Finance lease obligations (current)	22	13,602	78,270	10,220	74,557
Term loans (current)	23	15,057,741	7,758,687	12,469,849	5,424,066
		25,229,393	18,148,188	20,340,078	12,515,774
Net current assets/(liabilities)		2,810,864	7,334,928	(3,397,313)	1,543,259
Non-current liabilities					
Deferred tax liabilities	12	8,777	8,660	–	–
Finance lease obligations (non-current)	22	69,365	82,445	49,225	59,445
Term loans (non-current)	23	17,056,670	863,954	17,056,670	671,441
		17,134,812	955,059	17,105,895	730,886
Total liabilities		42,364,205	19,103,247	37,445,973	13,246,660
Net assets		25,401,627	25,185,792	23,415,324	22,619,082
Equity attributable to owners of the Company					
Share capital	24	19,264,441	19,264,441	19,264,441	19,264,441
Retained earnings		6,611,489	6,228,249	3,828,490	3,032,248
Capital reserve		322,393	322,393	322,393	322,393
Translation reserve	25	(2,812,728)	(2,708,162)	–	–
		23,385,595	23,106,921	23,415,324	22,619,082
Non-controlling interests		2,016,032	2,078,871	–	–
Total equity		25,401,627	25,185,792	23,415,324	22,619,082

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Singapore dollars)

		Group	
	Note	**2017**	**2016**
		$	**$**
Revenue	26	37,136,072	39,162,364
Cost of sales		(25,838,978)	(29,522,870)
Gross profit		11,297,094	9,639,494
Other operating income	27	1,229,144	1,003,466
Distribution and selling expenses		(4,961,654)	(4,633,134)
Administrative expenses		(6,289,844)	(6,907,971)
Other operating expenses	28	(331,560)	(309,509)
Share of results of joint venture	9	(39,434)	–
Share of results of associate	10	(21,000)	–
Profit/(loss) from operations	29	882,746	(1,207,654)
Finance expenses	31	(412,845)	(400,095)
Interest income		34,578	12,163
Profit/(loss) before tax		504,479	(1,595,586)
Tax (expense)/credit	32	(260,717)	190,044
Profit/(loss) for the year		243,762	(1,405,542)
Attributable to:			
Owners of the Company		383,240	(1,179,270)
Non-controlling interests		(139,478)	(226,272)
		243,762	(1,405,542)
Earnings/(loss) per share			
Basic and diluted (cents)	33	0.35	(1.09)

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 2017

(Amounts expressed in Singapore dollars)

	Group	
	2017	**2016**
	$	**$**
Profit/(loss) for the year	243,762	(1,405,542)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	(128,524)	(541,062)
Total comprehensive income for the year	115,238	(1,946,604)
Attributable to:		
Owners of the Company	278,674	(1,574,248)
Non-controlling interests	(163,436)	(372,356)
	115,238	(1,946,604)

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 2017

(Amounts expressed in Singapore dollars)

		Attributable to owners of the Company					
	Equity, total	Equity attributable to owners of the Company, total	Share capital	Retained earnings	Capital reserve	Translation reserve	Non-controlling interests
Group	$	$	$	$	$	$	$
As at 1 January 2016	26,726,406	24,681,169	19,264,441	7,407,519	322,393	(2,313,184)	2,045,237
Loss for the year	(1,405,542)	(1,179,270)	–	(1,179,270)	–	–	(226,272)
Other comprehensive income	(541,062)	(394,978)	–	–	–	(394,978)	(146,084)
Total comprehensive income for the year	(1,946,604)	(1,574,248)	–	(1,179,270)	–	(394,978)	(372,356)
Changes in ownership interests in subsidiaries							
Capital contribution from non-controlling interest	405,990	–	–	–	–	–	405,990
As at 31 December 2016	25,185,792	23,106,921	19,264,441	6,228,249	322,393	(2,708,162)	2,078,871
As at 1 January 2017	25,185,792	23,106,921	19,264,441	6,228,249	322,393	(2,708,162)	2,078,871
Profit/(loss) for the year	243,762	383,240	–	383,240	–	–	(139,478)
Other comprehensive income	(128,524)	(104,566)	–	–	–	(104,566)	(23,958)
Total comprehensive income for the year	115,238	278,674	–	383,240	–	(104,566)	(163,436)
Changes in ownership interests in subsidiaries							
Capital contribution from non-controlling interest	100,597	–	–	–	–	–	100,597
As at 31 December 2017	25,401,627	23,385,595	19,264,441	6,611,489	322,393	(2,812,728)	2,016,032

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Singapore dollars)

	Equity, total	Share capital	Retained earnings	Capital reserve
Company	**$**	**$**	**$**	**$**
As 1 January 2016	21,790,495	19,264,441	2,203,661	322,393
Profit for the year, representing total comprehensive income for the year	828,587	–	828,587	–
As at 31 December 2016 and 1 January 2017	22,619,082	19,264,441	3,032,248	322,393
Profit for the year, representing total comprehensive income for the year	796,242	–	796,242	–
As at 31 December 2017	23,415,324	19,264,441	3,828,490	322,393

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 2017

(Amounts expressed in Singapore dollars)

	Note	Group 2017	Group 2016
		$	$
Cash flows from operating activities			
Profit/(loss) before tax		504,479	(1,595,586)
Adjustments:			
Allowance for doubtful trade debts	29	97,955	69,213
Allowance for doubtful non-trade debts	29	–	12,758
Write back of allowance for doubtful trade debts	29	(60,166)	(19,177)
(Written back of)/allowance for obsolete and slow-moving inventories, net	29	(1,903,096)	913,074
Fixed assets written off	29	89,417	–
Loss on disposal of fixed assets, net	29	1,001	19,404
Depreciation of fixed assets	29	1,313,887	1,497,399
Dividend income from unquoted investment	27	(451,019)	(488,880)
Amortisation of intangible assets	29	87,877	89,763
Amortisation of land use rights	29	45,318	45,716
Warranty written back, net	29	–	(14,376)
Finance expenses	31	412,845	400,095
Interest income		(34,578)	(12,163)
Share of results of joint venture	9	39,434	–
Share of results of associate	10	21,000	–
Translation difference		1,466	(85,001)
Operating cash flows before working capital changes		165,820	832,239
(Increase)/decrease in:			
Inventories		(221,275)	3,323,119
Trade debtors		562,398	(1,545,591)
Other receivables		(1,537,710)	115,331
Deposits, prepayments and advance payment to suppliers		(282,190)	(245,195)
Amounts due from affiliated companies		517,828	(907,190)
Increase/(decrease) in:			
Trade payables		4,509,093	43,052
Advance payment from customers		(42,462)	351,642
Other creditors		(97,526)	(210,111)
Accruals and other liabilities		(78,838)	379,383
Amounts due to affiliated companies		(377,162)	341,284
Cash flows generated from operations		3,117,976	2,477,963
Interest paid		(412,845)	(400,095)
Income taxes paid		(189,668)	(220,209)
Income taxes refunded		48,676	101,801
Interest income		34,578	12,163
Net cash flows generated from operating activities		2,598,717	1,971,623

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2017

(Amounts expressed in Singapore dollars)

		Group	
	Note	**2017**	**2016**
		$	**$**
Cash flows from investing activities			
Proceeds from disposal of fixed assets		12,260	43,501
Purchase of fixed assets	4	(23,686,605)	(1,372,258)
Dividends received		161,294	750,494
Capital contribution from non-controlling interest		100,597	405,990
Net cash outflow on investment in associate	10	(20,530)	(145,740)
Net cash outflow on investment in joint venture	9	(135,680)	–
Net cash flows used in investing activities		(23,568,664)	(318,013)
Cash flows from financing activities			
Trust receipts and bills payable		(4,061,835)	(1,051,056)
Repayment of finance lease obligations		(77,748)	(397,442)
Repayment of term loans		(6,612,728)	(5,327,808)
Proceeds from term loans		30,104,498	6,441,047
Bank deposit pledged		(100,000)	–
Net cash flows generated from/(used in) financing activities		19,252,187	(335,259)
Net (decrease)/increase in cash and cash equivalents		(1,717,760)	1,318,351
Effect of exchange rate changes on cash and cash equivalents		(16,644)	(11,165)
Cash and cash equivalents at beginning of year		6,285,228	4,978,042
Cash and cash equivalents at end of year	18	4,550,824	6,285,228

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 2017

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 112 Lavender Street, #04-00 Far East Refrigeration Building, Singapore 338728.

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 (FRS).

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 or $), except when otherwise indicated.

Convergence with International Financial Reporting Standards

For annual financial period beginning on or after 1 January 2018, Singapore-incorporated companies listed on the Singapore Exchange will apply Singapore Financial Reporting Framework (International), a new financial reporting framework identical to International Financial Reporting Standards. The Group will adopt SFRS(I) on 1 January 2018.

The Group has performed an assessment of the impact of adopting SFRS(I). Other than the impact on adoption of the SFRS(I) 15, SFRS(I) 9 and SFRS(I) 16, the Group expects that adoption of SFRS(I) will have no material impact on the financial statements in the year of initial application. The Group expects the impact of adopting SFRS(I) 15, SFRS(I) 9 and SFRS(I) 16 will be similar to the impact on adoption of FRS 115, FRS 109 and FRS 116 as disclosed in Note 2.3.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2017, including the Amendments to FRS 7 *Disclosure Initiative*. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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***
Improvements to FRSs (December 2016)	
– *Amendments to FRS 28 Investments in Associates and Joint Ventures*	1 January 2018
Amendments to FRS 40 *Transfers of Investment Property*	1 January 2018
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019
Amendments to FRS 28 *Long-term Interests in Associates and Joint Ventures*	1 January 2019
INT FRS 122 *Foreign Currency Transactions and Advance Consideration*	1 January 2018
INT FRS 123 *Uncertainty over Income Tax Treatments*	1 January 2019
Improvements to FRSs (March 2018)	
– FRS 103 *Business Combinations*	
– FRS 12 *Income Taxes*	
– FRS 23 *Borrowing Costs*	1 January 2019

As disclosed in Note 2.1, the Group will adopt SFRS(I) on 1 January 2018. Upon adoption of SFRS(I) on 1 January 2018, the SFRS(I) equivalent of the above standards that are effective on 1 January 2018 will be adopted at the same time.

Except for SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16, the directors expect that the adoption of the SFRS(I) equivalent of the above standards will have no material impact on the financial statements in the year of initial application. The nature of the impending changes in accounting policy on adoption of SFRS(I) 9, SFRS(I) 15 and SFRS(I) 16 are described below.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model to account for revenue arising from contracts with customers, and introduces new contract cost guidance. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The new revenue standard is effective for annual periods beginning on or after 1 January 2018.

The Group has performed a preliminary impact assessment of adopting FRS 115 based on currently available information. This assessment may be subject to changes arising from ongoing analysis until the Group adopts FRS 115 in 2018.

The Group is mainly in the business of manufacturing and trading of refrigeration parts, servicing of cold rooms and other incidental business of refrigeration. The Group does not provide customers with right of return, trade discounts and volume rebates and variable consideration and constraints under FRS 115 are not applicable to the Group. There are also no service-type warranties offered to customers. Hence the Group has preliminarily assessed that there will be no significant impact upon the adoption of FRS 115.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting, and is effective for annual periods beginning on or after 1 January 2018. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.3 Standards issued but not yet effective (Cont'd)

FRS 109 *Financial Instruments* (Cont'd)

The Group plans to adopt the new standard on the required effective date without restating prior periods' information and recognises any difference between the previous carrying amount and the carrying amount at the beginning of the annual reporting period at the date of initial application in the opening retained earnings.

The Group has performed a preliminary impact assessment of adopting FRS 109 based on currently available information. This assessment may be subject to changes arising from ongoing analysis, until the Group adopts FRS 109 in 2018.

(a) Classification and measurement

The Group's trade debtors arise from its principal activities and the principal is deemed to be the amount resulting from a transaction in the scope of FRS 115. The Group assessed that the trade receivables do not include a significant financing component and involve only a single cash flow – payment of the amount resulting from a transaction in the scope of FRS 115. Therefore the cash flows resulting from the receivables meet the solely payments of principal and interest despite the interest component being zero. The Group does not factor its receivables and intends to hold the receivables to collect the contractual cash flows. Consequently these will be classified as measured at amortised cost, when it applies FRS 109 and with no significant impact on adoption.

The Group currently measures its investment in unquoted equity securities at cost of $89,767 as the fair value cannot be reliably measured. Under FRS 109, the Group will be required to measure the investment at fair value. This investment is not held for trading and the Group is allowed to elect irrevocably to present gains and losses on this equity investment in Other Comprehensive Income (FVOCI). No Impairment assessment will need to be made as the Group will not record gains on sale through profit or loss under this option. The Group intends to elect the FVOCI option. The difference between the current carrying amount and the fair value as at 31 December 2017 would be recognised in the opening reserves. As the Group has assessed that the difference is not significant, it does not expect significant impact to arise from adoption of FRS 109 on this investment.

(b) Impairment

FRS 109 requires the Group and the Company to record expected credit losses on all of its trade receivables and financial guarantees, either on a 12-month or lifetime basis. The Group intends to apply the simplified approach and record lifetime expected credit losses on all trade receivables. The trade receivables do not contain a significant financing component. The Group uses a provision matrix as a practical expedient for determining expected credit loss on trade receivables based on historical observed default rates and adjusted for forward-looking estimates. Trade receivables are grouped by customer segments by geography which have similar loss patterns. Upon the application of the expected credit loss model, the Group expects that due to the unsecured nature of its loans and receivables, the loss allowance would increase.

FRS 116 *Leases*

FRS 116 requires lessees to recognise most leases on balance sheets to reflect the rights to use the leased assets and the associated obligations for lease payments as well as the corresponding interest expense and depreciation charges. The standard includes two recognition exemptions for lessees – leases of 'low value' assets and short-term leases. The new leases standard is effective for annual periods beginning on or after 1 January 2019.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.3 Standards issued but not yet effective (Cont'd)

FRS 116 *Leases* (Cont'd)

The Group has performed a preliminary impact assessment of the adoption of FRS 116 and expects that the adoption of FRS 116 will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

The Group plans to adopt the new standard on the required effective date by applying FRS 116 retrospectively with the cumulative effect of initial application as an adjustment to the opening balance of retained earnings as at 1 January 2019.

The Group is currently in the process of analysing the transitional approaches and practical expedients to be elected on transition to FRS 116 and assessing the possible impact of adoption.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

– de-recognises the assets (including goodwill) and liabilities of the subsidiary at their carrying amounts at the date when control is lost;

– de-recognises the carrying amount of any non-controlling interest;

– de-recognises the cumulative translation differences recorded in equity;

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

– re-classifies the Group's share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

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

(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.

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.6 Foreign currency

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

(a) Transactions and balances

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

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

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 land and buildings	20 to 60 years
Plant and machinery	5 to 10 years
Motor vehicles	5 years
Renovation	3 to 10 years
Office equipment, furniture and fittings	3 to 10 years
Computers	1 to 3 years
Software	10 years

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.7 Fixed assets (Cont'd)

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 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business. Investment properties comprise completed investment properties and properties that are being constructed or developed for future use as investment properties. Properties held under operating leases are classified as investment properties when the definition of investment property is met.

Investment properties are initially measured at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at cost less accumulated depreciation and any accumulated impairment losses. The carrying amount includes the cost of replacing part of an existing investment property at the time that cost is incurred if the recognition criteria are met.

Investment properties are de-recognised when either they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal. Any gains or losses on the retirement or disposal of an investment property are recognised in profit or loss in the year of retirement or disposal.

2.9 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.9 Intangible assets (Cont'd)

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.

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.

2.10 Land use rights

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

2.11 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.

2.12 Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.13 Joint venture and associate

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

A joint arrangement is a contractual arrangement whereby two or more parties have joint control. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. To the extent the joint arrangement provides the Group with rights to the net assets of the arrangement, the arrangement is a joint venture.

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

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

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

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

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

The financial statements of the associate and joint venture are prepared as 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 separate financial statements, investment in joint venture and associate are stated at cost less accumulated impairment.

2.14 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.15 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

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

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

De-recognition

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.15 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

Regular way purchase or sale of a financial asset

All regular way purchases and sales of financial assets are recognised or de-recognised on the trade date i.e. the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace concerned.

(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 de-recognised, and through the amortisation process.

De-recognition

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

2.16 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.16 Impairment of financial assets (Cont'd)

(a) Financial assets carried at amortised cost (Cont'd)

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

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

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

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

(b) Financial assets carried at cost

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

(c) Available-for-sale financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.16 Impairment of financial assets (Cont'd)

(c) Available-for-sale financial assets (Cont'd)

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

2.17 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.

2.18 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.

2.19 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.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.19 Provisions (Cont'd)

Warranty provisions

Provisions for warranty-related costs are recognised when the product is sold or service provided. Initial recognition is based on historical experience. The initial estimate of warranty-related costs is revised annually.

2.20 Government grants

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

2.21 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 recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.22 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.

2.23 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 Singapore companies in the Group make contributions to the Central Provident Fund scheme in Singapore, a defined contribution pension scheme. Contributions to defined contribution pension schemes are recognised as an expense in the period in which the related service is performed.

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.24 Leases

(a) As lessee

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

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

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

(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. The accounting policy for rental income is set out in Note 2.25(e). Contingent rents are recognised as revenue in the period in which they are earned.

2.25 Revenue

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Group and the revenue can be reliably measured, regardless of when the payment is made. Revenue is measured at the fair value of consideration received or receivable, taking into account contractually defined terms of payment and excluding taxes or duty. The Group assesses its revenue arrangements to determine if it is acting as principal or agent. The following specific recognition criteria must also be met before revenue is recognised:

(a) Sale of goods

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

(b) Project sales, installation and maintenance services

Project sales, installation and maintenance services relate to services provided to customers and are recognised upon rendering of service.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.25 Revenue (Cont'd)

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

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

(e) Rental income

Rental income 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.

2.26 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, associate and interests in joint venture, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.26 Taxes (Cont'd)

(b) Deferred tax (Cont'd)

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, associate and interests in joint venture, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

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

(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.

2.27 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

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

2.28 Contingencies

A contingent liability is:

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

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

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

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

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

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

2.29 Non-current assets held for sale

Non-current assets classified as held for sale are measured at the lower of their carrying amount and fair value less costs to sell. Non-current assets are classified as held for sale if their carrying amounts will be recovered principally through a sale transaction rather than through continuing use. Non-current assets are classified as held for sale when the criteria to be classified as held for sale have been met.

Property, plant and equipment once classified as held for sale are not depreciated.

3. Significant accounting judgments and estimates

The preparation of the Group's consolidated financial statements requires management to make judgments, 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. However, 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 Judgments made in applying accounting policies

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

(i) Determination of functional currency

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3. Significant accounting judgments and estimates (Cont'd)

3.1 Judgments made in applying accounting policies (Cont'd)

(ii) 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 judgment 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 2017, the carrying amounts of the Group's tax recoverable, provision for income tax, deferred tax assets and deferred tax liabilities amounted to $235,369 (2016: $314,538), $2,731 (2016: $7,191), $142,474 (2016: $187,373) and $8,777 (2016: $8,660) respectively.

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 and customer list

Fixed assets and customer list are depreciated and amortised respectively, 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 and amortisation charges could be revised.

As at 31 December 2017, the carrying amounts of the Group's and Company's fixed assets amounted to $36,779,183 (2016: $15,753,467) and $28,681,231 (2016: $6,805,088) respectively. As at 31 December 2017, the carrying amount of the Group's customer list amounted to $315,712 (2016: $411,225).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

3. Significant accounting judgments and estimates (Cont'd)

3.2 Key sources of estimation uncertainty (Cont'd)

(ii) Impairment of intangible assets

As disclosed in Note 6 to the financial statements, the recoverable amounts of the cash generating units which goodwill and customer list have been allocated to have been determined based on value in use calculations. The value in use calculations are based on discounted cash flow models. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. The key assumptions applied in the determination of the value in use are disclosed and further explained in Note 6 to the financial statements.

As at 31 December 2017, the carrying amount of the Group's intangible assets as at 31 December 2017 was $504,349 (2016: $599,708).

(iii) 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 budget 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 2017, the carrying amounts of the Company's investment in subsidiaries, the Group's and the Company's fixed assets were $15,101,621 (2016: $15,001,621), $36,779,183 (2016: $15,753,467) and $28,681,231 (2016: $6,805,088) respectively.

(iv) 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 2017, the carrying amounts of the Group's and Company's inventories amounted to $10,720,201 (2016: $8,595,830) and $4,307,478 (2016: $3,034,802) respectively.

(v) Impairment of loans and receivables

The Group assesses at each reporting period whether there is objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments.

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. As at 31 December 2017, the carrying amounts of the Group's and Company's trade and other receivables, including balances with subsidiaries and affiliated companies, amounted to $10,294,016 (2016: $9,583,605) and $9,384,434 (2016: $9,128,450) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. Fixed assets

Group	Freehold land	Freehold buildings	Leasehold land and buildings	Plant and machinery	Motor vehicles	Renovation	Office equipment, furniture and fittings	Computers	Assets under construction	Software	Total
	$	$	$	$	$	$	$	$	$	$	$
Cost											
At 1.1.2016	3,403,226	2,737,651	5,862,198	5,764,761	504,281	1,298,963	749,925	602,119	1,769,126	1,427,038	24,119,288
Additions	–	–	389,784	476,575	112,049	–	23,824	3,503	469,446	–	1,475,181
Disposals	–	–	–	(111,017)	–	–	–	–	–	–	(111,017)
Write off	–	–	–	(90,694)	(36,780)	–	(334)	(61,971)	–	–	(189,779)
Reclassification	–	–	1,990,248	–	–	–	–	–	(1,990,248)	–	–
Translation differences	(13,139)	(16,300)	(246,659)	(193,992)	(5,053)	(8,272)	(14,057)	(3,894)	(76,583)	(1,757)	(579,706)
At 31.12.2016 and 1.1.2017	3,390,087	2,721,351	7,995,571	5,845,633	574,497	1,290,691	759,358	539,757	171,741	1,425,281	24,713,967
Additions	–	–	23,369,760	174,631	–	93,710	11,368	13,483	23,653	–	23,686,605
Disposals	–	–	–	(194,183)	(14,046)	–	–	–	–	–	(208,229)
Write off	–	–	–	(325,418)	–	(4,375)	(111,774)	(49,501)	–	–	(491,068)
Transfer to fixed assets held for sale (Note 17)	(607,320)	(682,100)	(383,073)	–	–	–	–	–	–	–	(1,672,493)
Reclassification	–	–	–	193,003	–	–	–	–	(193,003)	–	–
Translation differences	13,901	17,245	(102,738)	(18,645)	1,623	(3,732)	(5,082)	(218)	(2,391)	(536)	(100,573)
At 31.12.2017	2,796,668	2,056,496	30,879,520	5,675,021	562,074	1,376,294	653,870	503,521	–	1,424,745	45,928,209

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. Fixed assets (Cont'd)

Group (cont'd)	Freehold land	Freehold buildings	Leasehold land and buildings	Plant and machinery	Motor vehicles	Renovation	Office equipment, furniture and fittings	Computers	Assets under construction	Software	Total
	$	$	$	$	$	$	$	$	$	$	$
Accumulated depreciation											
At 1.1.2016	–	739,063	1,328,904	3,140,539	450,878	1,054,500	417,548	546,090	–	213,375	7,890,897
Charge for the year	–	54,988	486,675	571,276	36,648	87,319	80,376	36,412	–	143,705	1,497,399
Disposals	–	–	–	(48,112)	–	–	–	–	–	–	(48,112)
Write off	–	–	–	(90,694)	(36,780)	–	(334)	(61,971)	–	–	(189,779)
Translation differences	–	(5,521)	(56,005)	(105,417)	(3,431)	(6,435)	(8,279)	(3,565)	–	(1,252)	(189,905)
At 31.12.2016 and 1.1.2017	–	788,530	1,759,574	3,467,592	447,315	1,135,384	489,311	516,966	–	355,828	8,960,500
Charge for the year	–	54,341	505,246	454,147	42,315	41,870	53,271	20,819	–	141,878	1,313,887
Disposals	–	–	–	(180,922)	(14,046)	–	–	–	–	–	(194,968)
Write off	–	–	–	(272,129)	–	(875)	(79,859)	(48,788)	–	–	(401,651)
Transfer to fixed assets held for sale (Note 17)	–	(213,292)	(305,674)	–	–	–	–	–	–	–	(518,966)
Translation differences	–	6,024	(17,738)	6,016	1,508	(1,832)	(3,094)	(228)	–	(432)	(9,776)
At 31.12.2017	–	635,603	1,941,408	3,474,704	477,092	1,174,547	459,629	488,769	–	497,274	9,149,026
Net carrying amount											
At 31.12.2016	3,390,087	1,932,821	6,235,997	2,378,041	127,182	155,307	270,047	22,791	171,741	1,069,453	15,753,467
At 31.12.2017	2,796,668	1,420,893	28,938,112	2,200,317	84,982	201,747	194,241	14,752	–	927,471	36,779,183

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. Fixed assets (Cont'd)

Company	Freehold land	Freehold buildings	Leasehold land and buildings	Plant and machinery	Motor vehicles	Renovation	Office equipment, furniture and fittings	Computers	Software	Total
	$	$	$	$	$	$	$	$	$	$
Cost										
At 1.1.2016	2,775,973	1,959,511	2,400,000	281,756	285,332	851,263	222,762	443,445	1,386,782	10,606,824
Additions	–	–	–	28,853	84,485	–	–	1,978	–	115,316
Write off	–	–	–	–	–	–	–	(61,971)	–	(61,971)
At 31.12.2016 and 1.1.2017	2,775,973	1,959,511	2,400,000	310,609	369,817	851,263	222,762	383,452	1,386,782	10,660,169
Additions	–	–	23,369,760	18,175	–	9,348	–	10,829	–	23,408,112
Transfer to fixed assets held for sale (Note 17)	–	–	(2,400,000)	–	–	–	–	–	–	(2,400,000)
At 31.12.2017	2,775,973	1,959,511	23,369,760	328,784	369,817	860,611	222,762	394,281	1,386,782	31,668,281
Accumulated depreciation										
At 1.1.2016	–	502,264	1,031,950	281,756	276,481	762,907	114,493	414,857	184,904	3,569,612
Charge for the year	–	39,190	85,714	1,202	17,781	32,009	15,358	17,508	138,678	347,440
Write off	–	–	–	–	–	–	–	(61,971)	–	(61,971)
At 31.12.2016 and 1.1.2017	–	541,454	1,117,664	282,958	294,262	794,916	129,851	370,394	323,582	3,855,081
Charge for the year	–	39,190	89,713	3,124	19,347	16,732	15,049	13,514	138,678	335,347
Transfer to fixed assets held for sale (Note 17)	–	–	(1,203,378)	–	–	–	–	–	–	(1,203,378)
At 31.12.2017	–	580,644	3,999	286,082	313,609	811,648	144,900	383,908	462,260	2,987,050
Net carrying amount										
At 31.12.2016	2,775,973	1,418,057	1,282,336	27,651	75,555	56,347	92,911	13,058	1,063,200	6,805,088
At 31.12.2017	2,775,973	1,378,867	23,365,761	42,702	56,208	48,963	77,862	10,373	924,522	28,681,231

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

4. Fixed assets (Cont'd)

Assets pledged as security

The following fixed assets are pledged as collateral for the Group's and Company's term loans and other banking facilities such as trust receipts:

(a) Freehold land, freehold buildings and leasehold land and buildings of the Company with net carrying amount of $2,775,973 (2016: $2,775,973), $1,378,867 (2016: $1,418,057) and $23,365,761 (2016: $1,282,336) respectively;

(b) Freehold land and freehold buildings of subsidiaries with net carrying amount of $20,695 (2016: $614,114) and $42,026(2016: $514,764) respectively; and

(c) Leasehold land and buildings of subsidiaries with net carrying amount of $5,572,351 (2016: $6,152,830).

Assets held under finance leases

During the financial year ended 31 December 2016, the Group and Company acquired Motor vehicles with an aggregate cost of $102,923 and $76,800 by means of finance leases. The cash outflow on acquisition of fixed assets amounted to $1,372,258.

Net carrying amount of fixed assets under finance leases are as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Plant and machinery	209,049	265,003	–	–
Motor vehicles	75,117	98,299	53,507	71,654
Office equipment, furniture and fittings	–	614	–	–
Software	924,522	1,063,200	924,522	1,063,200

Leased assets are pledged as security for the related finance lease liabilities.

5. Investment property

	Group
	$
Balance sheet:	
Cost	
At 1.1.2016, 31.12.2016, 1.1.2017 and 31.12.2017	113,646
Accumulated depreciation	
At 1.1.2016, 31.12.2016, 1.1.2017 and 31.12.2017	(113,646)
Net carrying amount	
At 1.1.2016, 31.12.2016, 1.1.2017 and 31.12.2017	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

5. Investment property (Cont'd)

	Group 2017	Group 2016
	$	$
Profit or loss:		
Rental income from investment property:		
– Minimum lease payments	40,510	40,548
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating property	660	745

The Group has no restrictions on the realisability of its investment property and no contractual obligations to purchase, construct or develop investment property or for repairs, maintenance or enhancements.

Management estimates the fair value of the investment property to be $1,060,820 (2016: $1,212,900) as at the end of the reporting period, with reference to valuation obtained from independent valuer.

Property pledged as security

The investment property is mortgaged to secure banking facilities for one of the subsidiaries.

The investment property held by the Group as at 31 December is as follows:

Description and location	Existing use	Tenure	Unexpired lease term
Office unit, Kowloon, Hong Kong	Office	Leasehold	32 years, up to 2049

6. Intangible assets

Group	Goodwill	Customer list	Total
	$	$	$
Cost:			
At 1.1.2016	188,630	762,589	951,219
Translation differences	(147)	(37,812)	(37,959)
At 31.12.2016 and 1.1.2017	188,483	724,777	913,260
Translation differences	154	(11,543)	(11,389)
At 31.12.2017	188,637	713,234	901,871
Accumulated amortisation:			
At 1.1.2016	–	234,185	234,185
Amortisation for the year	–	89,763	89,763
Translation differences	–	(10,396)	(10,396)
At 31.12.2016 and 1.1.2017	–	313,552	313,552
Amortisation for the year	–	87,877	87,877
Translation differences	–	(3,907)	(3,907)
At 31.12.2017	–	397,522	397,522
Net carrying amount:			
At 31.12.2016	188,483	411,225	599,708
At 31.12.2017	188,637	315,712	504,349

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

6. Intangible assets (Cont'd)

Customer list

The customer list was acquired in business combinations and has a remaining amortisation period of 3.5 years (2016: 4.5 years).

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	
		2017	**2016**
		$	**$**
CGU A	Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd ("ERM")	181,599	181,599
CGU B	Green Point Compressor Services & Parts Sdn. Bhd.	7,038	6,884
		188,637	188,483

CGU A

The recoverable amount of CGU A 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 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 13.0% (2016:13.0%) and 3.0% (2016: 3.0%) respectively.

Key assumptions used in the value in use calculations

The calculation of value in use for CGU A is most sensitive to the following assumptions:

Budgeted gross margin – Gross margin is based on average values achieved in the three years preceding the start of the budget period adjusted to exclude one-off expenses such as prior year provisions. 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 CGU A from their distribution network.

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 CGU A and derived from its weighted average cost of capital (WACC).

Sensitivity to changes in assumptions

With regards to the assessment of value in use for CGU A, 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 2017

6. Intangible assets (Cont'd)

Impairment testing of goodwill (Cont'd)

CGU B

Management did not perform impairment testing of goodwill for CGU B as its carrying amount is considered not material.

7. Land use rights

	Group	
	2017	**2016**
	$	**$**
Cost		
At 1 January	2,177,363	2,218,508
Translation differences	(12,560)	(41,145)
At 31 December	2,164,803	2,177,363
Accumulated amortisation		
At 1 January	159,876	116,355
Amortisation for the year	45,318	45,716
Translation differences	(825)	(2,195)
At 31 December	204,369	159,876
Net carrying amount		
At 31 December	1,960,434	2,017,487
Amount to be amortised:		
– Not later than one year	45,318	45,716
– Later than one year but not later than five years	181,272	182,864
– Later than five years	1,733,844	1,788,907

The Group has land use rights over a plot of state-owned land in People's Republic of China (PRC) where the Group's PRC manufacturing and storage facilities reside. The land use rights are not transferrable and have a remaining tenure of 43 years (2016:44 years) up to 2061.

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

8. Investments in subsidiaries

	Company	
	2017	**2016**
	$	**$**
Shares, at cost	15,301,621	15,201,621
Impairment losses	(200,000)	(200,000)
	15,101,621	15,001,621

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. Investments in subsidiaries (Cont'd)

a. Component of the Group

Name of subsidiary	Principal activities	Principal places of business	Proportion of ownership interest 2017	2016
			%	%
Held by the Company				
Far East Refrigeration (M) Sdn. Bhd.#	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*	Trading of refrigeration and air-conditioning parts	Vietnam	100	100
PT. Far East Refrigeration Indonesia^	Trading of refrigeration and air-conditioning parts	Indonesia	95	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. Investments in subsidiaries (Cont'd)

a. Component of the Group (Cont'd)

Name of subsidiary	Principal activities	Principal places of business	Proportion of ownership interest 2017	2016
			%	%
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
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

^ This entity is not required to be audited under the laws of the country of incorporation

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

8. Investments in subsidiaries (Cont'd)

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

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

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by NCI	Loss allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period	Dividends paid to NCI
			$	$	$
31 December 2017:					
Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd	People's Republic of China	15.75%	(76,591)	1,469,484	–
31 December 2016:					
Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd	People's Republic of China	15.75%	(192,179)	1,565,445	–

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 $144,779 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 2017

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	
	2017	**2016**
	$	**$**
Current		
Assets	5,404,376	4,842,087
Liabilities	(6,489,753)	(5,739,140)
Net current liabilities	(1,085,377)	(897,053)
Non-current		
Assets	10,415,430	11,028,899
Liabilities	–	(192,513)
Net non-current assets	10,415,430	10,836,386
Net assets	9,330,053	9,939,333
Summarised statement of comprehensive income		
Revenue	10,086,455	8,684,315
Loss before tax	(486,294)	(1,253,228)
Income tax credit	–	33,044
Loss after tax	(486,294)	(1,220,184)
Other comprehensive income	(122,986)	(866,915)
	(609,280)	(2,087,099)
Other summarised information		
Net cash flows (used in)/generated from operations	(86,821)	441,260
Acquisition of significant Property, plant and equipment	(72,742)	(1,216,520)

d. Incorporation of a subsidiary

During the financial year ended 31 December 2017, the Company incorporated a company in Indonesia for a cash consideration of $100,000. This constitutes 95% of equity interest in PT. Far East Refrigeration Indonesia.

During the financial year ended 31 December 2016, the Group through its subsidiary, Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd, incorporated a company in People's Republic of China for a cash consideration of $530,910 (equivalent to RMB 2,550,000). This constitutes 51% of equity interest in Elite Envirotech Co., Ltd.

e. Impairment testing of investment in subsidiaries

During the financial year ended 31 December 2016, management performed an impairment test of investment in Edenkool Pte Ltd as this subsidiary has been persistently making losses. An impairment loss of $200,000 was recognised for the year ended 31 December 2016 for investment in this subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

9. Investment in joint venture

	Group 2017	Group 2016	Company 2017	Company 2016
	$	$	$	$
Coolwerkz Engineering Limited	96,246	–	135,680	–

During the year, the Company entered into a joint venture agreement for a cash consideration of $135,680. The Company has 40% interest in the ownership and voting rights in a joint venture, Coolwerkz Engineering Limited. This joint venture is incorporated in Myanmar and is in the business of provisioning engineering (design, installation and commissioning) services, consultancy and maintenance works in Myanmar. The Company jointly controls the venture with other partners under the contractual agreement which requires unanimous consent for all major decisions over the relevant activities.

Summarised financial information in respect of Coolwerkz Engineering Limited based on its FRS financial statements and reconciliation with carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Coolwerkz Engineering Limited 2017
	$
Current	
Assets	398,419
Liabilities	(179,844)
Net current assets	218,575
Non-current	
Assets	24,888
Liabilities	–
Net non-current assets	24,888
Net assets	243,463
Proportion of the Group's ownership	40%
40% share of net assets	97,385
Other adjustments	(1,139)
Carrying amount of the investment	96,246

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9. Investment in joint venture (Cont'd)

Summarised statement of comprehensive income

	Coolwerkz Engineering Limited 2017
	$
Revenue	10,471
Operating expenses	(109,057)
Loss before tax	(98,586)
Income tax expense	–
Loss after tax	(98,586)
Other comprehensive income	–
Total comprehensive income	(98,586)
Proportion of the Group's ownership	40%
Share of results of joint venture	39,434

10. Investment in associate

The Group's investment in associate is summarised as below:

	Group 2017	Group Restated 2016
	$	$
Yealea Industry Co., Ltd		
At 1 January	145,740	–
Share of results of associate	(21,000)	–
Additions	20,530	145,740
Translation differences	(2,141)	–
At 31 December	143,129	145,740

Name of associate	Principal activities	Principal place of business	Proportion of ownership interest 2017	Proportion of ownership interest 2016
			%	%
Yealea Industry Co., Ltd ("Yealea")	Manufacturing and trading of electrical, refrigeration and air-conditioning equipment and parts	People's Republic of China	14	14

During the financial year ended 31 December 2016, the Group through its subsidiary, Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd, acquired 14% equity interest in Yealea for a cash consideration of $145,740 (equivalent to RMB 700,000) and was previously accounted for as unquoted equity investment (Note 11). During the financial year, the Group reassessed that it has significant influence over Yealea arising from its representation on the board of directors of Yealea. The Group reclassified the interest in Yealea to Investment in associate in 2017. The purchase of unquoted investment in 2016 has been reclassified as net cash outflow on investment in associate in the Consolidated Cash Flow Statement.

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

10. Investment in associate (Cont'd)

The summarised financial information in respect of Yealea Industry Co., Ltd based on its FRS financial statements and a reconciliation with carrying amount of the investment in the consolidated financial statements are as follows:

Summarised balance sheet

	Yealea Industry Co., Ltd	
	2017	**2016**
	$	**$**
Current		
Assets	3,209,145	517,274
Liabilities	(3,233,408)	(452,494)
Net current (liabilities)/assets	(24,263)	64,780
Non-current		
Assets	966,987	685,890
Liabilities	–	–
Net non-current assets	966,987	685,890
Net assets	942,724	750,670
Proportion of the Group's ownership	14%	
Group's share of net assets	131,981	
Other adjustments	11,148	
Carrying amount of the investment	143,129	

Summarised statement of comprehensive income

	Yealea Industry Co., Ltd	
	2017	**2016**
	$	**$**
Revenue	5,180,380	1,144,723
Loss after tax	(48,070)	(101,931)
Proportion of the Group's ownership	14%	14%
Share of results of associate	(6,730)	(14,270)

The Group's share of results for the financial year ended 31 December 2016 arising from share of loss of associate in 2016 has not been restated as it is not material. It is included in "Share of results of associate" line item in profit or loss for the financial year ended 31 December 2017.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

11. Unquoted investment

Available-for-sale financial asset

	Group	
	2017	Restated 2016
	$	$
Unquoted equity shares, at cost	95,865	95,865
Translation differences	(6,098)	(3,925)
	89,767	91,940

The unquoted investment is measured at cost less impairment losses as there is no quoted market price in an active market and the fair value of this investment cannot be reliably measured.

12. Deferred taxation

	Group				Company	
	Consolidated balance sheet		Consolidated income statement		Balance sheet	
	2017	2016	2017	2016	2017	2016
	$	$	$	$	$	$
Deferred tax assets:						
Provisions	142,474	187,373	44,899	(184,929)	–	–
Excess of tax written down value over net carrying amount of fixed assets	–	–	–	70,748	–	–
Deferred tax liabilities:						
Excess of net carrying amount over tax written down value of fixed assets	8,777	8,660	117	(95,679)	–	–
Unremitted income	–	–	–	(10,782)	–	–
Deferred tax expense			45,016	(220,642)		

Tax consequences of proposed dividends

There are no income tax consequences (2016: nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements (Note 41).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

13. Inventories

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Balance sheet				
Raw materials (at cost)	1,706,310	2,135,721	–	–
Work-in-progress (at cost)	214,762	284,253	–	36,672
Finished goods-in-transit (at cost)	567,136	470,285	79,288	378,526
Finished goods (at cost)	8,231,993	5,705,571	4,228,190	2,619,604
	10,720,201	8,595,830	4,307,478	3,034,802
Income statement				
Inventories recognised as an expense in cost of sales	25,381,092	25,518,444		
Inclusive of the following charge:				
– (Written back of)/allowance for obsolete and slow-moving inventories, net	(1,903,096)	913,074		

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 was made when the related inventories were sold above their carrying amounts in 2017.

14. Trade debtors

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Third party trade debtors	8,048,872	8,692,618	2,779,744	3,566,648
Allowance for doubtful debts	(535,667)	(579,226)	(79,749)	(141,513)
	7,513,205	8,113,392	2,699,995	3,425,135

Trade debtors 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.

Trade debtors denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
United States Dollar	754,002	1,122,438	754,002	1,117,317
Euro	507,626	1,189,950	505,215	1,028,124
Renminbi	135,241	123,312	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

14. Trade debtors (Cont'd)

Debtors that are past due but not impaired

The Group and the Company have trade debtors amounting to $3,520,970 (2016: $3,316,429) and $1,003,888 (2016:$1,309,315) that are past due at the end of the reporting period but not impaired. These debtors are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Trade debtors past due:				
Less than 30 days	1,568,564	1,399,724	284,077	543,832
30 to 60 days	652,942	863,931	236,054	239,244
61 to 90 days	345,804	630,445	36,125	420,244
91 to 120 days	182,641	124,240	48,905	41,909
More than 120 days	771,019	298,089	398,727	64,086
	3,520,970	3,316,429	1,003,888	1,309,315

Debtors that are impaired

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

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Trade debtors – nominal amounts	540,668	745,191	79,749	141,513
Less: *Allowance for impairment*	(535,667)	(579,226)	(79,749)	(141,513)
	5,001	165,965	–	–
Movement in allowance accounts:				
At beginning of year	579,226	547,195	141,513	98,149
Allowance for the year	97,955	69,213	34,111	43,791
Written off against allowance	(79,966)	(1,358)	(76,559)	(427)
Written back	(60,166)	(19,177)	(19,316)	–
Translation difference	(1,382)	(16,647)	–	–
At end of year	535,667	579,226	79,749	141,513

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

15. Other receivables

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Other debtors	2,382,209	566,541	1,605,923	14,668
Allowance for doubtful debts	–	(12,758)	–	(12,758)
	2,382,209	553,783	1,605,923	1,910

Other receivables denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Renminbi	871,950	499,680	–	–

Other receivables that are impaired

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

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Other receivables – nominal amounts	–	12,758	–	12,758
Less: *Allowance for impairment*	–	(12,758)	–	(12,758)
	–	–	–	–
Movement in allowance accounts:				
At beginning of year	12,758	–	12,758	–
Allowance for the year	–	12,758	–	12,758
Written off against allowance	(12,758)	–	(12,758)	–
At end of year	–	12,758	–	12,758

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

16. Amounts due from/(to) subsidiaries Amounts due from/(to) affiliated companies

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 amount due to subsidiary (non-trade) of $100,000 (2016: $100,000) which is interest bearing at 3.0% (2016: 3.0%) per annum.

Movements in allowance for doubtful debt from affiliated companies are as follows:

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
At beginning of year	17,626	17,626	17,626	17,626
Written off against allowance	(17,626)	–	(17,626)	–
At end of year	–	17,626	–	17,626

Movements in allowance for doubtful debt from subsidiaries are as follows:

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
At beginning of year	–	–	–	–
Allowance for the year	–	–	98,735	–
At end of year	–	–	98,735	–

Amount due from subsidiaries/affiliated companies denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
United States Dollar	–	–	1,427,581	1,928,291
Ringgit Malaysia	–	–	1,140,628	604,620
Euro	–	–	23,485	372,994
Renminbi	–	–	216,316	171,146

Amount due to subsidiaries/affiliated companies denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
United States Dollar	–	–	1,201,452	614,141
Ringgit Malaysia	–	–	66,396	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

17. Fixed assets held for sale

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Property I	77,399	–	1,196,622	–
Property II	1,076,128	–	–	–
	1,153,527	–	1,196,622	–

On 16 August 2017, the Company entered into an option to purchase agreement with an unrelated third party, to grant an option to the third party for the sale of its leasehold land and building ("Property I"). The Property I has been reclassified from Fixed assets to Fixed assets held for sale amounting to $1,196,622. At Group level, Property I is held at carrying value of $77,399.

On 8 December 2017, the Group accepted a letter of offer to sell one plot of the freehold land and building ("Property II") owned by its subsidiary. Property II has been reclassified from Fixed assets to Fixed assets held for sale amounting to $1,076,128.

The fixed assets held for sale are pledged as collateral for the Group's and the Company's banking facilities such as trust receipts.

18. Cash and bank balances
Fixed deposits

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Cash and bank balances	4,191,113	5,786,534	1,369,753	1,656,683
Fixed deposits	459,711	498,694	6,291	6,275
	4,650,824	6,285,228	1,376,044	1,662,958

Cash at banks earns interest at floating rates based on daily bank deposit rates. The Group and the Company has bank deposit amounting to $100,000 (2016: nil) pledged for performance guarantee. Fixed deposits are made for varying periods of between one day and three 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 2017 for the Group and the Company were 0.55% (2016: 0.19%) and 0.02% (2016: 0.01%) respectively.

As at 31 December 2017, fixed deposits earn interest at 0.25% to 0.45% (2016: 0.25% to 0.45%) per annum. Fixed deposits included in cash and cash equivalents are for periods of mainly less than one month.

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

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
United States Dollar	173,620	649,363	160,243	524,634
Euro	263,465	708,341	104,436	439,039
Japanese Yen	–	61,790	–	–
Renminbi	467,735	59,474	–	–
Indonesian Rupiah	746	3,881	74	3,881

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

18. Cash and bank balances

Fixed deposits (Cont'd)

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

	Group	
	2017	2016
	$	$
Cash and bank balances	4,191,113	5,786,534
Less: bank deposit pledged	(100,000)	–
Fixed deposits	459,711	498,694
	4,550,824	6,285,228

19. 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 31 December are as follows:

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
United States Dollar	387,049	107,875	386,532	107,316
Euro	147,646	165,836	144,293	143,042
Japanese Yen	28,429	21,924	10,124	21,924
Renminbi	41,714	2,675	–	–

20. 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 freehold land, freehold buildings, and leasehold land and buildings with net carrying amount of $2,775,973, $1,378,867 and $23,365,761 (2016: $2,775,973, $1,418,057 and $1,282,336) respectively and Fixed assets held for sale of the Company with net carrying amount of $1,196,622 (2016: nil).

Trust receipts and bills payable of a subsidiary are secured by way of legal mortgage on the subsidiary's freehold land, freehold buildings, and leasehold land and buildings with net carrying amount of $20,695, $42,026 and $91,160 (2016: $614,114, $514,765 and $92,922) respectively and Fixed assets held for sale of subsidiaries with net carrying amount of $1,076,128 (2016: nil).

The trust receipts and bills payable bear interest at 1.0% to 1.5% (2016: 1.0% to 1.3%) per annum above the bank's prime rates. As at 31 December 2017, the effective interest rate was 1.49% (2016: 1.44% to 6.25%) per annum.

Trust receipts and bills payable denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Euro	3,094,774	2,885,458	3,094,774	2,885,458
United States Dollar	955,388	1,053,504	955,388	1,053,504

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

21. Accruals and other liabilities

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Accrued operating expenses	1,926,221	2,270,811	1,027,851	1,179,665
Deposits received	345,725	79,973	320,535	54,415
	2,271,946	2,350,784	1,348,386	1,234,080

22. Finance lease obligations

The Group and Company have finance leases for certain items of plant and machinery, office equipment, software and motor vehicles. The leases are for a period of 3 to 7 years and carry an option to purchase at the end of the lease term. These obligations are secured by a charge over the leased assets (Note 4). The discount rate implicit in the leases is 3.07% to 5.75% (2016: 3.07% to 5.75%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group and the Company.

Future minimum lease payments under finance leases together with the present value of the net minimum lease payments are as follows:

	Group				Company			
	2017		2016		2017		2016	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	$	$	$	$	$	$	$	$
Not later than 1 year	17,918	13,602	83,544	78,270	13,272	10,220	78,410	74,557
Later than one year but not later than five years	71,674	62,706	71,262	58,964	53,088	47,058	53,088	44,517
Later than 5 years	6,816	6,659	24,527	23,481	2,182	2,167	15,454	14,928
Total minimum lease payments	96,408	82,967	179,333	160,715	68,542	59,445	146,952	134,002
Less: Amounts representing finance charges	(13,441)	–	(18,618)	–	(9,097)	–	(12,950)	–
Present value of minimum lease payments	82,967	82,967	160,715	160,715	59,445	59,445	134,002	134,002

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23. Term loans

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Secured term loans				
(a) Money market loan bears interest at 2.45% per annum with effect from 09 December 2016 to 08 March 2017	–	1,001,474	–	1,001,474
(b) Money market loan bears interest at 2.39% per annum with effect from 25 October 2016 to 25 January 2017	–	1,506,587	–	1,506,587
(c) Money market loan bears interest at 2.46% per annum with effect from 25 October 2016 to 25 January 2017	–	1,333,660	–	1,333,660
(d) Money market loan bears interest at 2.65% per annum with effect from 25 October 2017 to 25 January 2018	1,507,285	–	1,507,285	–
(e) Money market loan bears interest at 2.95% per annum with effect from 25 October 2017 to 25 January 2018	1,344,341	–	1,344,341	–
(f) Money market loan bears interest at 2.65% per annum with effect from 24 November 2017 to 23 February 2018	501,341	–	501,341	–
(g) Money market loan bears interest at 2.73% per annum with effect from 8 December 2017 to 8 March 2018	1,001,720	–	1,001,720	–
(h) Money market loan bears interest at 2.64% per annum with effect from 13 October 2017 to 15 January 2018	673,433	–	673,433	–
(i) Money market loan bears interest at 2.64% per annum with effect from 04 October 2017 to 04 January 2018	142,654	–	142,654	–
(j) Money market loan bears interest at 2.65% per annum with effect from 27 November 2017 to 27 February 2018	100,246	–	100,246	–
(k) Money market loan bears interest at 2.77% per annum with effect from 26 December 2017 to 26 March 2018	1,373,915	–	1,373,915	–
(l) Money market loan bears interest at 2.77% per annum with effect from 28 December 2017 to 28 March 2018	300,068	–	300,068	–
(m) Bridging loan bears interest at 3.39% per annum with effect from 04 October 2017 to 04 April 2018	2,029,896	–	2,029,896	–
(n) Bridging loan bears interest at 3.77% per annum with effect from 29 December 2017 to 04 April 2018	1,875,361	–	1,875,361	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. Term loans (Cont'd)

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Secured term loans (cont'd)				
(o) Term loan bears average interest at 3.27% per annum. The term loan is repayable in 180 monthly instalments commencing January 2018	18,003,227	–	18,003,227	–
(p) Term loan bears average interest at 2.424% with effect from May 2013; bears average interest at 2.443% per annum for the second year; bears average interest at 2.931% per annum for the third year; bears average interest at 3.156% per annum for the fourth year; bears average interest at 3.023% per annum for the fifth year; and thereafter at 3.146% per annum. The term loan is repayable in 60 monthly instalments commencing June 2013	311,276	1,042,105	311,276	1,042,105
(q) Term loan bears average interest at 2.42% per annum with effect from June 2013; bears average interest at 2.445% per annum for the second year; bears average interest at 2.955% per annum for the third year; bears average interest at 3.144% per annum for the fourth year; bears average interest at 3.0164% per annum for the fifth year; and thereafter at 3.232% per annum. The term loan is repayable in 60 monthly instalments commencing July 2013	361,756	1,211,681	361,756	1,211,681
(r) Term loan bears interest at 5.50% per annum with effect from 2 August 2016 to 3 February 2017	–	233,949	–	–
(s) Term loan bears interest at 5.655% per annum with effect from 16 August 2016 to 17 February 2017	–	321,210	–	–
(t) Term loan bears interest at 5.8725% per annum with effect from 2 September 2016 to 3 March 2017	–	496,950	–	–
(u) Term loan bears interest at 5.8725% per annum with effect from 26 October 2016 to 27 April 2017	–	314,521	–	–

NOTES TO THE FINANCIAL STATEMENTS

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23. Term loans (Cont'd)

	Group 2017	Group 2016	Company 2017	Company 2016
	$	$	$	$
Secured term loans (cont'd)				
(v) Term loan bears interest at 5.8725% per annum with effect from 9 December 2016 to 10 June 2017	–	186,799	–	–
(w) Term loan bears interest at 5.8725% per annum with effect from 21 December 2016 to 22 June 2017	–	151,965	–	–
(x) Term loan bears interest at 5.8725% per annum with effect from 26 July 2017 to 26 January 2018	292,877	–	–	–
(y) Term loan bears interest at 5.8725% per annum with effect from 31 August 2017 to 28 February 2018	283,510	–	–	–
(z) Term loan bears interest at 5.8725% per annum with effect from 20 September 2017 to 20 March 2018	700,986	–	–	–
(aa) Term loan bears interest at 5.8725% per annum with effect from 26 October 2017 to 26 April 2018	439,913	–	–	–
(ab) Term loan bears interest at 5.8725% per annum with effect from 27 November 2017 to 27 May 2018	293,939	–	–	–
(ac) Term loan bears interest at 5.8725% per annum with effect from 21 December 2017 to 21 June 2018	236,140	–	–	–
(ad) Term loan bears interest at 5.8725% per annum with effect from 26 December 2017 to 26 June 2018	147,961	–	–	–
(ae) Term loan bears interest at 6.175% per annum. The loan repayable in 6 quarterly instalments commencing 6 January 2017	192,566	821,740	–	–
	32,114,411	8,622,641	29,526,519	6,095,507
Repayable within 12 months	15,057,741	7,758,687	12,469,849	5,424,066
Repayable after 12 months	17,056,670	863,954	17,056,670	671,441
	32,114,411	8,622,641	29,526,519	6,095,507

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

23. Term loans (Cont'd)

(a)-(q) The money market loans and term loans are secured by legal mortgages over the Company's freehold land, freehold buildings and leasehold land and buildings with net carrying amount of $2,775,973 (2016: $2,775,973) and $1,378,867 (2016: $1,418,057), and $23,365,761 (2016: $1,282,336) respectively. These loans include a financial covenant which requires the total carrying amount of these loans to not exceed 70% of the market value of the total pledged fixed assets.

(r)-(ae) The term loans are secured by a legal mortgage over a subsidiary's land use rights and leasehold building with net carrying amount of $1,960,434 (2016: $2,017,487) and $5,481,191 (2016: $6,059,908) respectively and guarantee by the Company.

As at 31 December 2017, the effective interest rates were 3.3% and 2.3% (2016: 3.7% and 3.0%) per annum for the Group and the Company.

Term loans denominated in foreign currencies at 31 December are as follows:

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
United States Dollar	1,344,341	1,333,660	1,344,341	1,333,660

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

	2016	Cash flows	Non-cash changes		2017
			Settlement of trade payables	Other	
		$	$	$	$
Trust receipts and bills payable	4,061,835	(4,061,835)	4,050,162	–	4,050,162
Term loans					
– Current	7,758,687	6,435,100	–	863,954	15,057,741
– Non-current	863,954	17,056,670	–	(863,954)	17,056,670
Finance lease obligations					
– Current	78,270	(77,748)	–	13,080	13,602
– Non-current	82,445	–	–	(13,080)	69,365
Bank deposit pledged	–	(100,000)	–	–	(100,000)
Total	12,845,191	19,252,187	4,050,162	–	36,147,540

The "Other" column relates to reclassification of non-current portion of term loans including finance lease obligations due to passage of time.

24. Share capital

	Group and Company			
	2017		2016	
	No. of shares	$	No. of shares	$
Issued and fully paid ordinary shares				
At beginning/end of year	108,480,000	19,264,441	108,480,000	19,264,441

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

25. 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.

26. Revenue

Revenue represents the invoiced value of goods sold net of returns and allowances, sales tax and goods and services tax.

	Group	
	2017	**2016**
	$	**$**
Sale of goods	36,266,245	38,789,927
Project sales, installation and maintenance services	869,827	372,437
	37,136,072	39,162,364

27. Other operating income

	Group	
	2017	**2016**
	$	**$**
Dividend income from unquoted investment	451,019	488,880
Rental income	484,710	366,295
Scrap sales	90,392	65,151
Government grants	180,297	68,912
Others	22,726	14,228
	1,229,144	1,003,466

28. Other operating expenses

	Group	
	2017	**2016**
	$	**$**
Preliminary expenses	–	23,036
Loss on disposal of fixed assets, net	1,001	19,404
Foreign currency loss, net	320,663	256,600
Others	9,896	10,469
	331,560	309,509

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29. Profit/(loss) from operations

Other than as disclosed in Notes 27 and 28, gain/(loss) from operations is arrived after charging/(crediting) the following:

	Group	
	2017	2016
	$	$
Amortisation of intangible assets	87,877	89,763
Amortisation of land use rights	45,318	45,716
Depreciation of fixed assets	1,313,887	1,497,399
Audit fees		
– auditors of the Company	117,000	114,000
– other auditors	98,930	98,252
Non-audit fees		
– auditors of the Company	9,500	9,740
– other auditors	14,642	10,643
Directors' fees		
– directors of the Company	165,000	220,750
– directors of subsidiaries	5,848	32,783
Directors' remuneration		
– directors of the Company	828,405	867,341
– directors of subsidiaries	241,763	224,624
Write back of allowance for doubtful trade debts	(60,166)	(19,177)
Allowance for doubtful trade debts	97,955	69,213
Allowance for doubtful non-trade debts	–	12,758
Fixed assets written off	89,417	–
Warranty written back, net	–	(14,376)
Loss on disposal of fixed assets, net	1,001	19,404
(Written back of)/allowance for obsolete and slow-moving inventories, net	(1,903,096)	913,074
Personnel expenses (Note 30)	7,788,666	7,936,519
Inventories recognised as an expense in cost of sales (Note 13)	25,349,840	25,518,444
Operating lease expenses	476,515	477,122

30. Personnel expenses

	Group	
	2017	2016
	$	$
Wages and salaries *	6,379,749	6,135,213
Central Provident Fund contributions *	473,087	507,203
Termination benefit	–	459,028
Other social expenses, net	935,830	835,075
	7,788,666	7,936,519

* Personnel expenses include amounts disclosed as directors' remuneration in Note 29.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

31. Finance expenses

	Group	
	2017	**2016**
	$	**$**
Interest expense on:		
– Term loans	347,401	315,955
– Trust receipts	60,168	64,683
– Finance lease obligations	5,265	14,403
– Bank overdrafts	11	5,054
	412,845	400,095

32. Tax expense/(credit)

Major components of income tax expense

The major components of income tax expense/(credit) for the years ended 31 December 2017 and 2016 are:

	Group	
	2017	**2016**
	$	**$**
Consolidated income statement		
Current income tax		
– Current income taxation	107,808	86,628
– Under/(over) provision in respect of prior years	107,893	(56,030)
Deferred income tax		
– Origination and reversal of temporary differences	45,016	(109,954)
– Over provision in respect of prior years	–	(110,688)
	260,717	(190,044)

As at 31 December 2017, the Group had unrecognised tax losses of approximately $6,777,100 (2016: $7,382,490) 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 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

32. Tax expense/(credit) (Cont'd)

Relationship between tax expense/(credit) and accounting loss

A reconciliation between tax expense/(credit) and the product of accounting profit/(loss) multiplied by the applicable tax rate for the years ended 31 December 2017 and 2016 is as follows:

	Group	
	2017	2016
	$	$
Profit/(loss) before tax	504,479	(1,595,586)
Tax at the domestic rates applicable to profits in the countries where the Group operates	85,761	(271,250)
Tax effect of non-taxable income	(83,410)	(112,504)
Tax effect of non-deductible expenses	349,326	567,983
Tax effect arising from differences in tax rates	(48,639)	(201,724)
Under/(over) provision in respect of prior years	107,893	(166,718)
Deferred tax asset not recognised	39,652	219,037
Effect of utilisation of deferred tax asset previously not recognised	(130,162)	(202,713)
Effect of partial tax exemption and tax relief	(72,111)	(22,296)
Share of results of associate and joint venture	11,953	–
Others	454	141
Tax (credit)/tax expense	260,717	(190,044)

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

33. Earnings/(Loss) per share

	Group	
	2017	2016
	$	$
Profit/(loss) for the year attributable to owners of the Company	383,240	(1,179,270)
	No. of shares	**No. of shares**
Weighted average number of ordinary shares	108,480,000	108,480,000

Basic earnings per share are calculated by dividing gain or 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 the profit or loss attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year 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 2017

34. 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 2017	Group 2016	Company 2017	Company 2016
	$	$	$	$
Income				
Sale of goods to subsidiaries	–	–	7,054,076	6,241,901
Sale of goods to affiliated companies	2,530,970	1,782,521	–	–
Management fee income from subsidiaries	–	–	1,021,000	1,492,083
Rental income from a subsidiary	–	–	7,800	7,800
Rental income from an affiliated company	125,184	63,936	–	–
Royalty fee income from a subsidiary	–	–	86,142	97,235
Dividend income from subsidiaries	–	–	433,750	740,900
Expenses				
Purchases from subsidiaries	–	–	3,127,098	2,950,403
Purchases from affiliated companies	115,805	877,799	–	–
Loan Interest paid to subsidiary	–	–	3,000	3,000
Rental paid to an affiliated company	24,519	24,542	–	–

(b) Compensation of key management personnel

	Group 2017	Group 2016	Company 2017	Company 2016
	$	$	$	$
Executive Directors:				
– Short-term employee benefits	1,030,388	1,036,208	803,990	831,165
– Central Provident Fund contributions	39,780	55,757	24,415	36,176
Executive Officers:				
Short-term employee benefits	1,159,725	1,073,519	1,028,602	936,672
– Central Provident Fund contributions	59,010	69,374	45,512	56,236
Total compensation paid to key management personnel	2,288,903	2,234,858	1,902,519	1,860,249

Compensation paid to Executive Directors relates to Directors' remuneration in Note 29.

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35. Commitments

(a) Operating lease commitments – as lessee

In addition to the land use rights disclosed in Note 7, as at 31 December 2017, the Group and Company have entered into leases in respect of stores and offices. These leases have tenure ranging between 2 and 19 years with renewal options.

Minimum lease payments, including amortisation of land use rights recognised as an expense in profit or loss of the Group and the Company for the financial year ended 31 December 2017 amounted to $508,783 (2016: $494,231) and $85,888 (2016: $77,955) respectively.

Future minimum rental payable under non-cancellable operating leases (excluding land use rights) at the end of the reporting period are as follows:

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Not later than one year	1,126,947	460,915	771,956	77,955
Two to five years	1,313,710	874,499	1,005,819	311,818
Later than five years	779,545	857,500	779,545	857,500
	3,220,202	2,192,914	2,557,320	1,247,273

(b) Operating lease commitments – as lessor

The Group and the Company have entered into property leases on its investment property, freehold building and leasehold land and building. These non-cancellable leases have remaining lease terms of up to one year.

Future minimum rental receivable under non-cancellable operating lease at the end of the reporting period are as follows:

	Group		Company	
	2017	2016	2017	2016
	$	$	$	$
Not later than one year	1,921,719	390,932	1,726,445	190,260
Two to five years	2,005,215	594,900	1,634,580	64,400
Later than five years	20,391	–	–	–
	3,947,325	985,832	3,361,025	254,660

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

36. Contingent liabilities

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Financial guarantees given to financial institutions in connection with facilities given to its subsidiaries	–	–	4,654,600	4,406,150

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' investment property and leasehold land and building. Further, the probability of the subsidiaries defaulting on the credit lines is remote. Accordingly, the financial guarantees have not been recognised.

37. 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 available-for-sale financial assets, comprise bank loans, trust receipts, bills payable, finance leases, 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 Company's exposure to the above-mentioned 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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37. Financial risk management objectives and policies (Cont'd)

Interest rate risk (Cont'd)

Sensitivity analysis for interest rate risk

At the end of the reporting period, if SGD interest rate had been 50 (2016: 50) basis points lower/higher with all other variables held constant, the Group's profit/(loss) before tax would have been $73,000 lower/higher (2016: $63,000 higher/lower), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The analysis is performed on the same basis for 2016.

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 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:

	2017			
	1 year or less	**2 to 5 years**	**More than 5 years**	**Total**
Group	**$**	**$**	**$**	**$**
Financial assets				
Unquoted investment	–	–	89,767	89,767
Trade debtors	7,513,205	–	–	7,513,205
Other receivables	910,353	–	–	910,353
Deposits	132,491	9,993	–	142,484
Amounts due from affiliated companies	398,602	–	–	398,602
Fixed deposits	459,711	–	–	459,711
Cash and bank balances	4,191,113	–	–	4,191,113
Total undiscounted financial assets	13,605,475	9,993	89,767	13,705,235
Financial liabilities				
Trade payables	2,369,146	–	–	2,369,146
Trust receipts and bills payable (secured)	4,105,507	–	–	4,105,507
Other creditors	404,986	–	–	404,986
Accruals and other liabilities	2,271,946	–	–	2,271,946
Dividend payable	114,839	–	–	114,839
Amounts due to affiliated companies	171,675	–	–	171,675
Finance lease obligations	17,918	71,674	6,816	96,408
Term loans	15,719,757	6,072,000	15,223,610	37,015,367
Total undiscounted financial liabilities	25,175,774	6,143,674	15,230,426	46,549,874
Total net undiscounted financial liabilities	(11,570,299)	(6,133,681)	(15,140,659)	(32,844,639)

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37. Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

	2017			
	1 year or less	**2 to 5 years**	**More than 5 years**	**Total**
Company	**$**	**$**	**$**	**$**
Financial assets				
Trade debtors	2,699,995	–	–	2,699,995
Other receivables	134,067	–	–	134,067
Deposits	8,294	–	–	8,294
Amounts due from subsidiaries	5,078,516	–	–	5,078,516
Fixed deposits	6,291	–	–	6,291
Cash and bank balances	1,369,753	–	–	1,369,753
Total undiscounted financial assets	9,296,916	–	–	9,296,916
Financial liabilities				
Trade payables	666,766	–	–	666,766
Trust receipts and bills payable (secured)	4,105,507	–	–	4,105,507
Other creditors	110,184	–	–	110,184
Accruals and other liabilities	1,348,386	–	–	1,348,386
Dividend payable	114,419	–	–	114,419
Amounts due to subsidiaries	1,410,637	–	–	1,410,637
Finance lease obligations	13,272	53,088	2,182	68,542
Term loans	13,092,522	6,072,000	15,223,610	34,388,132
Total undiscounted financial liabilities	20,861,693	6,125,088	15,225,792	42,212,573
Total net undiscounted financial liabilities	(11,564,777)	(6,125,088)	(15,225,792)	(32,915,657)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37. Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

	2016			
	1 year or less	2 to 5 years	More than 5 years	Total
Group	$	$	$	$
Financial assets				
Unquoted investment	–	–	91,940	91,940
Trade debtors	8,113,392	–	–	8,113,392
Other receivables	553,783	–	–	553,783
Deposits	185,800	10,208	–	196,008
Amounts due from affiliated companies	916,430	–	–	916,430
Fixed deposits	498,694	–	–	498,694
Cash and bank balances	5,786,534	–	–	5,786,534
Total undiscounted financial assets	16,054,633	10,208	91,940	16,156,781
Financial liabilities				
Trade payables	1,910,215	–	–	1,910,215
Trust receipts and bills payable (secured)	4,119,656	–	–	4,119,656
Other creditors	502,512	–	–	502,512
Accruals and other liabilities	2,350,784	–	–	2,350,784
Dividend payable	114,830	–	–	114,830
Amounts due to affiliated companies	548,837	–	–	548,837
Finance lease obligations	83,544	71,262	24,527	179,333
Term loans	7,846,975	884,500	–	8,731,475
Total undiscounted financial liabilities	17,477,353	955,762	24,527	18,457,642
Total net undiscounted financial (liabilities)/assets	(1,422,720)	(945,554)	67,413	(2,300,861)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37. Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

	2016			
	1 year or less	**2 to 5 years**	**More than 5 years**	**Total**
Company	**$**	**$**	**$**	**$**
Financial assets				
Trade debtors	3,425,135	–	–	3,425,135
Other receivables	1,910	–	–	1,910
Deposits	7,634	–	–	7,634
Amounts due from subsidiaries	5,701,405	–	–	5,701,405
Fixed deposits	6,275	–	–	6,275
Cash and bank balances	1,656,683	–	–	1,656,683
Total undiscounted financial assets	10,799,042	–	–	10,799,042
Financial liabilities				
Trade payables	528,087	–	–	528,087
Trust receipts and bills payable (secured)	3,990,561	–	–	3,990,561
Other creditors	155,776	–	–	155,776
Accruals and other liabilities	1,234,080	–	–	1,234,080
Dividend payable	114,419	–	–	114,419
Amounts due to subsidiaries	747,647	–	–	747,647
Finance lease obligations	78,410	53,088	15,454	146,952
Term loans	5,472,921	676,837	–	6,149,758
Total undiscounted financial liabilities	12,321,901	729,925	15,454	13,067,280
Total net undiscounted financial liabilities	(1,522,859)	(729,925)	(15,454)	(2,268,238)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37. Financial risk management objectives and policies (Cont'd)

Liquidity risk (Cont'd)

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 $	2 to 5 years $	Total $
Company			
2017			
Financial guarantees provided to subsidiaries	4,654,600	–	4,654,600
2016			
Financial guarantees provided to subsidiaries	4,406,150	–	4,406,150

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) and Chinese Renminbi (RMB).

The Group is exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, Hong Kong and China. The Group's net investments in foreign operations are not hedged as currency position in RM, HKD 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 profit/(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.

		(Increase)/decrease in profit before tax 2017 $	Increase/(decrease) in loss before tax 2016 $
USD/SGD	– strengthened 5% (2016: 5%)	-86,000	-21,000
	– weakened 5% (2016: 5%)	+86,000	+21,000
EUR/SGD	– strengthened 5% (2016: 5%)	-100,000	-54,000
	– weakened 5% (2016: 5%)	+100,000	+54,000
RMB/SGD	– strengthened 5% (2016: 5%)	+72,000	+34,000
	– weakened 5% (2016: 5%)	-72,000	-34,000
SGD/RMB	– strengthened 5% (2016: 5%)	-10,000	+7,000
	– weakened 5% (2016: 5%)	+10,000	-7,000

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37. Financial risk management objectives and policies (Cont'd)

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 debtors (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.

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 debtors on an ongoing basis. The credit risk concentration profile of the Group's trade debtors at the end of the reporting period is as follows:

	Group			
	2017		2016	
	$	% of total	$	% of total
Singapore	1,167,683	16%	1,114,503	14%
Malaysia	2,921,790	39%	2,361,141	29%
Indonesia	1,259,804	17%	1,992,953	25%
Hong Kong/Macau/People's Republic of China	1,138,886	15%	1,707,713	21%
Indo-China*	714,099	9%	756,757	9%
Other countries	310,943	4%	180,325	2%
	7,513,205	100%	8,113,392	100%

* Relates to Vietnam, Myanmar and Cambodia.

At the end of the reporting period, approximately 29% (2016: 30%) of the Group's trade debtors were due from 5 (2016: 5) major customers.

As at 31 December 2017, the Company has significant concentration of credit in the amounts due from subsidiaries and affiliated companies amounting to $5,078,516 (2016: $5,701,405).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

37. Financial risk management objectives and policies (Cont'd)

Credit risk (Cont'd)

Financial assets that are neither past due nor impaired

Trade debtors that are neither past due nor impaired are creditworthy debtors with good payment record with the Group. Other receivables, deposits, fixed deposits and cash and bank balances that are neither past due nor impaired are placed with or entered into with reputable financial institutions or companies with high credit ratings and no history of default.

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 14 (Trade debtors), Note 15 (Other receivables) and Note 16 (Amounts due from/(to) subsidiaries/affiliated companies).

38. Fair value of assets and liabilities

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Financial assets				
Available for sale financial asset				
Unquoted investment	89,767	91,940	–	–
Loans and receivables				
Trade debtors	7,513,205	8,113,392	2,699,995	3,425,135
Other receivables	910,353	553,783	134,067	1,910
Deposits	142,484	196,008	8,294	7,634
Amounts due from subsidiaries	–	–	5,078,516	5,701,405
Amounts due from affiliated companies	398,602	916,430	–	–
Fixed deposits	459,711	498,694	6,291	6,275
Cash and bank balances	4,191,113	5,786,534	1,369,753	1,656,683
	13,615,468	16,064,841	9,296,916	10,799,042

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Financial liabilities				
Financial liabilities carried at amortised cost				
Trade payables	2,369,146	1,910,215	666,766	528,087
Trust receipts and bills payable	4,050,162	4,061,835	4,050,162	3,938,962
Other creditors	404,986	502,512	110,184	155,776
Accruals and other liabilities	2,271,946	2,350,784	1,348,386	1,234,080
Dividend payable	114,839	114,830	114,419	114,419
Amounts due to subsidiaries	–	–	1,410,637	747,647
Amounts due to affiliated companies	171,675	548,837	–	–
Finance lease obligations	82,967	160,715	59,445	134,002
Term loans	32,114,411	8,622,641	29,526,519	6,095,507
	41,580,132	18,272,369	37,286,518	12,948,480

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

38. 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) Financial instruments carried at other than fair value

Unquoted investment

In the directors' opinion, it is not practicable to determine the fair value of the unquoted equity investments held as long-term investments and carried at cost less impairment losses. The expected cash flows from these investments are believed to be in excess of the carrying amount.

(c) Assets and liabilities not carried at fair value but for which fair value is disclosed

The following table shows an analysis of the Group's assets and liabilities not measured at fair value at 31 December 2017 but for which fair value is disclosed:

	2017		**2016**	
	Significant observable inputs other than quoted prices (Level 2)	**Carrying amount**	**Significant observable inputs other than quoted prices (Level 2)**	**Carrying amount**
	$	**$**	**$**	**$**
Assets				
Investment property	1,060,820	–	1,212,900	–

Determination of fair value

Fair value of the investment property is determined directly by reference to indicative valuation obtained from an independent valuer at HK$6,200,000 (equivalent to S$1,060,820) as at 31 December 2017 (2016: HK$6,500,000 (equivalent to S$1,212,900)). The fair value was determined based on comparable market transactions that consider sales of similar properties at a similar location in open market.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

39. 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 2017 and 31 December 2016.

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 2017 and 2016, 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), finance lease obligations (secured) and term loans (secured). Capital includes equity attributable to the owners of the Company.

	Group		Company	
	2017	**2016**	**2017**	**2016**
	$	**$**	**$**	**$**
Trust receipts and bills payable (secured)	4,050,162	4,061,835	4,050,162	3,938,962
Finance lease obligations (secured) (Note 22)	82,967	160,715	59,445	134,002
Term loans (secured) (Note 23)	32,114,411	8,622,641	29,526,519	6,095,507
Loans and borrowings	36,247,540	12,845,191	33,636,126	10,168,471
Equity attributable to owners of the Company	23,385,595	23,106,921	23,415,324	22,619,082
Capital and loans and borrowings	59,633,135	35,952,112	57,051,450	32,787,553
Gearing ratio	61%	36%	59%	31%

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

40. 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 O 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.

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
	$	$	$	$
2017				
Revenue	3,792,520	32,293,363	1,050,189	37,136,072
Cost of sales	(2,442,471)	(22,750,234)	(646,273)	(25,838,978)
Gross profit	1,350,049	9,543,129	403,916	11,297,094
2016				
Revenue	4,026,935	33,459,203	1,676,226	39,162,364
Cost of sales	(2,923,734)	(25,501,196)	(1,097,940)	(29,522,870)
Gross profit	1,103,201	7,958,007	578,286	9,639,494

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

40. Segment information (Cont'd)

Geographical information

Revenue and non-current assets information based on the geographical location of customers and assets respectively are as follows:

	Group	
	2017	**2016**
	$	**$**
Revenue		
Singapore	7,010,779	8,285,603
Malaysia	10,009,301	9,147,348
Indonesia	5,396,308	6,294,090
Hong Kong/Macau/People's Republic of China	10,288,438	10,667,650
Indo-China*	3,026,842	2,910,023
Others	1,404,404	1,857,650
	37,136,072	39,162,364

	Group	
	2017	**2016**
	$	**$**
Non-current assets		
Singapore	28,879,069	5,809,346
Malaysia	332,675	1,951,271
Hong Kong	20,371	17,004
People's Republic of China	9,985,630	10,550,782
Indo-China*	26,221	42,259
	39,243,966	18,370,662

* Relates to Vietnam, Myanmar and Cambodia.

Non-current assets information presented above consist of fixed assets, intangible assets and land use rights as presented in the consolidated balance sheet.

Information about a major customer

Revenue from one major customer amounted to $1,739,635 (2016: $3,013,524), arising from trading sales (2016: trading sales) in the commercial and light industrial segment (2016: commercial and light industrial segment).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2017

41. Dividends

	Group and Company 2017	2016
	$	**$**
Proposed but not recognised as a liability at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the AGM:		
– Final exempt (one-tier) dividend for 2017: 0.18 cents (2016: nil) per share	200,000	–

42. Event after the reporting period

On 23 March 2018, the Company issued a conditional option to purchase agreement to a third party (the "Purchaser") to grant an option to the Purchaser for the sale of its freehold land and building for an aggregate sale consideration amounting to $27,000,000. The sale is subject to shareholders' approval at a duly convened general meeting.

43. Authorisation of financial statement

The financial statements for the year ended 31 December 2017 were authorised for issue in accordance with a directors' resolution dated on 26 March 2018.

STATISTICS OF SHAREHOLDINGS

AS AT 21 MARCH 2018

SHARE CAPITAL

Issued and fully paid-up capital	:	$19,264,441
Total number of issued shares	:	108,480,000
Number of treasury shares	:	NIL
Number of subsidiary holdings	:	NIL
Class of shares	:	Ordinary shares
Voting right	:	One 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	73	25.70	709	0.00
100 – 1,000	37	13.03	26,631	0.02
1,001 – 10,000	49	17.25	266,910	0.25
10,001 – 1,000,000	116	40.85	15,937,720	14.69
1,000,001 AND ABOVE	9	3.17	92,248,030	85.04
TOTAL	**284**	**100.00**	**108,480,000**	**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	65,900,700	60.75
2	LENG CHEE KEONG	7,339,800	6.77
3	CHEUNG WAI SUM	6,300,000	5.81
4	LIM BOON HOCK BERNARD	3,000,000	2.77
5	PHILLIP SECURITIES PTE LTD	2,930,930	2.70
6	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	2,796,800	2.58
7	KUAH KOK KIM	1,500,000	1.38
8	ESTATE OF LOH AH PENG @ LOH EE MING, DEC'D	1,260,500	1.16
9	JAKE LAM	1,219,300	1.12
10	LOH MUN YEW	981,900	0.91
11	CHUA KENG LOY	942,000	0.87
12	YAP KOK KIONG	800,000	0.74
13	ESTATE OF NG TAT KEONG, DECEASED	711,600	0.66
14	WARD ALLAN	705,000	0.65
15	CITIBANK NOMINEES SINGAPORE PTE LTD	700,000	0.65
16	RAFFLES NOMINEES (PTE) LIMITED	650,474	0.60
17	FUCO RUDYANTO CHANDRA	600,000	0.55
18	LEE WEN-CHANG	600,000	0.55
19	MAYBANK KIM ENG SECURITIES PTE. LTD.	600,000	0.55
20	KUAH KIAN KEONG	500,000	0.46
	TOTAL	**100,039,004**	**92.23**

STATISTICS OF SHAREHOLDINGS

AS AT 21 MARCH 2018

SUBSTANTIAL SHAREHOLDERS

	No. of shares in which the substantial shareholder has direct interests	%	No. of shares in which the substantial shareholder has deemed interests	%
Estate of Loh Ah Peng @ Loh Ee Ming[1][2]	1,260,500	1.16	63,855,000	58.86
Loh Mun Yew[1][3]	981,900	0.91	65,115,500	60.03
Universal Pte. Ltd.[4]	63,855,000	58.86	–	–
Cheung Wai Sum[1][5]	6,300,000	5.81	–	–
Loh Pui Lai[1][5]	–	–	6,300,000	5.81
Leng Chee Keong	7,339,800	6.77	–	–

(1) Loh Ah Peng @ Loh Ee Ming was the late father of Loh Mun Yew (the CEO and Executive Director of the Company) and Loh Pui Lai (the Non-Executive Chairman of the Company), and late father-in-law of Cheung Wai Sum. Loh Mun Yew and Loh Pui Lai are siblings and Loh Pui Lai is the wife of Cheung Wai Sum.

(2) Estate of Loh Ah Peng @ Loh Ee Ming 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, Cap. 50.

(3) 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, Cap. 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, Cap 50.

(4) 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 Estate of Loh Ah Peng @ Loh Ee Ming, Loh Mun Yew, Loh Pui Lai, Lum Soo Mooi (spouse of Loh Ah Peng @ Loh Ee Ming) and Loh Pui Pui (daughter of Loh Ah Peng @ Loh Ee Ming and Lum Soo Mooi, and sibling of Loh Mun Yew and Loh Pui Lai) with shareholding interest of 40.68%, 27.42%, 10.68%, 10.33% and 10.89% respectively. The directors of Universal Pte. Ltd. are Loh Mun Yew, Loh Pui Pui and Lum Soo Mooi.

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

SHAREHOLDINGS HELD IN THE HANDS OF THE PUBLIC

Based on the information available to the Company as of 21 March 2018, approximately 26.5% 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 SGX-ST 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 held at 112 Lavender Street, #02-01 Far East Registration Building, Singapore 338728 on Friday, 27 April 2018 at 11.00 a.m., 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 2017 together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare a final (tax exempt one-tier) dividend of 0.18 cents per ordinary share for the financial year ended 31 December 2017. **(Resolution 2)**

3. To approve the payment of Directors' fees of $180,000 for the financial year ending 31 December 2018, payable half-yearly in arrears (2017: $165,000). **(Resolution 3)**

4. To re-elect Loh Mun Yew, a Director retiring pursuant to Regulation 104 of the Company's Constitution. **(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 1)* **(Resolution 5)**

6. To re-appoint Ernst & Young LLP as auditor of the Company and to authorise the Directors to fix its remuneration. **(Resolution 6)**

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolutions (with or without amendments) as Ordinary Resolutions:

7. **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 7)**

(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 outstanding or subsisting at the time this Resolution is passed, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

(c) any subsequent bonus issue, consolidation or subdivision of Shares;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the 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 2)

NOTICE OF ANNUAL GENERAL MEETING

8. **Renewal of Share Buyback Mandate**

That for the purposes of Section 76C and 76E of the Companies Act, the Directors be and are hereby 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 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 earlier. **(Resolution 8)**

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 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 after the relevant 5 market days;

"**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.

NOTICE OF ANNUAL GENERAL MEETING

9. 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

12 April 2018
Singapore

Explanatory Notes:

1. Mr Mak Yen-Chen Andrew will, upon re-election as a Director, remain as 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. Detailed information on Mr Mak Yen-Chen Andrew can be found under the sections entitled "Board of Directors", "Corporate Governance Report" and "Directors' Statement" of the Company's Annual Report 2017.

2. Resolution 7 proposed in item 7 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 earlier, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, 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.

Notes:

(i) (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote at the AGM. Where such member appoints more than one proxy, the proportion of his shareholding to be represented by each proxy shall be specified in the instrument of proxy.

(b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different Share or Shares held by such member. Where such member appoints more than one proxy, the number of Shares in relation to which each proxy has been appointed shall be specified in the instrument of proxy.

"Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act.

(ii) A proxy needs not be a member of the Company.

(iii) The instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 112 Lavender Street, #04-00 Far East Registration Building, Singapore 338728 not less than 72 hours before the time appointed for holding the AGM.

(iv) The 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.

(v) 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.

NOTICE OF ANNUAL GENERAL MEETING

Personal Data Privacy:

"**Personal data**" in this notice of AGM has the same meaning as "personal data" in the Personal Data Protection Act 2012, which includes the member's name and its proxy's and/or representative's name, address and NRIC/Passport number. By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the AGM of the Company and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's and its proxy(ies)'s or representative(s)'s personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the AGM of the Company (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM of the Company (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"); (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior express consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes; (iii) undertakes that the member will only use the personal data of such proxy(ies) and/or representative(s) for the Purposes; and (iv) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty. 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 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 prepared by the Company and its contents have been reviewed by the Company's sponsor ("**Sponsor**"), SAC Capital Private Limited, for compliance with the relevant rules of the SGX-ST. The Sponsor has not independently verified the contents of this notice.*

This notice has not been examined or approved by 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 (telephone no.: (65) 6532 3829), at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542.

APPENDIX

APPENDIX DATED 12 APRIL 2018

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 2017 (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 2018 AGM (as defined herein) of the Company to be held on Friday, 27 April 2018 at 11.00 a.m. at 112 Lavender Street #02-01 Far East Refrigeration Building, Singapore 338728.

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 prepared by the Company and its contents have been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**") for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). The Sponsor has not independently verified the contents of this Appendix.

This Appendix has not been examined or approved by the 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) 6532 3829) at 1 Robinson Road, #21-02 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

In this Appendix, the following definitions apply throughout, except where the context otherwise requires, or unless otherwise stated:

DEFINITIONS

"**2017 EGM**"	:	The extraordinary general meeting of the Company held on 28 April 2017
"**2017 Mandate**"	:	Has the meaning ascribed to it in Section 2.1 of this Appendix
"**2018 AGM**"	:	The AGM to be held on 27 April 2018 at 11.00 a.m. at 112 Lavender Street, #02-01 Far East Refrigeration Building, Singapore 338728, 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 FY2017
"**Appendix**"	:	This Appendix to Shareholders dated 12 April 2018 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 Listing Manual 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

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“**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
“**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 Listing Manual may from time to time prescribe
“**day of the making of the offer**”	:	Has the meaning ascribed to it in Section 3.4 of this Appendix
“**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 Listing Manual may from time to time prescribe
“**Latest Practicable Date**”	:	23 March 2018, being the latest practicable date prior to the printing of this Appendix
“**Listing Manual**”	:	The listing manual of the SGX-ST, as may be amended, modified or supplemented from time to time
“**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 119 to 123 of the Annual Report
“**NTA**”	:	Net tangible assets

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"**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 2018 AGM
"**Proxy Form**"	:	The proxy form in respect of the 2018 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
"**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 the Appendix as well as the rules and regulations set forth in the Companies Act and the Listing Manual
"**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 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 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**"	:	Treasury shares shall have the meaning ascribed to it under Section 4 of the Companies Act

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"**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.

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 2018 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 and the Sponsor assume 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. Article 15(1) of the Existing 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 Share Buyback Mandate at the 2017 EGM of the Company held on 28 April 2017 (the "**2017 Mandate**"). The 2017 Mandate will be expiring on 27 April 2018, being the date of the forthcoming 2018 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 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 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 108,480,000 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the 2018 AGM, not more than 10,848,000 Shares (representing approximately 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**").

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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 of 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;

(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 proposed 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.

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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 after the relevant five (5) Market Days;

"**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.

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.

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(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 any share scheme whether for employees, directors or other persons;

(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

(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.

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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.

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.

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7.2. **NUMBER OF SHARES ACQUIRED OR PURCHASED**

Based on 108,480,000 Shares in issue as at the Latest Practicable Date, and assuming no further Shares are issued, no Shares are held by the Company as treasury shares and no subsidiary holdings on or prior to the 2018 AGM, the exercise in full of the Share Buyback Mandate will result in the purchase or acquisition of 10,848,000 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 10,848,000 Shares at the Maximum Price of approximately S$0.082 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 10,848,000 Shares is approximately S$890,729 (excluding Related Expenses).

(b) In the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires the 10,848,000 Shares at the Maximum Price of S$0.096 for one (1) Share (being 120% of the Highest Last Dealt Price of a Share immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 10,848,000 Shares is S$1,041,408 (excluding Related Expenses).

7.4. **ILLUSTRATIVE FINANCIAL EFFECTS**

For illustrative purposes only, the financial effects of the Share Buyback Mandate on the Company and Group, based on the audited financial statements of the Company and the Group for the financial year ended 31 December 2017 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 2017;

(b) the purchase or acquisition of Shares was financed by internal sources of funds of the Company; and

(c) the transaction costs 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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7.4.1 **Purchases made out of capital: (A) Purchases made out of capital and cancelled; and (B) Purchases made out of capital and held as treasury shares:**

	GROUP				
		Market Purchase		Off-Market Purchase	
	Audited before buyback	(A) After buyback and cancelled	(B) After buyback and held as treasury shares	(A) After buyback and cancelled	(B) After buyback and held as treasury shares
	S$'000	S$'000	S$'000	S$'000	S$'000
As at 31 December 2017					
Profit attributable to Shareholders	383	383	383	383	383
Share capital	19,264	18,373	19,264	18,223	19,264
Treasury shares	–	–	(891)	–	(1,041)
Other reserves	(2,490)	(2,490)	(2,490)	(2,490)	(2,490)
Retained earnings	6,612	6,612	6,612	6,612	6,612
Non-controlling interests	2,016	2,016	2,016	2,016	2,016
Total equity/NAV	25,402	24,511	24,511	24,361	24,361
Total Shareholders' equity(1)	23,386	22,495	22,495	22,345	22,345
Current assets	28,040	27,149	27,149	26,999	26,999
Current liabilities	25,229	25,229	25,229	25,229	25,229
Working capital	2,811	1,920	1,920	1,770	1,770
Total borrowings	36,248	36,248	36,248	36,248	36,248
Cash and bank balances	4,651	3,760	3,760	3,610	3,610
Number of issued Shares (exclude treasury shares) ('000)	108,480	97,632	97,632	97,632	97,632
Number of treasury shares ('000)	–	–	10,848	–	10,848
Weighted average number of Shares ('000)	108,480	103,056	103,056	103,056	103,056
Financial Ratios					
Earnings per Share (Cents)(2)	0.35	0.37	0.37	0.37	0.37
NAV per Share (Cents)(3)	21.56	23.04	23.04	22.89	22.89
Gearing ratio (times)(4)	1.35	1.44	1.44	1.46	1.46
Current ratio (times)(5)	1.11	1.08	1.08	1.07	1.07

Notes:

(1) Total Shareholders' equity represents total equity less non-controlling interests.

(2) Earnings per Share represents profit attributable to Shareholders divided by the weighted average number of Shares.

(3) NAV per Share represents the ratio of NAV (less non-controlling interests) to the number of issued Shares (exclude treasury shares).

(4) Gearing ratio represents the ratio of total borrowings less cash and bank balances to total Shareholders' equity.

(5) Current ratio represents the ratio of current assets to current liabilities.

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	COMPANY				
		Market Purchase		Off-Market Purchase	
	Audited before buyback	(A) After buyback and cancelled	(B) After buyback and held as treasury shares	(A) After buyback and cancelled	(B) After buyback and held as treasury shares
	S$'000	S$'000	S$'000	S$'000	S$'000
As at 31 December 2017					
Profit attributable to Shareholders	796	796	796	796	796
Share capital	19,264	18,373	19,264	18,223	19,264
Treasury shares	–	–	(891)	–	(1,041)
Other reserves	322	322	322	322	322
Retained earnings	3,829	3,829	3,829	3,829	3,829
Total equity/NAV	23,415	22,524	22,524	22,374	22,374
Total Shareholders' equity(1)	23,415	22,524	22,524	22,374	22,374
Current assets	16,943	16,052	16,052	15,902	15,902
Current liabilities	20,340	20,340	20,340	20,340	20,340
Working capital	(3,397)	(4,288)	(4,288)	(4,438)	(4,438)
Total borrowings	33,636	33,636	33,636	33,636	33,636
Cash and bank balances	1,376	485	485	335	335
Number of issued Shares (exclude treasury shares) ('000)	108,480	97,632	97,632	97,632	97,632
Number of treasury shares ('000)	–	–	10,848	–	10,848
Weighted average number of Shares ('000)	108,480	103,056	103,056	103,056	103,056
Financial Ratios					
Earnings per Share (Cents)(2)	0.73	0.77	0.77	0.77	0.77
NAV per Share (Cents)(3)	21.58	23.07	23.07	22.92	22.92
Gearing ratio (times)(4)	1.38	1.47	1.47	1.49	1.49
Current ratio (times)(5)	0.83	0.79	0.79	0.78	0.78

Notes:

(1) Total Shareholders' equity represents total equity less non-controlling interests.

(2) Earnings per Share represents profit attributable to Shareholders divided by the weighted average number of Shares.

(3) NAV per Share represents the ratio of NAV (less non-controlling interests) to the number of issued Shares (exclude treasury shares).

(4) Gearing ratio represents the ratio of total borrowings less cash and bank balances to total Shareholders' equity.

(5) Current ratio represents the ratio of current assets to current liabilities.

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7.4.2 **Purchases made out of profits: (A) Purchases made out of profits and cancelled; and (B) Purchases made out of profits and held as treasury shares:**

	GROUP				
		Market Purchase		Off-Market Purchase	
	Audited before buyback	(A) After buyback and cancelled	(B) After buyback and held as treasury shares	(A) After buyback and cancelled	(B) After buyback and held as treasury shares
	S$'000	S$'000	S$'000	S$'000	S$'000
As at 31 December 2017					
Profit/(Loss) attributable to Shareholders	383	(508)	(508)	(658)	(658)
Share capital	19,264	18,373	19,264	18,223	19,264
Treasury shares	–	–	(891)	–	(1,041)
Other reserves	(2,490)	(2,490)	(2,490)	(2,490)	(2,490)
Retained earnings	6,612	6,612	6,612	6,612	6,612
Non-controlling interests	2,016	2,016	2,016	2,016	2,016
Total equity/NAV	25,402	24,511	24,511	24,361	24,361
Total Shareholders' equity(1)	23,386	22,495	22,495	22,345	22,345
Current assets	28,040	28,040	28,040	28,040	28,040
Current liabilities	25,229	25,229	25,229	25,229	25,229
Working capital	2,811	2,811	2,811	2,811	2,811
Total borrowings	36,248	36,248	36,248	36,248	36,248
Cash and bank balances	4,651	4,651	4,651	4,651	4,651
Number of issued Shares (exclude treasury shares) ('000)	108,480	97,632	97,632	97,632	97,632
Number of treasury shares ('000)	–	–	10,848	–	10,848
Weighted average number of Shares ('000)	108,480	103,056	103,056	103,056	103,056
Financial Ratios					
Earnings/(Losses) per Share (Cents)(2)	0.35	(0.49)	(0.49)	(0.64)	(0.64)
NAV per Share (Cents)(3)	21.56	23.04	23.04	22.89	22.89
Gearing ratio (times)(4)	1.35	1.40	1.40	1.41	1.41
Current ratio (times)(5)	1.11	1.11	1.11	1.11	1.11

Notes:

(1) Total Shareholders' equity represents total equity less non-controlling interests.

(2) Earnings per Share represents profit attributable to Shareholders divided by the weighted average number of Shares.

(3) NAV per Share represents the ratio of NAV (less non-controlling interests) to the number of issued Shares (exclude treasury shares).

(4) Gearing ratio represents the ratio of total borrowings less cash and bank balances to total Shareholders' equity.

(5) Current ratio represents the ratio of current assets to current liabilities.

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	COMPANY				
		Market Purchase		Off-Market Purchase	
	Audited before buyback	(A) After buyback and cancelled	(B) After buyback and held as treasury shares	(A) After buyback and cancelled	(B) After buyback and held as treasury shares
	S$'000	S$'000	S$'000	S$'000	S$'000
As at 31 December 2017					
Profit/(Loss) attributable to Shareholders	796	(95)	(95)	(245)	(245)
Share capital	19,264	18,373	19,264	18,223	19,264
Treasury shares	–	–	(891)	–	(1,041)
Other reserves	322	322	322	322	322
Retained earnings	3,829	3,829	3,829	3,829	3,829
Total equity/NAV	23,415	22,524	22,524	22,374	22,374
Total Shareholders' equity[(1)]	23,415	22,524	22,524	22,374	22,374
Current assets	16,943	16,943	16,943	16,943	16,943
Current liabilities	20,340	20,340	20,340	20,340	20,340
Working capital	(3,397)	(3,397)	(3,397)	(3,397)	(3,397)
Total borrowings	33,636	33,636	33,636	33,636	33,636
Cash and bank balances	1,376	1,376	1,376	1,376	1,376
Number of issued Shares (exclude treasury shares) ('000)	108,480	97,632	97,632	97,632	97,632
Number of treasury shares ('000)	–	–	10,848	–	10,848
Weighted average number of Shares ('000)	108,480	103,056	103,056	103,056	103,056
Financial Ratios					
Earnings/(Losses) per Share (Cents)[(2)]	0.73	(0.09)	(0.09)	(0.24)	(0.24)
NAV per Share (Cents)[(3)]	21.58	23.07	23.07	22.92	22.92
Gearing ratio (times)[(4)]	1.38	1.43	1.43	1.44	1.44
Current ratio (times)[(5)]	0.83	0.83	0.83	0.83	0.83

Notes:

(1) Total Shareholders' equity represents total equity less non-controlling interests.

(2) Earnings per Share represents profit attributable to Shareholders divided by the weighted average number of Shares.

(3) NAV per Share represents the ratio of NAV (less non-controlling interests) to the number of issued Shares (exclude treasury shares).

(4) Gearing ratio represents the ratio of total borrowings less cash and bank balances to total Shareholders' equity.

(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 NTA per Share and EPS as the resultant effect would depend on the factors such as the aggregate number of Shares purchased or acquired, the purchase price paid at the relevant

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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 acquired or hold all or part of the Shares purchased or acquired in treasury. The above analysis is based on historical figures for the financial year ended 31 December 2017 and is not necessary representative of the Company's or the Group's future financial performance.

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;

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(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;

(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 buyback of Shares by the Company. For this purpose, an increase in the percentage of voting rights as a result of the buyback 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.

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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 Directors or 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.

9. OBLIGATIONS UNDER THE LISTING MANUAL

9.1. CATALIST RULES

The Listing Manual 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 Listing Manual 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 proposed purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the proposed 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 Listing Manual, 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 Listing Manual requires a listed company to ensure that at least 10% of the total number of issued shares (excluding preference shares, convertible equity securities and treasury shares) 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 Listing Manual, 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 28,742,800 issued Shares, representing 26.5% 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 approximately 17,894,800 issued Shares, representing approximately 18.3% of the issued ordinary share capital of the Company.

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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 or acquisition 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.

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 registers of Directors' interests in Shares and register of Substantial Shareholders' interests in Shares, respectively, are as follows:

	Direct Interest Number of Shares	%	Deemed Interest Number of Shares	%
Directors				
Loh Pui Lai[(a)(e)]	–	–	6,300,000	5.81
Loh Mun Yew[(a)(c)]	981,900	0.91	65,115,500	60.03
Leng Chee Keong	7,339,800	6.77	–	–
Hew Koon Chan	–	–	–	–
Mak Yen-Chen Andrew	–	–	–	–
Tan Hwee Kiong	–	–	–	–
Substantial Shareholders (other than Directors)				
Universal Pte. Ltd.[(d)]	63,855,000	58.86	–	–
Estate of Loh Ah Peng @ Loh Ee Ming[(a)(b)]	1,260,500	1.16	63,855,000	58.86
Cheung Wai Sum[(a)(e)]	6,300,000	5.81	–	–

Notes:

a) Loh Ah Peng @ Loh Ee Ming was the late father of Loh Mun Yew (the CEO and Executive Director of the Company) and Loh Pui Lai (the Non-Executive Chairman of the Company), and late father-in-law of Cheung Wai Sum. Loh Mun Yew and Loh Pui Lai are siblings and Loh Pui Lai is the wife of Cheung Wai Sum.

b) Estate of Loh Ah Peng @ Loh Ee Ming 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.

c) 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.

d) 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 Estate of Loh Ah Peng @ Loh Ee Ming, Loh Mun Yew, Loh Pui Lai, Lum Soo Mooi (spouse of Loh Ah Peng @ Loh Ee Ming) and Loh Pui Pui (daughter of Loh Ah Peng @ Loh Ee Ming and Lum Soo Mooi, and sibling of Loh Mun Yew and Loh Pui Lai) with shareholding interest of 40.68%, 27.42%, 10.68%, 10.33% and 10.89% respectively. The directors of Universal Pte. Ltd. are Loh Mun Yew, Loh Pui Pui and Lum Soo Mooi.

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

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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 the ordinary resolution in respect of the Proposed Renewal of the Share Buyback Mandate at the 2018 AGM.

14. ACTIONS TO BE TAKEN BY SHAREHOLDERS

14.1 **APPOINTMENT OF PROXIES**

If a Shareholder is unable to attend the 2018 AGM and wishes to appoint a proxy to attend and vote at the 2018 AGM on his behalf, he should complete, sign and return the attached Proxy Form in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company at 112 Lavender Street, #04-00 Far East Refrigeration Building, Singapore 338728 not later than 24 April 2018 on 11.00 a.m.. The completion and return of the Proxy Form by a Shareholder does not preclude him from attending and voting at the 2018 AGM in person if he so wishes.

14.2. **WHEN DEPOSITOR REGARDED AS SHAREHOLDER**

A Depositor shall not be regarded as a Shareholder entitled to attend the 2018 AGM and to speak and vote thereof unless his name appears on the Depository Register at least seventy-two (72) hours before the 2018 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 112 Lavender Street #04-00 Far East Refrigeration Building, Singapore 338728 during normal business hours from the date of this Appendix up to and including the date of the 2018 AGM:

(a) the Annual Report of the Company for FY2017; and

(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
ANNUAL GENERAL MEETING

IMPORTANT
1. Investors who hold shares under the Supplementary Retirement Scheme ("**SRS Investors**") may attend and vote at the AGM in person. SRS Investors who are unable to attend the AGM but would like to vote, may inform their SRS Approved Nominees to appoint the Chairman of the AGM to act as their proxy, in which case, such SRS Investors shall be precluded from attending the AGM.
2. This instrument of proxy is not valid for use by the SRS Investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We*, ________________________________ (Name) ________________ (NRIC/Passport/Registration Number)

of ____ (Address)

being a member/members* of **FAR EAST GROUP LIMITED** (the "**Company**") hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholding	
			Number of Shares	%

and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholding	
			Number of Shares	%

or failing him, the Chairman of the Annual General Meeting ("**AGM**") of the Company as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the AGM of the Company to be held at 112 Lavender Street, #02-01 Far East Registration Building, Singapore 338728 on Friday, 27 April 2018 at 11.00 a.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for or against the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies* will vote or abstain from voting at his/their* discretion, as he/they* will on any other matter arising at the AGM and at any adjournment thereof.

NO.	RESOLUTIONS	FOR**	AGAINST**
	ORDINARY BUSINESS		
1.	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2017 together with the Independent Auditor's Report thereon		
2.	To declare a final dividend of 0.18 cents per ordinary share for the financial year ended 31 December 2017		
3.	To approve the payment of Directors' fees of $180,000 for the financial year ending 31 December 2018, 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-appoint Ernst & Young LLP as auditor of the Company and to authorise the Directors to fix its remuneration		
	SPECIAL BUSINESS		
7.	To authorise the Directors to issue shares and convertible securities		
8.	To approve the renewal of Share Buyback Mandate		

* Delete accordingly
** If you wish to exercise all your votes "For" or "Against" the relevant resolution, please tick [√] within the relevant box provided. Alternatively, if you wish to exercise your votes both "For" and "Against" the relevant resolution, please insert the relevant number of shares in the boxes provided.

Dated this _______ day of _______________ 2018

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. (a) A member who is not a relevant intermediary is entitled to appoint not more than two proxies to attend and vote at the AGM. Where such member appoints more than one proxy, the proportion of his shareholding to be represented by each proxy shall be specified in this instrument of proxy. If the proportion of his shareholding is not specified, the first named proxy shall be deemed to represent 100% of his shareholding and the second named proxy shall be deemed to be an alternate to the first named.

   (b) A member who is a relevant intermediary is entitled to appoint more than two proxies to attend and vote at the AGM, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than one proxy, the number of shares in relation to which each proxy has been appointed shall be specified in this instrument of proxy.

   "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act, Chapter 50.

3. A proxy needs not be a member of the Company.

4. This instrument appointing a proxy or proxies, duly executed, must be deposited at the registered office of the Company at 112 Lavender Street, #04-00 Far East Registration Building, Singapore 338728 not less than 72 hours before the time appointed for holding the AGM. The appointment of a proxy or proxies shall not preclude a member from attending and voting in person at the AGM. If a member attends the AGM in person, the appointment of a proxy or proxies shall be deemed to be revoked, and the Company reserves the right to refuse to admit such proxy or proxies to the AGM.

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.

8. 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 12 April 2018.

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GENERAL INFORMATION

DIRECTORS

Loh Pui Lai	(Non-Executive Chairman)
Loh Mun Yew	(Chief Executive Officer and Executive Director)
Leng Chee Keong	(Chief Operating Officer (Sales and Marketing) and Executive Director)
Hew Koon Chan	(Lead Independent Director)
Mak Yen-Chen Andrew	(Independent Director)
Tan Hwee Kiong	(Independent Director)

JOINT COMPANY SECRETARIES
Wee Woon Hong
Francis Lai Kum Wai

REGISTERED OFFICE
112 Lavender Street
#04-00 Far East Refrigeration Building
Singapore 338728
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
#18-01 North Tower
Singapore 048583

Partner-in-charge: Ho Shyan Yan
(Since financial year ended 31 December 2013)

BANKERS
United Overseas Bank Limited
DBS Bank Ltd

SPONSOR
SAC Capital Private Limited
1 Robinson Road
#21-02 AIA Tower
Singapore 048542

AUDIT COMMITTEE
Hew Koon Chan (Chairman)
Mak Yen-Chen Andrew
Tan Hwee Kiong

REMUNERATION COMMITTEE
Tan Hwee Kiong (Chairman)
Hew Koon Chan
Mak Yen-Chen Andrew

NOMINATING COMMITTEE
Mak Yen-Chen Andrew (Chairman)
Hew Koon Chan
Tan Hwee Kiong

Far East Group Limited

112 Lavender Street, #04-00 Far East Refrigeration Building, Singapore 338728

Tel: (65) 6293 9733 Fax: (65) 6296 5326

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