



**KING WAN CORPORATION LIMITED**

Incorporated in the Republic of Singapore  
(Company Registration No. 200001034R)

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**INDEPENDENT AUDITOR'S COMMENT ON THE FINANCIAL STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 MARCH 2020 ("FY2020")**

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The Board of Directors (the "Board") of King Wan Corporation Limited (the "Company" and together with its subsidiaries, the "Group") would like to announce, pursuant to Rule 704(5) of the Listing Manual of the Singapore Exchange Securities Trading Limited (the "SGX-ST"), that the Company's independent auditor, Messrs. Deloitte & Touche LLP (the "Auditor") has included a material uncertainty related to going concern in the Independent Auditors' Report in relation to the Group's Audited Financial Statements FY2020. The audit opinion is not modified in respect of this matter.

A copy of the Independent Auditor's Report and an extract of the relevant Note 1 to the FY2020 Audited Financial Statements are attached to this Announcement for the Shareholders' reference. Shareholders are advised to read the Audited Financial Statements and the FY2020 Annual Report in their entirety.

**Board Comments**

The Directors are of the view that the going concern assumption is appropriate for the preparation of the FY2020 Audited Financial Statements, due to the following:

- a. The Group's core Mechanical & Electrical ("M&E") engineering services business continues to be profitable. In FY2020, the segment results of M&E engineering services was \$3,908,000 (FY2019 : \$3,284,000) and the Group has achieved an overall higher gross profit margin of 12.8% (FY2019 : 10.5%). By end June 2020, the Group has secured approximately S\$189.6 million worth of M&E engineering services contracts on hand.
- b. For FY2020, the Group had reported a net comprehensive loss of \$14,014,000 (FY2019 : \$2,015,000) and net assets of \$55,745,000 (FY2019 : \$69,759,000). This was a result of a drop in the quoted closing market price of the Group's investments, carried at fair value through other comprehensive income, in Kaset Thai International Sugar Corporation Public Company Limited ("KTIS") listed on Stock Exchange of Thailand. Notwithstanding this, the Group continues to receive dividends from KTIS amounting to \$741,000 in FY2020 (FY2019 : \$1,426,000). The market outlook of KTIS remains positive and KTIS has continued to be profitable in its latest financial year ended 30 September 2019. KTIS, tapping on its strengths and resources, has expanded into new businesses including the manufacture of environmentally friendly packaging and utensils made from bagasse pulp.
- c. As a result of point (b) above, the Group had breached certain debt covenants with a few financial institutions as at 31 March 2020. The Group had obtained the corresponding letters of indulgence or waiver from all these financial institutions before the end of the reporting period.

- d. Since the COVID-19 circuit breaker period ends on 1 June 2020, the Building and Construction Authority has allowed construction work to resume in a controlled manner in phases. The Singapore government has extended a series of support measures to firms in the construction sector to assist them in coping with the impact of COVID-19, so that they can resume work quickly and safely. In view of the current development, the Board is confident that the Group's core M&E engineering services business is on track to fully resume operations and the banks will continue to give their support to the Group.

Based on above, the Board is of the opinion that the Group and the Company will be able to fulfil its obligations for the next 12 months. The Board is also of the opinion that sufficient information has been disclosed for trading of the Company to continue in an orderly manner and confirms that all material disclosures have been provided for trading of the Company to continue.

The Board of the Company wishes to advise the shareholders and investors of the Company to exercise caution when dealing in the shares of the Company. In the event of any doubt, they should consult their stockbrokers, bank managers, solicitors, accountants or other professional advisers.

**BY ORDER OF THE BOARD**

Chua Eng Eng  
Managing Director  
15 September 2020

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KING WAN CORPORATION LIMITED

## REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

### OPINION

We have audited the accompanying financial statements of King Wan Corporation Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at March 31, 2020, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 54 to 154.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)s") 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 March 31, 2020 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

### BASIS FOR OPINION

We conducted our audit in accordance with Singapore Standards on Auditing ("SSAs"). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group in accordance with the Accounting and Corporate Regulatory Authority *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.

### MATERIAL UNCERTAINTY RELATED TO GOING CONCERN

We draw attention to Note 1 to the accompanying financial statements, which indicates that the Group reported a net comprehensive loss of \$14,014,000 for the year ended March 31, 2020 and as of that date, the Group's current liabilities exceeded its current assets by \$8,249,000.

As at March 31, 2020, the Group had also breached certain debt covenants with a few financial institutions. The Group had obtained letters of indulgence or waiver from the respective financial institutions before the end of the reporting period as waivers of the breaches, except for an amount of \$500,000 which was reclassified from non-current to current liabilities. As a result, the Group's aggregate bills payables and bank borrowings amounted to approximately \$34,255,000, will be due for repayment within twelve months from March 31, 2020, while its cash and bank balances amounted to approximately \$8,197,000.

## **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KING WAN CORPORATION LIMITED**

In addition, amidst the present market slow-down due to the COVID-19 pandemic, the cash flows and financial position of the Group have been impacted adversely as construction activities have to be halted during the "Circuit Breaker" period in Singapore from April 7, 2020 to June 1, 2020. As at the date of this report, while approval for resumption of operation for construction sites has been obtained from the relevant authorities, it is still uncertain when operations will be fully resumed in view of the stringent measures to be put in place and whether monthly cash collections can be sustained. Consequently, the Group is exposed to an increased liquidity risk in relation to its ability to repay its indebtedness as and when they fall due.

In the event that the Group is unable to fully resume its operations from the month of November 2020 onwards and sustain its monthly cash collections or does not continue to receive support from the bankers, the Group and Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised in a manner other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the statements of financial position. The Group and Company may have to reclassify non-current assets and liabilities as current assets and liabilities, and write down assets to at net realisation values.

These factors, along with other matters disclosed in Note 1, indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns.

Our opinion is not modified in respect of this matter.

### **KEY AUDIT MATTERS**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current year. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the *Material Uncertainty Related to Going Concern* section, we have determined the matters described below to be the key audit matters to be communicated in our report.

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF KING WAN CORPORATION LIMITED

Key Audit Matters	Our audit performed and responses thereon
<p><b>Revenue recognition from construction contracts</b></p> <p>The Group's main revenue is construction revenue from the electrical, and plumbing and sanitary segments. The Group recognises revenue over time, whereby the percentage of completion is measured based on the proportion of contract costs incurred to date to the estimated total contract cost ("cost-to-cost method").</p> <p>As disclosed in Note 3(g) to the financial statements, significant assumptions are used to estimate the total contract sum and the total contract costs which affect the accuracy of revenue recognition based on the percentage of completion. In making the estimates, the Group relies on past experience.</p> <p>Revenue recognised from construction contracts is disclosed in Note 29 to the financial statements.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluated the design and implementation of relevant key controls over the preparation of total budgeted cost, total contract sum and actual costs.</li> <li>• For a selection of completed projects during the year, we performed retrospective review by comparing the total actual cost incurred at completion against the budgeted cost to assess the reasonableness of management's estimate.</li> <li>• For a selection of projects in progress at the end of the reporting period, we assessed management's assumptions on costs to complete the projects.</li> <li>• In relation to claims or variation orders raised against customers, we selected samples and checked to supporting documents to validate whether it is probable that the customer will accept the claims or approve the variation order, and whether the amount can be measured reliably. We also assessed the historical experience of management's judgement on the settlement of claims and variation orders.</li> <li>• Compared total contract revenue to actual cost incurred plus expected inputs to satisfy the performance obligations and assessed adequacy of provision for onerous contracts.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF KING WAN CORPORATION LIMITED

Key Audit Matters	Our audit performed and responses thereon
<p><b>Assessment of corporate guarantees given for bank loans of an associate and a joint venture and assessment of the recoverability of debts owing by the associates and joint venture to the Group (Refer to Notes 3(b)(i), 3(b)(ii), 3(b)(iii) and 3(c) to the financial statements)</b></p> <p>The Group has the following equity investments:</p> <p>a) An associate, Dalian Shicheng Property Development (S) Pte Ltd ("DSPDS") group;</p> <p>b) A joint venture, Soon Zhou Investments Pte Ltd ("SZI") group; and</p> <p>c) Associates, Chang Li Investments Pte Ltd, Li Ta Investments Pte Ltd and Soon Li Investments Pte Ltd ("CLLTSL").</p> <p>As at March 31, 2020, the Group has fully impaired its equity investment in DSPDS group as well as the advances to DSPDS group, which includes the advances during the year amounting to \$1,175,000 to fund DSPDS group's payment of the bank loan instalments and operating expenses.</p> <p>As at March 31, 2020, the Company and a joint guarantor have given joint and several corporate guarantees to a bank for the loan taken by DSPDS group. The Company's maximum exposure to the corporate guarantee amounted to \$10,568,000.</p> <p>With respect to SZI group, the Group has fully impaired its equity investment as at March 31, 2020 but has not impaired receivables of \$27,487,000 from SZI group as management expects that advances are recoverable on the basis set out in Note 3(b)(ii). As at March 31, 2020, the Company and a joint guarantor have also given joint and several corporate guarantees to a bank for the loans taken by SZI group. The Company's maximum exposure to the corporate guarantee amounted to \$3,787,000.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluated the expected credit loss estimate taking into consideration historical and forward looking information.</li> <li>• In respect of the valuation of the properties performed by the external professional valuer, we performed the following: <ul style="list-style-type: none"> <li>i) Evaluated the qualifications, independence and objectivity of the valuer and considered the scope of their work;</li> <li>ii) Engaged our internal valuation specialist to review and assess the appropriateness of the valuation methodology, key assumptions and parameters used which affect the fair value estimates; and</li> <li>iii) Assessed the estimated cash flows from the future sales of the properties and reasonableness of the other key assumptions used.</li> </ul> </li> <li>• Evaluated the significant assumptions applied by management in assessing the ability of DSPDS group to repay its debts owing to SZI group.</li> <li>• We also considered the adequacy of the related disclosures.</li> </ul>

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF KING WAN CORPORATION LIMITED

Key Audit Matters	Our audit performed and responses thereon
<p>Similarly for CLLTSL, the Group has fully impaired its equity investment as at March 31, 2020 but has not impaired receivables amounting to \$2,616,000 (net of loss allowance of \$1,917,000) at the end of the reporting period.</p> <p>Management's assessments on the exposure to payment obligations to the bank under the joint and several corporate guarantees for loans of DSPDS group and SZI group; and the ability to recover the receivables owed by SZI group and CLLTSL involved significant judgements and estimation uncertainty, and are dependent on:</p> <ul style="list-style-type: none"> <li>(a) ability of these associates/joint venture to realise the estimated values of the unsold properties and/or undeveloped land held by them based on valuation performed by an external professional valuer;</li> <li>(b) the assumption that no further funds are required from the Group for development of the undeveloped land held by the DSPDS group; and that DSPDS group will be able to pay its debts owing to SZI group; and</li> <li>(c) the assumption that the joint guarantor will provide 50% of the required funds to match the amounts to be provided by the Group for payment of the bank loan instalments as and when required.</li> </ul>	

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KING WAN CORPORATION LIMITED

Key Audit Matters	Our audit performed and responses thereon
<p><b>Assessment of corporate guarantee given for bank loan of an associate and assessment of the recoverability of debts owing by associates to the Group (Refer to Notes 3(b)(iv), 3(b)(v) and 3(d) to the financial statements)</b></p> <p>As at March 31, 2020, the Company together with two other shareholders (the "Joint Guarantors") of an associate, Nexus Point Investments Pte Ltd ("Nexus"), provided corporate guarantees to a bank for credit facilities utilised by Nexus. The Company's maximum exposure to the corporate guarantee amounted to \$21,050,000.</p> <p>In addition, the Group also has an amount of \$9,224,000 (net of loss allowance of \$7,350,000) owing from Nexus, and \$3,208,000 (net of loss allowance of \$1,299,000) owing from another associate, Gold Hyacinth Development Pte Ltd ("GHD"), at the end of the reporting period.</p> <p>Management's assessments on the exposure to payment obligations to the bank under the corporate guarantee for loans of Nexus; and the ability to recover the receivables owed by Nexus and GHD involved significant judgements and estimation uncertainty, and dependent on:</p> <p>(a) estimates of the cash flow from Nexus' and GHD's operations, a dormitory and a vessel respectively, based on valuation performed by the external professional valuers; and</p> <p>(b) the assumption that the joint guarantors will provide 81% of the required funds to match the amounts to be provided by the Group for payment of the bank loan instalments as and when required for Nexus.</p>	<p>Our audit procedures included:</p> <ul style="list-style-type: none"> <li>• Evaluated the expected credit loss estimate taking into consideration historical and forward looking information.</li> <li>• In respect of the valuation of the dormitory and vessel performed by the external professional valuers, we performed the following: <ul style="list-style-type: none"> <li>i) Evaluated the qualifications, independence and objectivity of the valuer and considered the scope of their work;</li> <li>ii) Engaged our internal valuation specialists to review and assess the appropriateness of the valuation methodology, key assumptions and parameters used which affect the fair value estimates; and</li> <li>iii) Assessed the estimated cash flows and reasonableness of the other key assumptions used.</li> </ul> </li> <li>• We also considered the adequacy of the related disclosures.</li> </ul>



# **INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KING WAN CORPORATION LIMITED**

## **INFORMATION OTHER THAN THE FINANCIAL STATEMENTS AND AUDITOR'S REPORT THEREON**

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.

## **RESPONSIBILITIES OF MANAGEMENT AND DIRECTORS FOR THE FINANCIAL STATEMENTS**

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I)s, 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.

# INDEPENDENT AUDITOR'S REPORT

## TO THE MEMBERS OF KING WAN CORPORATION LIMITED

### AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

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

- (a) 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.
- (b) 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.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (d) 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.
- (e) 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.
- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Group audit. We remain solely responsible for our audit opinion.

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

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

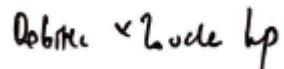
From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the current year and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public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

# INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF KING WAN CORPORATION LIMITED

## 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 Ang Poh Choo.



Public Accountants and  
Chartered Accountants  
Singapore

September 7, 2020

# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

## 1 GENERAL

The Company (Registration No. 200001034R) is incorporated in Singapore with its registered office and principal place of business at No. 8 Sungei Kadut Loop, Singapore 729455. The Company is listed on the mainboard of Singapore Exchange Securities Trading Limited. The financial statements are expressed in Singapore dollars, and all values are expressed in thousand (\$'000) except when otherwise stated.

The principal activity of the Company is that of investment holding. The subsidiaries, associates and joint venture in the Group are principally engaged in activities as disclosed in Notes 15 and 16 to the financial statements respectively.

### Going Concern

The Group reported a net comprehensive loss of \$14,014,000 for the year ended March 31, 2020 and as of that date, the Group's current liabilities exceeded its current assets by \$8,249,000.

As at March 31, 2020, the Group had breached certain debt covenants with a few financial institutions. The Group had obtained letters of indulgence or waiver from the respective financial institutions before the end of the reporting period as waivers of the breaches, except for an amount of \$500,000 which was reclassified from non-current to current liabilities. As a result, the Group's aggregate bills payables and bank borrowings amounted to approximately \$34,255,000, will be due for repayment within twelve months from March 31, 2020, while its cash and bank balances amounted to approximately \$8,197,000.

In addition, amidst the present market slow-down due to the COVID-19 pandemic, the cash flows and financial position of the Group have been impacted adversely as construction activities have to be halted during the "Circuit Breaker" period in Singapore from April 7, 2020 to June 1, 2020. As at the date of authorisation of these financial statements, while approval for resumption of operation for construction sites have been obtained from the relevant authorities, it is still uncertain when operations will be fully resumed in view of the stringent measures to be put in place and whether monthly cash collections can be sustained. Consequently, the Group is exposed to an increased liquidity risk in relation to its ability to repay its indebtedness as and when they fall due.

In view of these circumstances, the directors of the Company have given careful consideration of the future liquidity and cash flows of the Group in assessing whether the Group will have sufficient financial resources to continue as a going concern for the next 12 months from the date of authorisation of these financial statements. For this purpose, management has prepared a month-to-month consolidated cash flows forecast up to August 31, 2021 (the "Cash Flows Forecast") based on the latest available financial information. In preparing the Cash Flows Forecast, the following judgement and assumptions have been taken by the Group:

- i. Management has assumed that construction activities will be in full operation from the month of November 2020 onwards and that the monthly cash collections will be sustained.
- ii. Continued support from the Group's existing bankers in providing banking and other credit facilities and access to undrawn overdraft facilities. In preparing the Cash Flows Forecast, management has assumed that the short term revolving credit facilities will be rolled over as and when they fall due.

# NOTES TO FINANCIAL STATEMENTS

March 31, 2020

## 1 GENERAL (cont'd)

These factors indicate the existence of a material uncertainty which may cast significant doubt on the ability of the Group and the Company to continue as going concerns. In the event that the Group is unable to fully resume its operations from the month of November 2020 onwards and sustain its monthly cash collections or does not continue to receive support from the bankers, the Group and Company may be unable to discharge their liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised in a manner other than in the normal course of business and at amounts which could differ from the amounts at which they are currently recorded in the statements of financial position. The Group and Company may have to reclassify non-current assets and liabilities as current assets and liabilities, and write down assets to net realisation values. No such adjustments have been made to these financial statements.

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company for the financial year ended March 31, 2020 were authorised for issue by the Board of Directors on September 7, 2020.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**BASIS OF ACCOUNTING** - The financial statements have been prepared in accordance with the historical cost basis except as disclosed in the accounting policies below, and are drawn up in accordance with the provisions of the Singapore Companies Act and Singapore Financial Reporting Standards (International) ("SFRS(I)s").

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability which market participants would take into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for leasing transactions that are within the scope of SFRS(I) 16 *Leases*, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 *Inventories* or value in use in SFRS(I) 1-36 *Impairment of Assets*.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.