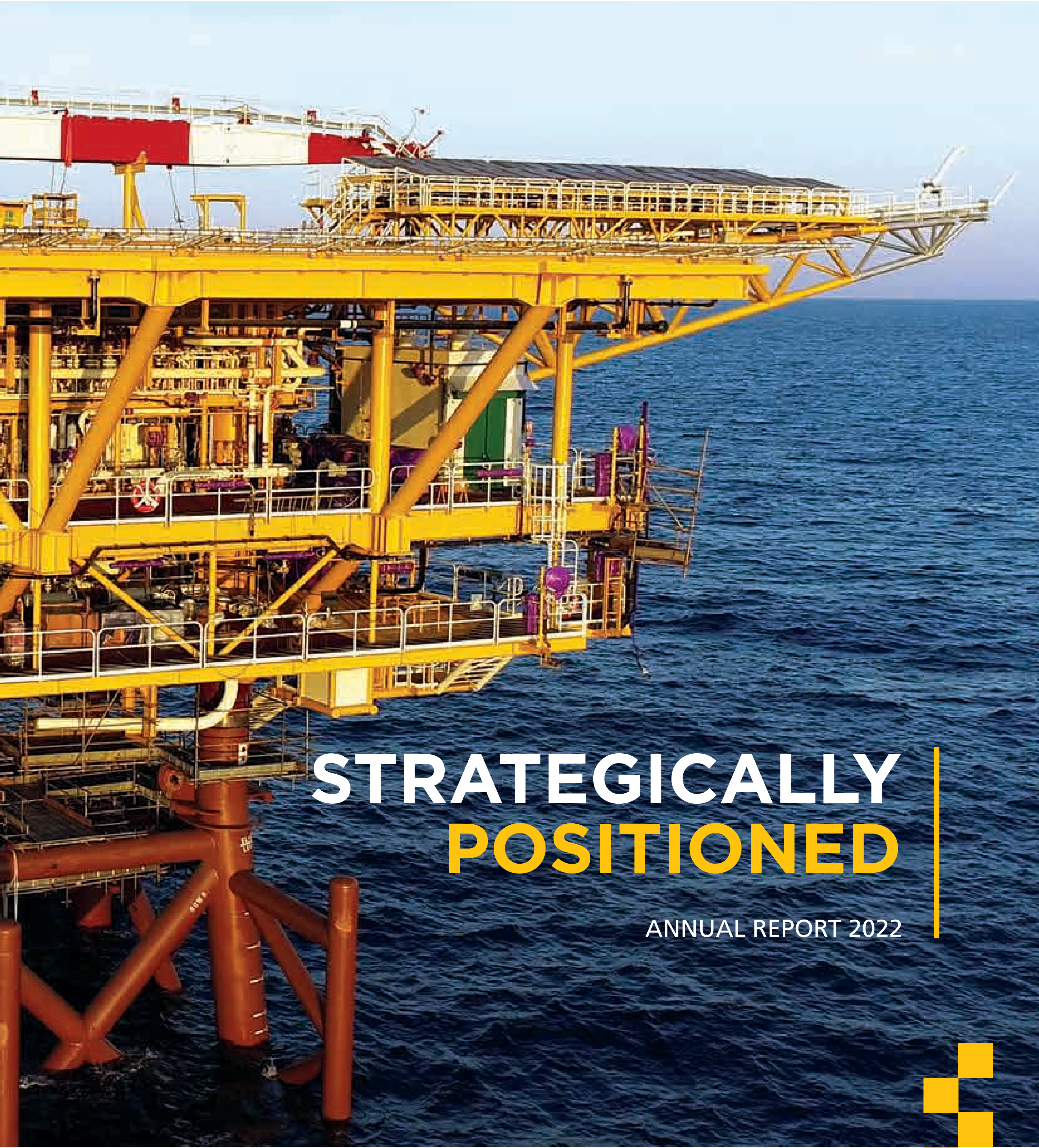


STRATEGICALLY POSITIONED

ANNUAL REPORT 2022

TABLE OF CONTENTS

CORPORATE PROFILE

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

Over the years, Federal is proud to have been awarded ISO certification, an internationally recognised standard that ensures we meet the needs of our clients through an Integrated Management System.

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

OUR VISION

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

OUR MISSION

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

OUR MOTTO

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

We adopt new mindsets and innovative ideas.

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

LETTER TO SHAREHOLDERS

"Despite the increasing geopolitical tensions in the worldwide stage, it is estimated that Indonesia's oil and gas industry in 2023 will remain relatively stable with the local government seeking collaboration among various stakeholders in the upstream oil and gas industry."

DEAR SHAREHOLDERS,

On behalf of the Board of Federal International (2000) Ltd ("Federal", or together with its subsidiaries, the "Group"), I am pleased to present our Annual Report 2022 for the financial year ended 31 December 2022 ("FY2022").

REVIEW OF FY2022

During the year, the Group's revenue surged 125.9% to S$135.1 million as compared to S$59.8 million in FY2021 mainly due to improved sales from the Trading business, which was contributed by a project with PT Gunanusa Utama Fabricators ("PTG") in Indonesia. The project contributed to the Group's performance which recorded a profit before tax for the year of S$3.1 million.

During the year, the Group undertook steps to dispose our non-core assets to reduce our leverage and strengthen its cash position to focus on its core trading businesses and seek opportunities.

The disposal of our property located at 11 Tuas Avenue 1 Singapore 639496 and two freehold properties located at 47 and 49 Genting Road Singapore 349489/349490 were completed on 16 January 2023 and 17 February 2023 respectively.

LONG-TERM ALLIANCE WITH PT GUNANUSA UTAMA FABRICATORS ("PTG")

PTG has repeatedly handed over all its recent projects to its customers within schedule. This is a strong testament of its commitment and capabilities in the oil and gas market. Such track records are expected to enhance PTG's position in the sector amid a fast-growing Indonesian oil and gas market which is expected to witness a compound annual growth rate (CAGR) of more than 5% between 2022 to 2027. Although the pandemic affected demand for petroleum products, the market is expected to rebound following the easing of the COVID-19 restrictions. Coupled with local government initiatives to boost production of crude oil and natural gas, these would likely drive the oil and gas market with increased activity in the offshore region.

LETTER TO SHAREHOLDERS

Besides this development, Indonesia is known to be one of the largest oil reserves in Southeast Asia. With local economic growth gaining traction, demand for petroleum products will shoot up in the future to present significant opportunities for players in the market.

Despite the increasing geopolitical tensions in the worldwide stage, it is estimated that Indonesia's oil and gas industry in 2023 will remain relatively stable with the local government seeking collaboration among various stakeholders in the upstream oil and gas industry.[1]

In view of the above factors, the Group is making efforts to deepen our long-term strategic alliance with our Indonesian partner, PTG to further our position and gain a firmer foothold in the industry.

OIL & GAS MARKET FUTURE OUTLOOK

With China lifting its COVID-19 restrictions in 2023, the International Energy Agency (IEA) projected in its oil market report that global oil demand is set to rise with China contributing to nearly half the demand.[2] Meanwhile, supply is expected to tighten quickly as western sanctions impact Russian exports as crude shipments to the European Union (EU) declined after the EU crude embargo and G7 price cap came into effect on 5 December 2022, though exports have partially rebounded.

Concurrently, global oil demand is poised to increase due to an improved economic outlook and a faster than anticipated reopening of China. Overall, concerns remain over the global economic environment, which has been characterised by a number of challenging factors, including increasing recession probabilities in the US and eurozone according to consensus estimates, as well as a prolonged Ukraine war and escalating the US-China conflict.

DISPOSAL OF INTEREST IN FSO CHARTER (FEDERAL II)

In late 2022, the Group announced its intention to dispose of its 30% stake in an Indonesian company, PT Eastern Jason ("PTEJ"), which is principally engaged in the business of maritime transportation and owns the Federal II, a Floating Storage Offloading vessel ("FSO"). The vessel has an existing 5-year chartering contract with an oil major in Indonesia, PT Pertamina Hulu Energy OSES, expiring on 5th September 2023. However, due to the expected time needed to conduct regulatory and due diligence works leading to an EGM, the purchaser is not in favor of an extension of time to complete the transaction.

Our partner will have to initiate renegotiation of the charter extension with the current charterers as well as dry dock the vessel. PTEJ may need to raise cash to fund the expected dry docking. We will provide necessary update when further developments are available.

RENEWABLE ENERGY DEVELOPMENT

As the world moves towards adopting a more environmentally friendly mindset and lifestyle with a greater emphasis on clean renewable energy, the Group worked towards deepening its efforts in this direction during the year despite its low carbon footprint.

We undertook a couple of green initiatives as a testament to our commitment to contribute towards the eco-friendly cause. The Group set up a sustainability taskforce which consisted of department heads and representatives from the human resources, customer service, quality assurance, and logistics departments. Responsible for managing the Group's sustainability-related initiatives and making relevant disclosures, the committee is headed by the Executive Director and reports to the Board of Directors.

---

1 Digital Energy Asia: Outlook 2023: Indonesia Upstream Oil and Gas Industries – Challenges and Opportunities, 29 December 2022;
2 International Energy Agency (IEA): Oil Market Report, 18 January 2023.

LETTER TO SHAREHOLDERS

Towards this end, we also made plans to install a solar panel on the office building roof to reduce energy costs for the purpose of enhancing the efficiency of our buildings and as part of our efforts to support lower emission sources by leveraging on new technology. The effectiveness of the solar panel roof is currently under evaluation and we will adopt the technology once it has been validated.

FUTURE BUSINESS PROSPECTS

The Group is mindful of the increasing uncertainty in the business environment in which we operate with an eye on the development of rising geopolitical tensions like the protracted Ukraine war. Additionally, we are monitoring the rising interest rate and the global supply disruption situations to manage them with caution, as these could impact operation cost volatility and hurt business sentiments.

As we navigate around these macroeconomic factors, we continue to work with our strategic partners to secure oil and gas projects for our pipeline. Oil and gas activities are expected to remain sound on the back of rising oil and gas prices, despite these geopolitical developments and inflationary pressures. As such, we are cautiously optimistic of our position in FY2023.

HEARTFELT APPRECIATION

I would like to express my gratitude towards Mr Khoo Boo Yeow, Andrew, who has stepped down as Non-Executive and Independent Director on 28 April 2022. We applaud his invaluable contribution and dedication towards the Group that has guided us through to our current position and wish him well for his future ventures.

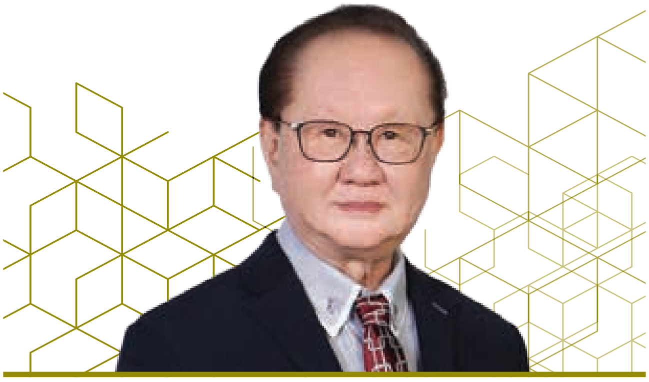
On the same note, I would like to warmly welcome Mr Heng Yeow Teck, Malcolm, who has joined the Group as Non-Executive and Independent Director on 17 May 2022. Mr Heng brings with him a wealth of experience that will greatly benefit the Group and we appreciate having him on the team with us to continue to drive the Group towards greater heights.

On behalf of the Board, I would like to show my appreciation to our valued customers, banking associates, and business partners for their kind support and unwavering belief in us that we are capable of breaking through each year. I would also like to thank all my fellow Board members, management, and staff for their hard work and sacrifice during the year.

Last but not least, I am grateful for our valued shareholders who have always stood by us even when the going got tough. With all your support, the Group will be able to surmount any challenges ahead to deliver substantial benefits for all stakeholders in the near future. We look forward to advancing on this meaningful journey with you.

Kidde Fire Systems
ADS™ Fire Suppression System with 3M™ Novec™ 1230 Fluid

BOARD OF DIRECTORS



MR KOH KIAN KIONG

Executive Chairman and Chief Executive Officer, Federal International (2000) Ltd.

Mr Koh is one of the founders of the Group and has more than 47 years of experience in the oil and gas industry. He was appointed to the Board since 13 November 1999. Mr Koh oversees the formulation of the Group's corporate strategies and business expansion plans. He continues to be instrumental to the Group's continued success and growth. He is a member of the Audit Committee, Nominating Committee, and the Executive Committee.

Date of first appointment as a director:
13 November 1999

Date of last re-election as a director:
28 April 2022

Length of service as a director (as at 31 December 2022):
23 years

Board of Committee(s) served on:
Executive Committee (Member)
Nominating Committee (Member)

Academic & Professional Qualification(s):
GCE "O" levels

Present Directorships (as at March 2023):
Listed companies
Federal International (2000) Ltd

Other principal directorships:
Subsidiaries and associated companies of the Federal Group
Gunanusa Utama Pte Ltd

Major Appointments (other than directorships):
Nil

Past Directorships in listed companies held over the preceding five years (from March 2018 to March 2023):
Nil

Other Principal Commitments:
Nil

MS MAGGIE KOH

Executive Director

Ms Maggie Koh is our Executive Director and was appointed as a member of the Board since 19 June 2000. As an Executive Director, she assists the Board in business and strategic planning including managing the Group's overall business development and expansion. As part of her corporate role, Ms Koh oversees the trading business of the Group and leads with a strategic role in operations, including Quality Control management, Research & Development management and management of the Group's subsidiaries. Ms Koh has over 27 years of experience in the oil and gas industries. She is a holder of Master in Business Administration.

Date of first appointment as a director:
19 June 2000

Date of last re-election as a director:
19 June 2020

Length of service as a director (as at 31 December 2022):
23 years

Board of Committee(s) served on:
Executive Committee (Member)

Academic & Professional Qualification(s):
Master in Business Administration

Present Directorships (as at March 2023):
Listed companies
Federal International (2000) Ltd

Other principal directorships:
Subsidiaries and associated companies of the Federal Group

Major Appointments (other than directorships):
Nil

Past Directorships in listed companies held over the preceding five years (from March 2018 to March 2023):
Nil

Other Principal Commitments:
Nil

BOARD OF DIRECTORS

MR HOON TAI MENG

Non-Executive and Lead Independent Director

Mr Hoon is presently a senior consultant at RHTLaw Asia LLP ("RHT"). Prior to joining RHT, he was an executive director of Chip Eng Seng Corporation Ltd for 7 years and was a director of Chip Eng Seng Corporation Ltd for a total of 19 years. He practised law in T M Hoon & Co and KhattarWong for 15 years covering the areas of civil litigation, real estate, construction law, insolvency, corporate and capital markets.

Date of first appointment as a director:
13 August 2020

Date of last re-election as a director:
28 April 2021

Length of service as a director (as at 31 December 2022):
2.5 years

Board of Committee(s) served on:
Audit Committee (Chairman);
Nominating Committee (Chairman); and
Remuneration Committee (Member)

Academic & Professional Qualification(s):
Bachelor of Commerce degree in Accountancy;
Bachelor of Laws (Hons);
Fellow of the Institute of Chartered Accountants of Singapore;
Fellow of the Chartered Institute of Management Accountants (UK);
Fellow of the Association of Chartered Certified Accountants (UK); and
Barrister-at-law (Middle Temple).

Present Directorships (as at March 2023):
Listed companies
Aedge Group Limited
Hock Lian Seng Holdings Limited
Spindex Industries Limited

Other principal directorships:
Nil

Major Appointments (other than directorships):
Nil

Past Directorships in listed companies held over the preceding 5 years (from March 2018 to March 2023):
Chip Eng Seng Corporation Ltd
Pavilion Holdings Ltd
Sin Ghee Huat Corporation Ltd
Koufu Group Limited

Other Principal Commitments:
Senior Consultant, RHTLaw Asia LLP

BOARD OF DIRECTORS

MR MURALI KRISHNA RAMACHANDRA

Non-Executive and Independent Director

Mr Krishna Ramachandra is the Founder and Non-Executive Chairman of Digital Insights Group and the immediate past Chairman of Duane Morris & Selvam LLP ("DMS"). His domain expertise extends to a broad and deep understanding of virtual assets from a global legal, regulatory and compliance perspective. He is also the Founder of Legal Insights LLC, a law firm that is specialises in disputes resolution, commercial, regulatory and compliance aspects in this domain. He also had a broad-based international legal career, having practiced in top law firms for over 24 years in mergers and acquisitions, private equity. He was also the head of technology media and telecoms and the global head of blockchain, digital assets and fintech at DMS and has set up legal offices in Singapore, China and Myanmar.

Date of first appointment as a director:
1 July 2021

Date of last re-election as a director:
28 April 2022

Length of service as a director (as at 31 December 2022):
1.5 year

Board of Committee(s) served on:
Audit Committee (Member);
Nominating Committee (Member); and
Remuneration Committee (Chairman)

Academic & Professional Qualification(s):
Master of Laws (LL.M.)

Present Directorships (as at March 2023):
Listed companies
Federal International (2000) Ltd

Other principal directorships:
Digital Insights Ventures
Digital Insights Sustainability
Christ's College, Cambridge Fund (Singapore) Limited
Legal Insights LLC

Major Appointments (other than directorships):
Nil

Past Directorships in listed companies held over the preceding 5 years (from March 2018 to March 2023):
NIL

Other Principal Commitment:
Non-Executive Chairman, Digital Insights Venture
Non-Executive Chairman, Digital Insights Sustainability
Trustee and Vice Chairman of Christ College, Cambridge Fund (Singapore) Limited
Chairman Legal Insights LLC

BOARD OF DIRECTORS

MR HENG YEOW TECK, MALCOLM

Non-Executive and Independent Director

Mr Heng is currently a partner of Heng Lee Seng LLP ("HLS"). He has been in practice for over 14 years covering areas of audit & assurance, tax and corporate secretarial. Prior to joining HLS, he was working in one of the Big 4 accounting firm in the US GAAP services for a number of years.

Mr Heng is a member of the Public Practice Committee in CPA Australia. He is a member of ACRA Complaints and Disciplinary Panel.

Date of first appointment as director:
17 May 2022

Date of last re-election as a director:
Not Applicable

Length of service as a director (as at 31 December 2022):
0.75 year

Board of Committee(s) served on:
Audit Committee (Member); and
Remuneration Committee (Member)

Academic & Professional Qualification(s):
Master of Business Administration
Bachelor of Commerce
Institute of Singapore Chartered Accountants (Singapore)
CPA Australia
Chartered Institute of Management Accountants (UK)
Institute of Internal Auditors
Singapore Institute of Directors
Singapore Chartered Tax Professionals

Present Directorships (as at March 2023)
Listed Companies
Federal International (2000) Ltd.

Other principal directorships:
Director, HLS Corporate Services Pte. Ltd.
Director, HLS Tax Advisory Services Pte. Ltd.
Director, HLS Risk Advisory Services Pte. Ltd.

Major Appointments (other than directorships):
NIL

Past Directorships in listed companies held over the preceding 5 years from (March 2018 to March 2023):
NIL

Other Principal Commitment:
Partner, Heng Lee Seng LLP

KEY EXECUTIVES AND MANAGEMENT

MR KOH BENG GUAN, DON

DEPUTY GROUP CHIEF EXECUTIVE OFFICER, FEDERAL INTERNATIONAL (2000) LTD.

MR KOH BENG GUAN, DON, joined the Group in 1999. He was appointed to the Board of Directors as Executive Director from 1 January 2017 to 30 December 2021. Mr Don Koh was re-designated as Deputy Group Chief Executive Officer of the Group from 1 January 2022.

He assists the Executive Chairman and CEO in the formation of the Group's corporate strategies, day-to-day operations, and business expansion plans. He heads the EPCI (Engineering, Procurement, Construction, and Installation) Division. Mr Don Koh has more than 23 years of experience in the oil and gas industries. He graduated with a Bachelor in Business Administration from the Southern Cross University, Australia.

MR RICHARD DOCHERTY

MANAGING DIRECTOR, KVC (UK) LTD

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

MR SAM KWAI HOONG

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

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

KEY EXECUTIVES AND MANAGEMENT

MR DENG GUAN QUN

CHIEF EXECUTIVE OFFICER,
FEDERAL ENVIRONMENTAL & ENERGY PTE LTD

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

MR QUEK CHENG HOCK

MANAGING DIRECTOR,
FEDERAL FIRE ENGINEERING PTE LTD

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

BUSINESS AND FINANCIAL REVIEW

The Group's procurement project secured with PT Gunanusa Utama Fabricators ("**PTG**") in Indonesia contributed significantly to the Group's revenue and profitability in FY2022. This, coupled with the continued positive contribution from its provision of fire protection and prevention system business under the Trading segment, contributed to net profit before tax ("**NPBT**") of S$3.1 million for FY2022. The NPBT included one-off items such as a net fair value gain of investment properties of S$2.9 million and net writeback of impairment loss on financial assets of S$3.3m, partially offset by an impairment loss of S$5.3 million on investment in PT Eastern Jason ("**PTEJ**"), a 30% owned associated company.

INCOME STATEMENT

REVENUE

Group revenue of S$135.1 million was 125.9% higher than the revenue in FY2021. This was mainly attributable to higher sales from the Trading business in relation to a project with PTG in Indonesia, partially offset by lower sales from the Trading businesses in Thailand and China.

GROSS PROFIT

Gross profit of S$20.6 million was higher than FY2021 of S$12.0 million, which was in line with the higher sales recorded in FY2022. However, gross profit margin was lower at 15.3% (FY2021: 20.1%) in line with lower margin expected for procurement project.

OTHER INCOME

Other income of S$4.0 million in FY2022 remained comparable to FY2021. This included net fair value gain of investment properties of S$2.9 million (FY2021: S$2.3 million), rental income and other miscellaneous income.

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs of S$5.7 million were higher than the costs incurred in FY2021 of S$5.2 million largely attributable to higher staff cost.

ADMINISTRATIVE AND GENERAL COSTS

Administrative and general costs of S$9.6 million (FY2021: S$8.7 million) were higher mainly due to higher bank charges incurred for project financing and staff cost.

OTHER OPERATING EXPENSES

Other operating expenses of S$3.5 million were higher than expenses of S$1.1 million in FY2021, mainly due to the following in FY2022:

i. absence of bad debts recovered of S$1.4 million in FY2021;

ii. loss on disposal of subsidiary of S$727,000;

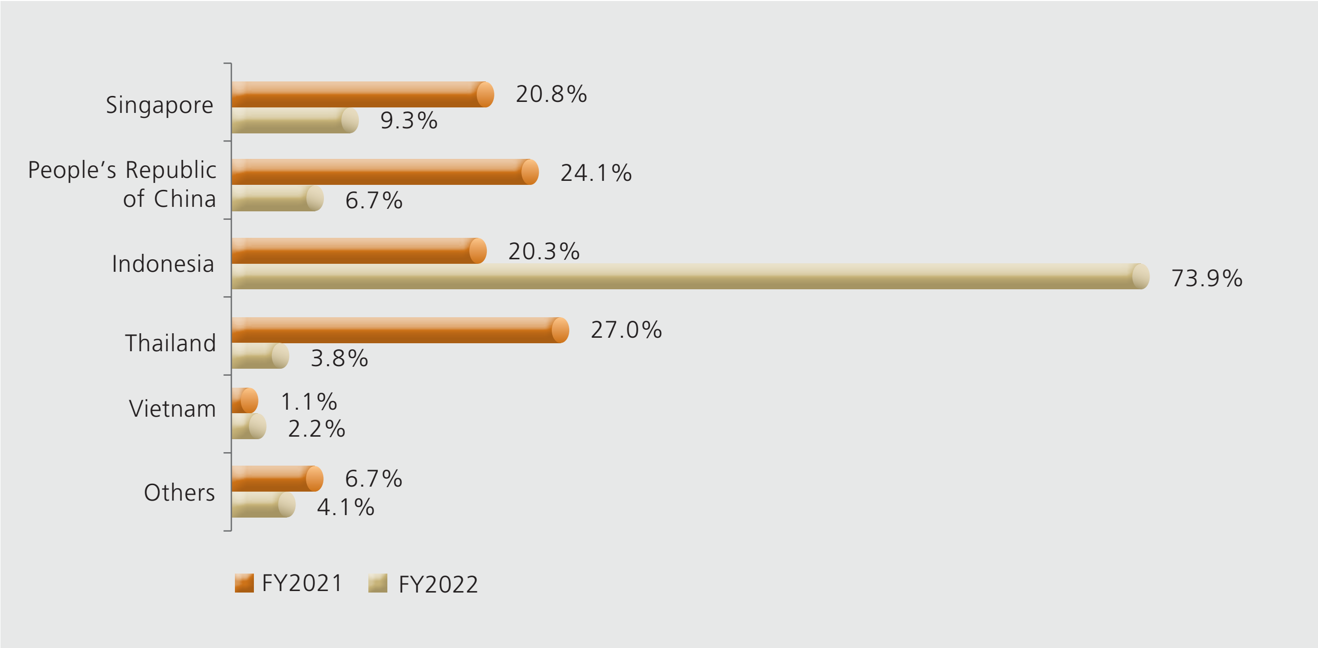
iii. higher other expenses of S$645,000 mainly relating to vessel related expenses; and

iv. higher foreign currency exchange loss of S$544,000.

The above increase was partially offset by lower allowance for slow moving inventories of S$733,000 and lower Inventories written off of S$194,000 in FY2022.

BUSINESS AND FINANCIAL REVIEW

REVENUE BY GEOGRAPHICAL SEGMENTS



NET WRITEBACK OF IMPAIRMENT LOSS/(IMPAIRMENT LOSS) ON FINANCIAL ASSETS

The Group recorded a net writeback of impairment loss on financial assets of S$3.3 million in FY2022 (FY2021: net impairment loss of S$127,000) comprising expected recovery from trade debtors in the Group's Indonesia Trading business of S$1.3 million and writeback of impairment loss on loan to a shareholder of PTG of S$2.0 million.

FINANCE COSTS

Higher finance costs of S$1.6 million (FY2021: S$1.1 million) were mainly due to higher interest expenses on trust receipts partially offset by lower term loans interest expenses.

SHARE OF RESULTS OF ASSOCIATES

Share of results of associates of S$815,000 in FY2022 (FY2021: S$1.0 million) were lower due to lower contribution from PTEJ, an associated company in Indonesia.

IMPAIRMENT LOSS ON INVESTMENT IN ASSOCIATE

Impairment loss of S$5.3 million was made in FY2022 on investment in PTEJ, a 30% owned associated company.

INCOME TAX EXPENSE

The Group recorded an income tax expense of S$773,000 in FY2022 mainly relating to current income tax provision of S$382,000 and reversal of deferred tax assets of S$336,000

arising from writeback of impairment loss of trade receivables whereas in FY2021, the income tax expense of S$193,000 mainly related to under provision of prior years' current income tax.

PROFIT NET OF TAX

Overall, the Group reported a profit net of tax of S$2.3 million for FY2022 (FY2021: S$0.6 million). Earnings per share was 1.78 cents per share[1] in FY2022 against an earnings of 0.24 cents per share in FY2021[1].

[1] Based on a weighted average number of shares on issue (excluding treasury shares) of 140,667,484 for both 31 December 2022 and 31 December 2021

BUSINESS AND FINANCIAL REVIEW

STATEMENT OF FINANCIAL POSITION

EQUITY ATTRIBUTABLE TO OWNERS OF THE COMPANY

As at 31 December 2022, equity attributable to owners of the Company amounted to S$84.4 million, which translated to a net asset value per ordinary share of 60.01 cents.

NON-CURRENT ASSETS

Non-current assets decreased by S$22.6 million to S$33.1 million (31 December 2021: S$55.7 million) mainly due to: –

i. reclassification of investment properties of S$17.9 million to "Assets classified as held for sale";

ii. decrease in investment in associates of S$4.7 million as a result of impairment loss of S$5.3 million made, partially offset by share of associates' results during the period;

iii. decrease in right-of-use assets of S$872,000 due to reclassification to "Assets classified as held for sale" and depreciation charge during the period;

iv. decrease in deferred tax assets of S$492,000; and

v. decrease in property, plant and equipment of S$476,000 mainly due to depreciation charge of S$1.6 million, partially offset by revaluation surplus of S$795,000 and additions of assets of S$524,000.

The above decrease was partially offset by higher other receivables of S$2.0 million as a result of writeback of impairment loss on loan to a shareholder of PTG.

CURRENT ASSETS

Current assets increased by S$14.7 million to S$85.0 million (31 December 2021: S$70.3 million) mainly due to: –

i. assets reclassified as held for sale of S$21.5 million;

ii. increase in inventories of S$2.9 million in anticipation of sales in next year; and

iii. increase in other receivables of S$1.6 million mainly due to deposits held by lawyers in relation to the disposal of Tuas and Genting properties and loan and advances to an investee company;

BUSINESS AND FINANCIAL REVIEW

CURRENT ASSETS (CONTINUED)

The above increase was partially offset by: –

i. decrease in cash and bank balances of S$3.8 million;

ii. lower trade receivables of S$3.2 million mainly due to collections from debtors during the period;

iii. lower advance payment to suppliers in relation to on-going projects of S$3.2 million;

iv. decrease in prepayment of S$326,000 mainly due to amortisation of prepaid bank charges in relation to project financing and transfer to property, plant and equipment after completion of computer software installation; and

v. repayments of amounts due from associates of S$352,000 and amount due from a related party of S$200,000.

CURRENT LIABILITIES

Current liabilities decreased by S$9.2 million to S$47.3 million (31 December 2021: S$56.5 million) mainly due to: –

i. lower contract liabilities (advance consideration received from customers) of S$16.2 million and trade payables of S$9.5 million with the substantial completion of on-going projects;

ii. repayment of term loans of S$879,000 and partial settlement of amounts due to related parties of S$510,000.

The above decrease was partially offset by: –

i. higher amounts due to banks of S$11.3 million as a result of net drawdown of trust receipts;

ii. higher other payables of S$5.7 million, mainly relating to deposits received for disposal of Tuas and Genting properties (S$1.0 million) and land drilling rig (S$2.0 million), and higher accruals;

iii. reclassification of "Liabilities directly associated with the assets held for sale" of S$720,000.

NON-CURRENT LIABILITIES

Non-current liabilities decreased by S$3.1 million to S$5.7 million (31 December 2021: S$8.8 million) mainly due to repayment of term loans of S$2.5 million and decrease in lease liabilities of S$835,000 as a result of reclassification to "Liabilities directly associated with the assets held for sale".

STATEMENT OF CASHFLOWS

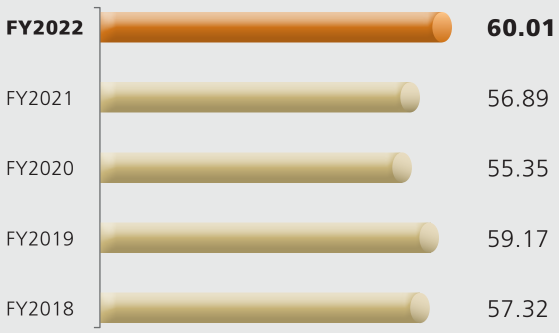
As at 31 December 2022, the Group's cash and cash equivalents, excluding bank deposits pledged, amounted to S$7.5 million. Overall, the Group's cash and cash equivalents decreased by S$3.8 million for the year ended 31 December 2022.

The net cash of S$10.2 million used in operating activities mainly related to changes in working capital such as an increase in trade and other receivables, inventories and a decrease in trade and other payables, contract liabilities. Nevertheless, this was partially offset by positive operating cash flows of S$6.1 million. The Group continues to control and manage its trade receivable position. The payments from the project with PTG are channelled into a joint account between the Group and PTG, which includes a mandated sweeping mechanism where money is transferred to a bank account of the Group for settlement of project financing facilities utilised by the Group, such as trust receipts.

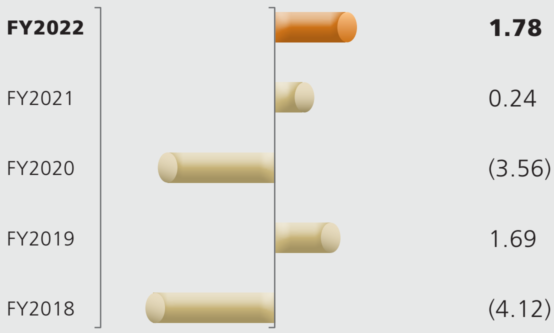
The net cash of S$233,000 generated from investing activities mainly related to repayments received from associate and investee company, partially offset by purchase of property, plant and equipment. The net cash of S$6.2 million generated from financing activities mainly related to net drawdown of trust receipts of S$11.5 million, partially offset by repayments of term loans and payment of interest expense.

FINANCIAL HIGHLIGHTS

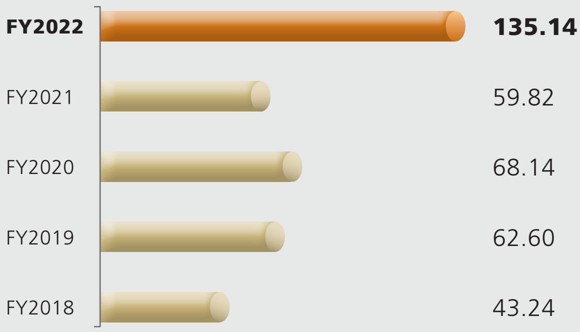
NET ASSETS VALUE PER SHARE (CENTS)



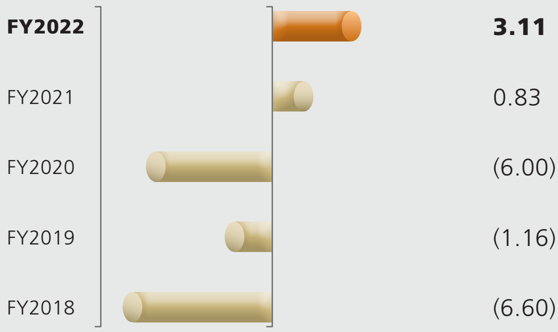
EARNINGS/(LOSS) PER SHARE (CENTS)



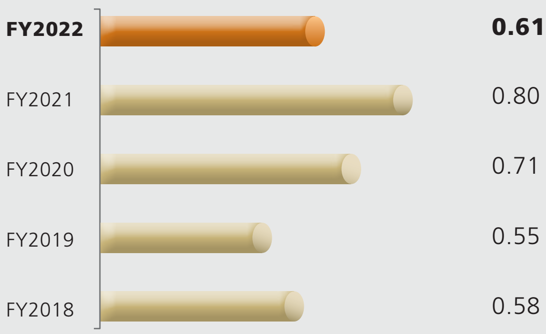
TURNOVER ($MIL)



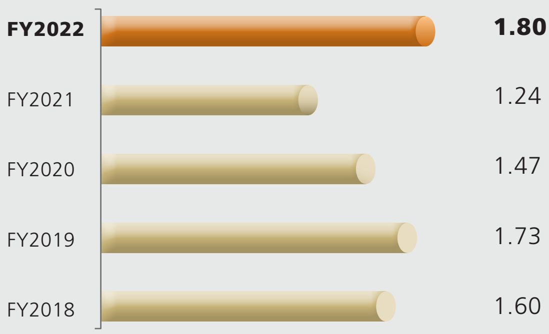
PROFIT/(LOSS) BEFORE TAX ($MIL)



DEBT/EQUITY RATIO



CURRENT RATIO



SUSTAINABILITY REPORT

BOARD STATEMENT

Dear Stakeholders,

As part of our regular business review, we have initiated efforts to divest non-core assets and businesses. A stronger cash position from the divestments allows us to stay and enhance our focus on our core competency and expertise as a procurement specialist for the oil and gas projects.

The geopolitical crisis, uncertain global economic outlook, increasing demand for transition to greener energy sources poses challenges to some of our business segments. On this backdrop, we continue to conduct critical evaluation of our businesses to achieve sustainable growth and profitability.

While there are significant challenges, the upstream oil and gas segment present good prospect in the near term especially in the region. Our long-term relationships with customers, vendors and banks have provided much needed support as we deal with these challenges and opportunities.

As we operate in the current environment and look to the future, our commitment to sustainability remains embedded in our business strategies and core values. We aim to actively contribute in enhancing our society while we continue to grow. As part of our continuing management, two members of the Sustainability Committee had attended the **SGX-GCNS Workshops on Taskforce on Climate-related Financial Disclosure (TCFD)**. All our three independent directors and I had attended the LED – Environmental, Social and Governance Essentials (Core) conducted by the Singapore Institute of Directors ("SID").

On that note, we are pleased to present our sustainability report, a testament of our commitment to good governance. This sustainability report is reviewed by our internal auditors, RSM Risk Advisory Pte Ltd and serves as a platform for us to share our sustainability progress and milestones that we have achieved. We will continue to innovate and implement our strategies to ensure that we attain our sustainability objectives and create greater value for all our stakeholders.

For and on behalf of the Board of Directors

KOH KIAN KIONG
Executive Chairman and CEO
Federal International (2000) Ltd

SUSTAINABILITY REPORT

OUR APPROACH TO SUSTAINABILITY

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

The responsibilities of the Sustainability Committee are as follow:

i. oversee and provide inputs to management on the Company's policies, strategies and programmes related to matters of sustainability and Corporate Social Responsibility including but not limited to matters related to environment, local community, human rights, supply chains, customer feedbacks and philanthropy.

ii. set and review the goals established for its performance with respect to matters of sustainability and corporate social responsibility and monitor the Company's progress against those goals.

iii. receive and act on periodic feedbacks from the Company's management regarding relationships with key external stakeholders that may have a significant impact on the Company's business activities and performance.

iv. works with the ERM officer on the management of enterprise risks.

v. ensure timely disclosure of the sustainability report together with the audited consolidated financial statement for its financial year.

In performing its responsibilities, the Sustainability Committee has considered the followings: –

- the scope of this reporting covers material impacts of the Group's key trading segments that contribute more than 90% to the Group's revenues;
- the report excludes the other segments which have low activities and have been identified as immaterial. For these entities, the respective head of operations are consulted to review and examine the impact and potential impact.

For questions about the report or reported information, please contact Ms Maggie Koh at maggie.koh@federal-int.com.sg or Mr Sam Kwai Hoong at kwaihoong.sam@federal-int.com.sg

SUSTAINABILITY REPORT

STAKEHOLDER ENGAGEMENT

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

STAKEHOLDERS KEY CONCERNS FEEDBACK PLATFORMS

STAKEHOLDER GROUP	KEY CONCERNS	OUR RESPONSE
Employees	■ Staff training and development ■ Workplace safety ■ Work-life balance ■ Fair and competitive employment practices	■ On-going training program ■ Suggestion box ■ Code of Conduct ■ Policies and procedures ■ Annual performance appraisals ■ Recreation and social activities
Investors, Analysts & Media	■ Growth ■ Returns on investment ■ Dividend ■ Corporate governance ■ Market diversification ■ Timely, complete and transparent reporting	■ General meetings ■ Announcements on website and the Singapore Exchange portal ■ Press releases ■ Annual report/sustainability report ■ Company website
Customers	■ Timely delivery of products and services ■ Quality of products and services ■ Product safety ■ Competitive pricing	■ Annual customer satisfaction survey ■ Project milestone meetings ■ Dedicated sales team
Vendors	■ Maintaining good relationship ■ Fair business practices ■ Environmental compliance ■ Certification compliance	■ Annual vendor evaluation ■ Quality control inspections ■ Regular meetings with key suppliers
Government/National Agencies	■ Sustainable operations ■ Compliance with laws and regulations ■ Safe working environment	■ Annual sustainability report ■ Meetings and regular reporting ■ Annual ISO certification audits
The Community	■ Corporate philanthropy and engagement ■ Responsible business conduct	■ Annual sustainability report ■ Community outreach initiatives

SUSTAINABILITY REPORT

MATERIAL SUSTAINABILITY ISSUES

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

Methodology

Key Aspects and Material Topics

Our review focuses on 4 key aspects with 9 identified material topics. The 9 identified material topics differ from the suggestion of GRI 11: Oil and Gas Sector 2021 as our businesses cover trading of flowline control products for the oil and gas and fire protection and prevention systems where only material topics relevant to our businesses and stakeholders are managed.

The four key aspects and eleven material topics are:–

SUSTAINABILITY REPORT

Material Topics	Why is this important for us and our stakeholders	How we are addressing the issue
Economic Aspect		
Creating Economic Value	Strong and sustained economic performance is important to our business success and continuity.	Covered in page 21
Environmental Aspect		
Resource Management and Energy and Water Efficiency	We recognise the important of prompt respond to customers' requirement and manage our inventory level based on customers' demand and market trends. Inventory order and re-order are subjected to robust checks and evaluation to avoid excesses and waste. With a managed level of inventory, resulting packing, packaging and storage materials are also managed. As part of the energy supply chain, we recognise the importance in reducing the carbon footprint. We recognise that investing in energy conservation not only reduces our carbon footprint but also reduces business costs. Hence, we are committed to minimising our energy and water consumption and improving energy and water efficiency.	Covered in pages 21 & 22
Environmental Compliance	Laws and regulations on the environmental performance of businesses are increasingly becoming stricter. In addition to more stringent regulations, stronger enforcement of laws is also being discussed and enacted in the emerging economies of Asia. Being a responsible corporation, we seek to comply with all environmental regulations implemented in the jurisdictions that we operate in.	Covered in page 22
Social Aspect		
Labour Practices and Work	We operate in an intensely competitive environment. A motivated workforce drives up productivity which in turn improves quality and lowers unit costs.	Covered in page 23
Product Responsibilities	We believe that product quality and integrity form the foundation of the reputation and trust that we seek to earn in the markets that we operate in. Product safety and reliability are of paramount importance to our customers who operate in the oil and gas industry where occupational health and safety are of their top priority. We seek to develop and deliver quality products that are compliant with the highest standards of product certification.	Covered in page 25
Community	As we draw resources from the community we operate in, we strive to contribute back to it.	Covered in page 25
Governance Aspect		
Corporate Governance	We believe that well established corporate governance processes are essential in enhancing corporate accountability and long-term sustainability to preserve and maximise shareholder value.	Covered in page 27
Business Conduct and Ethics	We believe that upholding our reputation and fostering stakeholders' trust in our business is fundamental to our growth as a company. Therefore, we are committed to building a positive corporate image through exemplary business ethics and integrity.	Covered in page 27
Risk Management	Risk management is recognised as an integral component of good management and governance. Engaging in an iterative risk management process will enable us to provide greater assurance to stakeholders in our pursuit of growth for the Group.	Covered in page 28

SUSTAINABILITY REPORT

ECONOMIC ASPECT

Material Topic: Creating Economic Value

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

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

i. Develop strategic partnerships and alliances with regional partners to leverage on the strengths of our partners to secure high value contracts. Building a chain of partnerships throughout the region also enables the Group to participate in markets where cabotage regulation prohibits foreign participation.
ii. Build a team with strong market and product knowledge that focus on developing best sources of supplies and excellent client service focus.

Our Performance
Our operations span across different geographical locations globally and provide employment for local communities, contracts for local suppliers, and revenue for governments of the jurisdictions that we operate in. We secured a procurement project from our strategic partner, PT Gunanusa in FY2021. While our China business slowed, we had seen an increase in activities in certain other segments. During the year, the Group signed a Memorandum of Understanding ("MoU") with The Green Solutions Group Corporation, Vietnam, ("TGS"), to collaborate and explore the business opportunities of clean energy alternatives by using green hydrogen technologies.

Maintaining strong relationships with partners, vendors and customers especially during this challenging time of the pandemic is crucial. We believe these relationships will continue to generate value for our stakeholders in the longer term.

Target & Plans

- Increase our effort to establish strategic partnerships with regional partners;
- Secure long-term contracts or investments to generate sustainable revenue stream in the medium term (3 to 5 years);
- Attain an average customer satisfaction rate of >= 80% (FY2022: achieved 92%).

ENVIRONMENT ASPECT

Objective
We are committed to managing environment impact such as resource management and environmental compliance.

Approach

i. Material Topic: Resource Management and Energy and Water Efficiency
We recognise the important of prompt respond to customers' requirement and manage our inventory level based on customers' demand and market trends. Inventory order and re-order are subjected to robust checks and evaluation to avoid excesses and waste. With a managed level of inventory, resulting packing, packaging and storage materials are also managed.

SUSTAINABILITY REPORT

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

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

Where viable, we invest in water saving installations to achieve better water efficiency at our facilities. As part of our ISO 14001 Environmental Management System objectives, we actively track our water consumption at our facilities to provide information for management decision making. Furthermore, we constantly remind our employees through posters and emails to adopt good practices in water conservation.

In the conduct of our business, the main areas of energy usage are predominantly across our offices and warehouse operations. For our offices and warehouses, we have installed energy efficient LED lightings and motion-activated lightings to reduce energy consumption. We also have employee awareness initiatives to encourage them to turn off lights and air-conditioning in offices when they are not in use.

Our energy and water intensity for our Chin Bee Facility (5,317 m^2) are low:

Water intensity – 0.2m^3/m^2/year (FY2021: 0.2m^3/m^2/year)
Energy intensity – 40 kWh/m^2/year (FY2021: 40 kWh/m^2/year)

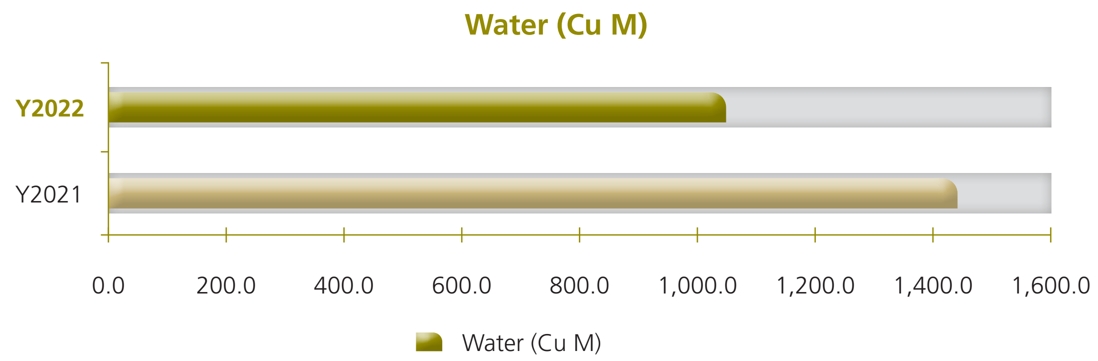
ii. Environmental Compliance

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

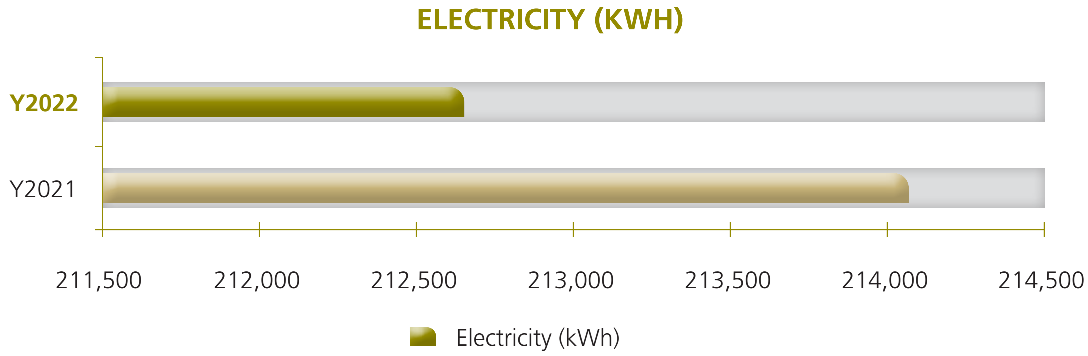
Our Performance

In FY2022, we have complied with all environmental laws and regulations in the jurisdictions we operate in and there were no fines or penalties incurred for non-compliance. We have continued to monitor our electricity and water consumption. In FY2022, we managed to reduce our energy usage by 27% and water by 1% as per our set target of 2% in FY2021.

Chart: water consumption & electricity consumption



SUSTAINABILITY REPORT



Target & Plans

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

SOCIAL ASPECT

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

Approach

i. Material Topic: Labour Practices & Work Environment

a. Talent Attraction and Retention
We are committed to providing all employees regardless of gender with equal opportunities for compensation, promotion and training on a meritocratic basis. Annually, we review employee benefits to ensure that they remain competitive and aligned with manpower regulations in the jurisdictions we operate in. As at 31 December 2022, the Group employs 134 individuals comprising only permanent staff in Singapore only. (FY2021: 134).

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

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

Employee turnover:

Employment	Employee Total turnover (No.)	10 pax
	Employee Total turnover (%)	7%
	Total number of employees	134 pax

SUSTAINABILITY REPORT

b. Training & Development

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

Development & Training	Average training hours per employee per year	3.5 Hours/employees
	Average training hours per employee by gender per year	(a) Male 4 hours/employee (b) Female 3 hours/employee

c. Occupational Health & Safety

FEDERAL has developed and implemented an Occupational Health, Safety and Environmental (EHS) Management System, which uses ISO 45001:2018 and ISO 14001:2015 as a framework.

The Scope of our EHS covers the stockholdings and testing of valves, its associated ancillaries and fire protection and detection equipment at our Chin Bee Facility and aims to provide a safe and healthy work environment for all employees and workers working on behalf of our organisation are competent and accountable for a safe and healthy work environment.

We recognise the needs and expectations of interested parties, namely employees/workers, customers, suppliers/contractors and government/regulatory agencies when deciding our EHS scope. and has adopted an EHS Policy to promote awareness. This EHS Policy is communicated to all interested parties and is reviewed for continual suitability and effectiveness during the management review meeting.

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

All our employees are offered outpatient medical and dental claims and any unused credits can be utilised by their immediate family members. All personal and health related information are kept confidential and is used for the sole purpose of safe work design consideration only.

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

Occupational Health & Safety	Fatalities	Zero case recorded
	High-consequence injuries	Zero case recorded
	Recordable injuries	Zero case recorded
	Recordable work-related ill health cases	Zero case recorded

d. Benefits & Welfare

We have welfare practices in-line with the Singapore legislations. Mothers and fathers of new-borns, who are Singapore Citizens, are entitled to maternity leave of 16 weeks and paternity leave of 2 weeks respectively, and the Company will also present a small congratulatory token. For children who are not Singapore Citizens, mothers get to enjoy 8 weeks of maternity leave. We also provide eligible employees with childcare leave and extended childcare leave to manage their commitments in raising a young family. To encourage a healthy work environment, we provide employees with flexi-time and part-time work arrangement to suit their work and personal commitments. We have also established a Recreation Committee (RC) to coordinate work-life balance initiatives and events for the Company.

SUSTAINABILITY REPORT

e. Diversity and Equality

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

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

Topic	Metric	Unit
Gender Diversity	Current employees by gender	Male 62% Female 38%
	New hires and turnover by gender	(a) New Hire Male 2% New Hire Female 4% (b) Turnover: Male 3% Turnover: Female 4%
Age-Based Diversity	Current employees by age groups	(a) under 30 years old – 8% (b) 30-50 years old – 52% (c) over 50 years old – 40%
	New hires and turnover by age groups	New Hires (a) under 30 years old – 0% (b) 30-50 years old – 6% (c) over 50 years old – 0% Turnover (a) under 30 years old – 1% (b) 30-50 years old – 1% (c) over 50 years old – 6%

ii. Material Topic: Product and Customer Service Quality

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

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

iii. Material Topic: Community

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

SUSTAINABILITY REPORT

Our Performance

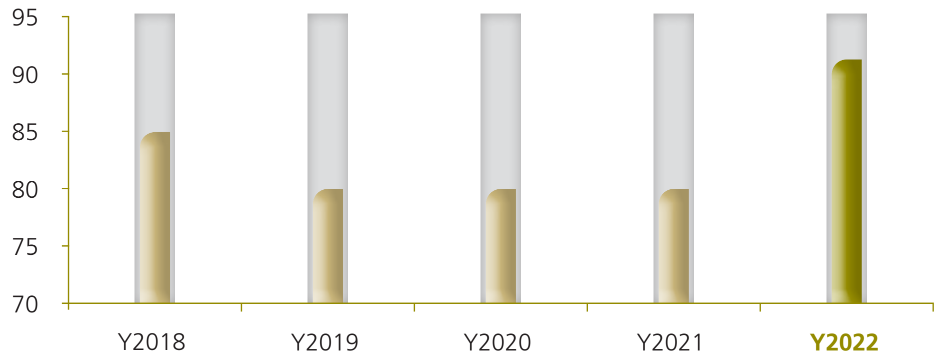
(a) Labour Practices & Work Environment

In the reporting period: -

i. there were no fines or penalties incurred for non-compliance to labour laws and regulations in the various jurisdictions we have presence in;
ii. we have not received any reports of labour malpractice or unfair treatment through our employee grievance channel;
iii. there were also no reported workplace injury, fatality, occupational diseases, or cases of non-compliance in health and safety regulations; and
iv. We believe that a healthy state of body and mind will bring forth greater contribution and productivity to the organization. Federal Group conducts the following activities regularly for our employees to enjoy:–

(b) Product and Customer Service Quality

Over the years, we have performed customer satisfaction surveys annually to gather customer feedback and address any potential product quality and safety issues. In the survey, customers are asked to evaluate our products' reliability, timeliness in delivery, and support services. Overall, we have maintained a customer satisfaction rate of more than 80% over the years, and there are no reported accidents caused by our products in 2022. (FY2021: nil)



In FY2022, there were no incidents of non-compliance concerning product and service information and labelling, and marketing communication. There were also no complains concerning breaches of customer privacy and loss of customer data.

(c) Community

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

The following are some community service efforts by the Group in FY2022:–

- Donations to Singapore Children's Society
- Donations to UOB Global Heartbeat Run
- Donations to ST Joseph's Institution Philanthropic Fund

SUSTAINABILITY REPORT

Targets & Plans

- To continue free health screening programme for our employees in 2023
- Zero workplace incident
- To participate in community service and make monetary contributions to programs for children and the elderly welfare.

GOVERNANCE ASPECT

Objective

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

Approach

i. Material topic: Corporate Governance

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

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

For more information on the Directors, Board committees and our corporate governance practices, please refer to the Corporate Governance Statement, pages 41 to 63 of the Annual Report.

ii. Material Topic: Business Conduct and Ethics

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

A Conflict of Interest Policy has been established to provide guidance to our employees. It consists of guidelines to define such conflicts of interests and the necessary actions that the employee should undertake.

In accordance with the Group's Code of Ethics policy, all employees are required to declare any conflict of interests and adherence to the Group's Code of Ethics including fraud and corruption.

SUSTAINABILITY REPORT

We have whistle blowing policy and channels to allow employees to report concerns over any unlawful conduct, financial malpractice or other wrong-doings that poses risks to the Group, the public or the environment. Through our independent whistle blowing channels, including the direct contacts of the Audit Committee, employees are able to report any suspected misconducts without reprisal. Upon investigation, we will ensure that the outcome of the investigation is communicated to the whistle blower.

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

iii. Material Topic: Risk Management

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

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

Our Performance

For the reporting period:–

i. there was no disciplinary case for corruption and fraud;
ii. no instance where contract with business partners terminated due to violations related to corruption;
iii. there was no whistle blowing incident;
iv. we have also complied with all listing requirements and legal regulations;
v. There were no complaints received relating to breaches of customer privacy; and
vi. Reviewed and updated the risk register and evaluated risk exposure.

Target & Plans

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

SUSTAINABILITY REPORT

GRI UNIVERSAL STANDARDS 2021

GRI content index

Statement of use	Federal International (2000) Ltd has reported the information cited in this GRI content index for the period 1st January 2022 to 31 December 2022 with reference to the GRI Standards.
GRI 1 used	GRI 1: Foundation 2021

GRI Standard Title	Disclosure Number	Disclosure Name	Cross-Reference Section	Page
GRI 2: General Disclosures 2021	2-1	Organizational details	AR-Corporate Profile	1
GRI 2: General Disclosures 2021	2-2	Entities included in the organization's sustainability reporting	SR-Our approach to sustainability.	17
GRI 2: General Disclosures 2021	2-3	Reporting period, frequency and contact point	SR-Our approach to sustainability.	17
GRI 2: General Disclosures 2021	2-4	Restatements of information	None.	–
GRI 2: General Disclosures 2021	2-5	External assurance	SR-Board statement and our approach to sustainability.	16 & 17
GRI 2: General Disclosures 2021	2-6	Activities, value chain, and other business relationships	AR-Business and financial review	11 to 14
GRI 2: General Disclosures 2021	2-7	Employees	SR-Social Aspect	23
GRI 2: General Disclosures 2021	2-8	Workers who are not employees	SR-Social Aspect	23
GRI 2: General Disclosures 2021	2-9	Governance structure and composition	AR-Corporate Governance Statement	42 & 43
GRI 2: General Disclosures 2021	2-10	Nomination and selection of the highest governance body	AR-Corporate Governance Statement	45
GRI 2: General Disclosures 2021	2-11	Chair of the highest governance body	AR-Corporate Governance Statement	42 & 43
GRI 2: General Disclosures 2021	2-12	Role of the highest governance body in overseeing the management of impacts	AR-Corporate Governance Statement	42 & 43
GRI 2: General Disclosures 2021	2-13	Delegation of responsibility for managing impacts	AR-Corporate Governance Statement	42 & 43
GRI 2: General Disclosures 2021	2-14	Role of the highest governance body in sustainability reporting	AR-Corporate Governance Statement	41 to 63
GRI 2: General Disclosures 2021	2-15	Conflicts of interest	AR-Corporate Governance Statement	41 to 63
GRI 2: General Disclosures 2021	2-16	Communication of critical concerns	AR-Corporate Governance Statement	42 to 45

SUSTAINABILITY REPORT

GRI Standard Title	Disclosure Number	Disclosure Name	Cross-Reference Section	Page
GRI 2: General Disclosures 2021	2-17	Collective knowledge of the highest governance body	AR-Corporate Governance Statement	42 to 45
GRI 2: General Disclosures 2021	2-18	Evaluation of the performance of the highest governance body	AR-Corporate Governance Statement	51
GRI 2: General Disclosures 2021	2-19	Remuneration policies	AR-Corporate Governance Statement	52
GRI 2: General Disclosures 2021	2-20	Process to determine remuneration	AR-Corporate Governance Statement	52
GRI 2: General Disclosures 2021	2-21	Annual total compensation ratio	We choose not to disclose as we reward based on meritocracy.	–
GRI 2: General Disclosures 2021	2-22	Statement on sustainable development strategy	SR-Board Statement	16
GRI 2: General Disclosures 2021	2-23	Policy commitments	SR- Our approach to Sustainability	17
GRI 2: General Disclosures 2021	2-24	Embedding policy commitments	SR- Our approach to Sustainability	17
GRI 2: General Disclosures 2021	2-25	Processes to remediate negative impacts	SR- Our approach to Sustainability	17
GRI 2: General Disclosures 2021	2-26	Mechanisms for seeking advice and raising concerns	SR- Our approach to Sustainability	17
GRI 2: General Disclosures 2021	2-27	Compliance with laws and regulations	SR- Our approach to Sustainability	17
GRI 2: General Disclosures 2021	2-28	Membership associations	Not Applicable.	–
GRI 2: General Disclosures 2021	2-29	Approach to stakeholder engagement	SR-Stakeholders Engagement	18
GRI 2: General Disclosures 2021	2-30	Collective bargaining agreements	Not Applicable	–
GRI 3: Material Topics 2021	3-1	Process to determine material topics	SR-Material Issues	19
GRI 3: Material Topics 2021	3-2	List of material topics	SR-Material Issues	19 & 20
GRI 3: Material Topics 2021	3-3	Management of material topics	SR-Material Issues	19 & 20

SUSTAINABILITY REPORT

GRI Standard Title	Disclosure Number	Disclosure Name	Cross-Reference Section	Page
GRI 201: Economic Performance 2016	201-1	Direct economic value generated and distributed	SR-Economic Aspect	21
	201-2	Financial implications and other risks and opportunities due to climate change	TCFD	36
	201-3	Defined benefit plan obligations and other retirement plans	SR-Social Aspect	23
	201-4	Financial assistance received from government	AR – Notes to the Financial Statements	127
GRI 202: Market Presence 2016	202-1	Ratios of standard entry level wage by gender compared to local minimum wage	Not Applicable – There are no minimum wage in Singapore.	–
	202-2	Proportion of senior management hired from the local community	We do not measure hire from different community.	–
GRI 203: Indirect Economic Impacts 2016	203-1	Infrastructure investments and services supported	None.	–
	203-2	Significant indirect economic impacts	None.	–
GRI 204: Procurement Practices 2016	204-1	Proportion of spending on local suppliers	Our procurement policy and practice do not differentiate location of suppliers.	–
GRI 205: Anti-corruption 2016	205-1	Operations assessed for risks related to corruption	SR – Governance Aspect	27
	205-2	Communication and training about anti-corruption policies and procedures	SR – Governance Aspect	27
	205-3	Confirmed incidents of corruption and actions taken	SR – Governance Aspect	28
GRI 206: Anti-competitive Behavior 2016	206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	None.	–
GRI 207: Tax 2019	207-1	Approach to tax	Not Applicable – Tax is not a material topic and we engage local tax consultant to ensure compliance with local tax regulation.	–
	207-2	Tax governance, control, and risk management		–
	207-3	Stakeholder engagement and management of concerns related to tax		–
	207-4	Country-by-country reporting		–

SUSTAINABILITY REPORT

GRI Standard Title	Disclosure Number	Disclosure Name	Cross-Reference Section	Page
GRI 301: Materials 2016	301-1	Materials used by weight or volume	Not Applicable – Our trading operations involves buy/sell activities.	–
	301-2	Recycled input materials used		–
	301-3	Reclaimed products and their packaging materials		–
GRI 302: Energy 2016	302-1	Energy consumption within the organization	SR – Environmental Aspect.	21 & 22
	302-2	Energy consumption outside of the organization		21 & 22
	302-3	Energy intensity		21 & 22
	302-4	Reduction of energy consumption		21 & 22
	302-5	Reductions in energy requirements of products and services		21 & 22
GRI 303: Water and Effluents 2018	303-1	Interactions with water as a shared resource	SR – Environmental Aspect. Our trading operations do not material water and waste discharges.	22
	303-2	Management of water discharge-related impacts		22
	303-3	Water withdrawal		22
	303-4	Water discharge		22
	303-5	Water consumption		22
GRI 304: Biodiversity 2016	304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	Not Applicable – Our core trading operations are consolidated at Chin Bee Facility which is located at a zoned industrial park.	–
	304-2	Significant impacts of activities, products and services on biodiversity		–
	304-3	Habitats protected or restored		–
	304-4	IUCN Red List species and national conservation list species with habitats in areas affected by operations		–

SUSTAINABILITY REPORT

GRI Standard Title	Disclosure Number	Disclosure Name	Cross-Reference Section	Page
GRI 305: Emissions 2016	305-1	Direct (Scope 1) GHG emissions	TCFD – Only Scope 1 and 2 emissions captured. Our core trading operations are consolidated at Chin Bee Facility which generate CO2 from energy consumed for the premises.	37
	305-2	Energy indirect (Scope 2) GHG emissions		37
	305-3	Other indirect (Scope 3) GHG emissions		37
	305-4	GHG emissions intensity		37
	305-5	Reduction of GHG emissions		37
	305-6	Emissions of ozone-depleting substances (ODS)		37
	305-7	Nitrogen oxides (NOx), sulfur oxides (SOx), and other significant air emissions		37
GRI 306: Waste 2020	306-1	Waste generation and significant waste-related impacts	SR – Environmental Aspect. Our trading operations do not material water and waste discharges.	–
	306-2	Management of significant waste-related impacts		–
	306-3	Waste generated		–
	306-4	Waste diverted from disposal		–
	306-5	Waste directed to disposal		–
GRI 308: Supplier Environmental Assessment 2016	308-1	New suppliers that were screened using environmental criteria	Not Applicable – We select our key and critical suppliers from an approved vendor list of our customers. Suppliers are mainly established businesses.	–
	308-2	Negative environmental impacts in the supply chain and actions taken		–
GRI 401: Employment 2016	401-1	New employee hires and employee turnover	SR-Social Aspect	23
	401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	SR-Social Aspect	23
	401-3	Parental leave	SR-Social Aspect	24
GRI 402: Labor/ Management Relations 2016	402-1	Minimum notice periods regarding operational changes	Not Applicable – No collective bargaining agreements	24

SUSTAINABILITY REPORT

GRI Standard Title	Disclosure Number	Disclosure Name	Cross-Reference Section	Page
GRI 403: Occupational Health and Safety 2018	403-1	Occupational health and safety management system	SR-Social Aspect	24
	403-2	Hazard identification, risk assessment, and incident investigation	SR-Social Aspect	24
	403-3	Occupational health services	SR-Social Aspect	24
	403-4	Worker participation, consultation, and communication on occupational health and safety	SR-Social Aspect	24
	403-5	Worker training on occupational health and safety	SR-Social Aspect	24
	403-6	Promotion of worker health	SR-Social Aspect	24
	403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	SR-Social Aspect	24
	403-8	Workers covered by an occupational health and safety management system	SR-Social Aspect	24
	403-9	Work-related injuries	SR-Social Aspect	24
	403-10	Work-related ill health	SR-Social Aspect	24
GRI 404: Training and Education 2016	404-1	Average hours of training per year per employee	SR-Social Aspect	24
	404-2	Programs for upgrading employee skills and transition assistance programs	SR-Social Aspect	24
	404-3	Percentage of employees receiving regular performance and career development reviews	SR-Social Aspect	24
GRI 405: Diversity and Equal Opportunity 2016	405-1	Diversity of governance bodies and employees	AR-Corporate Governance Statement	45
	405-2	Ratio of basic salary and remuneration of women to men	Not disclosed. Employee are remunerated based on merits.	–
GRI 406: Non-discrimination 2016	406-1	Incidents of discrimination and corrective actions taken	None.	–
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	Not Applicable – No collective bargaining agreements	–

SUSTAINABILITY REPORT

GRI Standard Title	Disclosure Number	Disclosure Name	Cross-Reference Section	Page
GRI 408: Child Labor 2016	408-1	Operations and suppliers at significant risk for incidents of child labor	Not Applicable-We select our key and critical suppliers from an approved vendor list of our customers. Suppliers are mainly established businesses.	–
GRI 409: Forced or Compulsory Labor 2016	409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor		–
GRI 410: Security Practices 2016	410-1	Security personnel trained in human rights policies or procedures	Not Applicable.	–
GRI 411: Rights of Indigenous Peoples 2016	411-1	Incidents of violations involving rights of indigenous peoples	Not Applicable.	–
GRI 413: Local Communities 2016	413-1	Operations with local community engagement, impact assessments, and development programs	SR-Social Aspect	26
	413-2	Operations with significant actual and potential negative impacts on local communities	SR-Social Aspect	26
GRI 414: Supplier Social Assessment 2016	414-1	New suppliers that were screened using social criteria	Not Applicable-We select our key and critical suppliers from an approved vendor list of our customers. Suppliers are mainly established businesses.	–
	414-2	Negative social impacts in the supply chain and actions taken		
GRI 415: Public Policy 2016	415-1	Political contributions	None.	–
GRI 416: Customer Health and Safety 2016	416-1	Assessment of the health and safety impacts of product and service categories	SR-Social Aspect-Material Topic-Product and Customer Service Quality.	25
	416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	None.	–
GRI 417: Marketing and Labeling 2016	417-1	Requirements for product and service information and labeling	Not Applicable	–
	417-2	Incidents of non-compliance concerning product and service information and labeling	Not Applicable	–
	417-3	Incidents of non-compliance concerning marketing communications	Not Applicable	–
GRI 418: Customer Privacy 2016	418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	None.	–

SUSTAINABILITY REPORT

Task Force on Climate-Related Financial Disclosure (TCFD) Report

Our group recognizes climate change as a medium- to long-term challenge. Therefore, we make analysis using multiple future scenarios based on the 1.5-2°C and 4°C scenarios, to account for risks and opportunities under a variety of circumstances.

The Group's core business activities include the supply of assembly and distribution of flow control products, distribution of oilfield drilling equipment for use on onshore and offshore rigs and drilling platform, provision complete fire protection and detection systems in our Chin Bee facility, the risks under the climate scenarios are expected to be low in the short to medium term.

The followings are our Group's approach to manage the risks and opportunities.

GOVERNANCE		
a)	Describe the board's oversight of climate-related risks and opportunities	The Board of Directors has the ultimate oversight of climate-related risks and opportunities and considers this as part of its overall strategy.
b)	Describe management's role in assessing and managing climate-related risks and opportunities	Sustainability committee ("SC") consists of Department Heads and representative from Human Resources, Customer Service, Quality Assurance and Logistics departments. SC is headed by Executive Director. The SC reports to the Board of Directors.
STRATEGY		
a)	Describe the climate-related risks and opportunities the organization has identified over the short, medium, and long term.	Our business activities are largely contributed by the Trading segment (>90%). Other segments include Energy & Utilities Segment, Marine Logistics Segment, Resource Segment and Others where impacts are immaterial.
		The Group's Trading Segment include distribution of flow control products and procurement specialist in the oil and gas, and energy industries.
		The implementation of net zero commitments and pledges by countries and companies with a corresponding roll out of carbon pricing schemes and regulations are expected to impact the oil and gas sector that the Group operates in.
		While these bring challenges, it also opens up opportunities in the natural gas and renewable energy.
b)	Describe the impact of climate-related risks and opportunities on the organization's businesses, strategy, and financial planning.	Please refer to Table 1: Metrics. The Group reviews the assets/businesses. Non-core assets such as the land drilling rig and the Floating Storage and Off loader (FSO) will be reviewed for relevance to the Group's strategy.
c)	Describe the resilience of the organization's strategy, taking into consideration different climate-related scenarios, including a 2°C or lower scenario.	Global energy supply under the 2°C or lower scenario will see fossil fuel supply decline with preference of renewable energy, with natural gas an exception. Upcoming EPC projects are mainly driven by demand for natural gas and renewable energy such as solar, wind farm and hydrogen. The Group's existing businesses, with its deep-rooted relationship with manufacturers and repeat customers, are expected to be manageable under these transition scenarios.

SUSTAINABILITY REPORT

RISK		
a)	Describe the organization's processes for identifying and assessing climate-related risks.	The Group has started a process where business heads identify the most material climate-related risks and opportunities. These are shared at the periodic SC meetings.
b)	Describe the organization's processes for managing climate-related risks.	Physical risks are expected to be manageable in the foreseeable future. Extreme weather events may potentially impact cost of operations arising from supply chain disruption. Transition risks that are assessed as high will be discussed in depth and resolution arrived at.
c)	Describe how processes for identifying, assessing, and managing climate-related risks are integrated into the organization's overall risk management.	The SC comprises members from key business segments and works with the ERM officer to ensure a comprehensive assessment of the risks, including climate-related and the overall risk management is effective.
METRICS		
a)	Disclose the metrics used by the organization to assess climate-related risks and opportunities in line with its strategy and risk management process.	Please see Table 1: Metrics "Climate-related Risks & impact" and "Climate-related opportunity & Impact".
b)	Disclose Scope 1, Scope 2, and if appropriate, Scope 3 greenhouse gas (GHG) emissions, and the related risks.	Scope 1: Direct emissions from fuel combustion in factories and other manufacturing processes – there are minimal or no emissions from the Group's Chin Bee Facility.
		Scope 2: Indirect emissions from the use of electricity supplied by other companies: For FY2022, i) electricity consumed at our Chin Bee Facility: 212,694Kwh; ii) Average Operating Margin (OM) (kg CO_2/kWh) = 0.4080/Kwh; iii) Total kg CO_2 = 85,542 iv) Emission intensity 16.09 (kg CO_2/kWh/m²)
c)	Describe the targets used by the organization to manage climate-related risks and opportunities and performance against targets.	Target: Reduction of electricity consumption for Chin Bee Facility by 20%.
		Action: Energy saving devices such as energy saving motion sensor lights as well as solar panel roof under evaluation.

SUSTAINABILITY REPORT

Table 1: METRICS

Climate-related Risks & impact

	Climate Related Risks	Risks to operations	Short	Medium	Long	Mitigation
			3yrs	3-5 years	>5 years	
Physical	**Acute**					
	Increase in severity of extreme weather events such as floods	Affects ability to deliver products to clients and increase operating costs	Low	Low	Low	Sourcing from approved and established suppliers with multiple facilities.
	Chronic					
	Changes in precipitation patterns/ temperature and sea levels	Risk of increased operating costs	n.a.	Low	Low	Upgrade of equipment to improve efficiency.
Transition	**Policy/Legal**					
	Enhance emission obligations	Risk of increased operating costs	n.a.	Low	Low	Equipment owned and operated currently have low emission and are not affected by expected enhance emission obligation.
	Carbon pricing mechanism leading to increased costs	Risk of increased operating costs	n.a.	Low	Low	Equipment owned and operated have low emission. Trading operation passes carbon footprint to customers.
	Technology					
	Substitution of existing products and services with lower emissions options	Reduce demand for goods where we have been appointed as principal.	Low	Low	High	Current manufacturing process for flow control products unlikely to change. In longer term, the move to alternative green energy may affect demand for some products.
	Costs to transition to lower emissions technology	Costs to adopt/ deploy new practices, process and equipment	Low	Low	High	Collaborations with manufacturers to explore new products as replacement.
	Market					
	Changing customer behaviour	Reduce demand for goods where we have been appointed as principal.	Low	Low	High	Collaborations with manufacturers to explore new products as replacement.
	Increase/unstable cost of raw material	Abrupt and unexpected shifts in shipment/ transportation costs	Medium	High	High	Collaborations with manufacturers to explore new products as replacement.

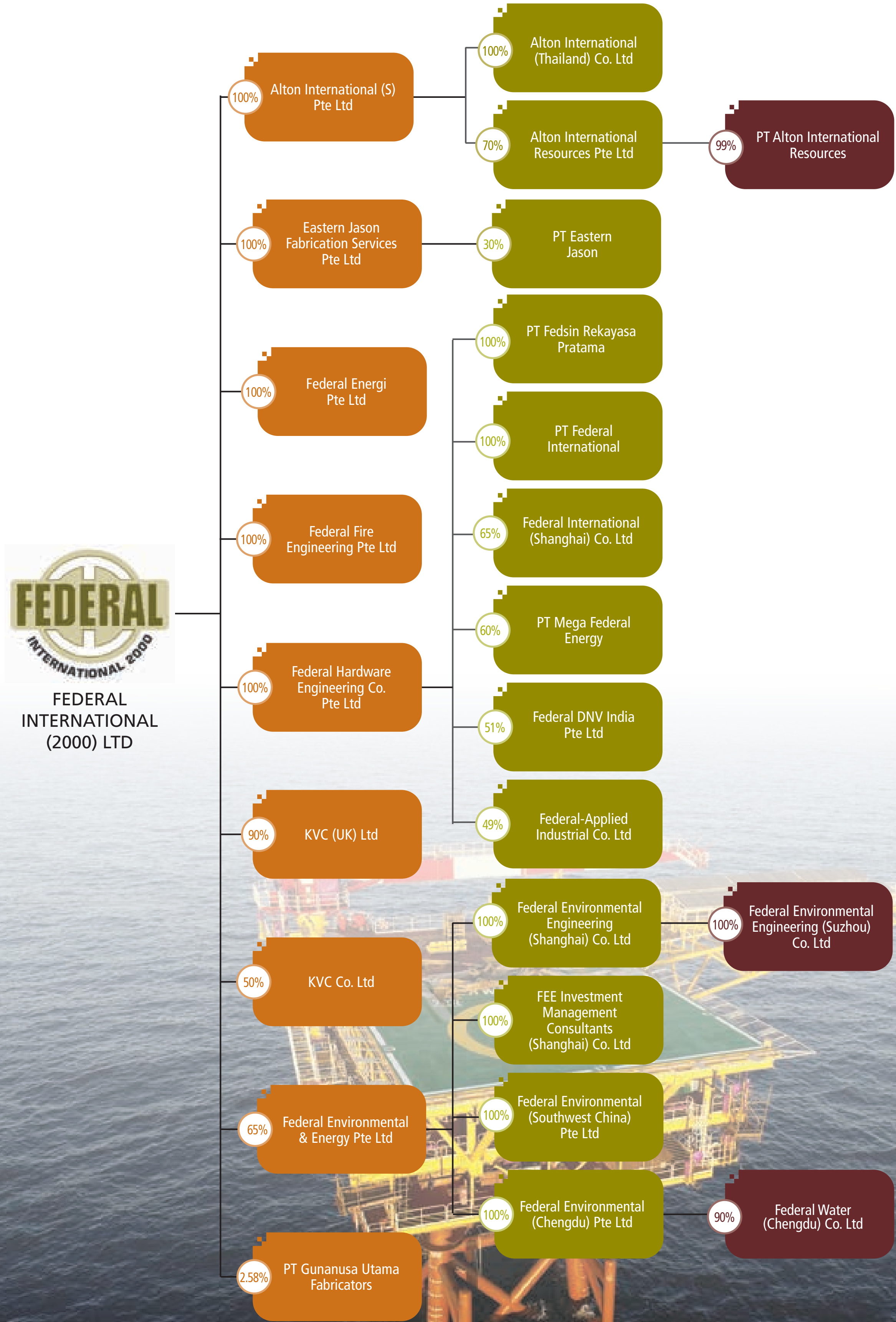
SUSTAINABILITY REPORT

	Climate Related Risks	Risks to operations	Short	Medium	Long	Mitigation
			3yrs	3-5 years	>5 years	
	Reputation					
	Shift in consumer preferences	Reduce demand for goods where we have been appointed as principal.	Low	Low	High	In longer term, the move to alternative green energy may affect operation. Collaborations with manufacturers to explore new products as replacement.
	Stakeholder concern	Limitation of available capital.	Low	Low	Low	Strategic alliance with customers and vendors to improve terms of payments.

Climate-Related Opportunities

	Climate-Related Opportunities	Actions	Short	Medium	Long
			3yrs	3-5yrs	>5yrs
Resource Efficiency	Energy efficiency – More efficient production and distribution processes	Diversify sources of supply. Qualify regional vendors to shorten delivery and reduce risk of supply disruptions.	Low	Low	Low
	Energy efficiency – More efficient buildings	Plan to install solar panel roof to reduce energy costs	Low	Low	Low
Energy Resources	Use of lower emission sources & new technology	Plan to install solar panel roof to reduce energy costs	Low	Low	Low
Products & Services	Low emission services	Roof solar panel to reduce energy cost surcharges.	Low	Low	Medium
	Diversification	Diversify sources of supply. Qualify regional vendors to shorten delivery and reduce risk of supply disruptions.	Low	Low	Medium
Market	Access to new markets	Increased in regional projects with focus on offshore gas developments and geothermal energy. In the longer term, explore with manufacturers on alternative products arising for preference for alternative green energy.	Low	Low	Medium
Resilience	Participation in renewable energy	Increased reliability of supply chain and ability to operate under varying conditions.	Low	Low	Medium
	Resource substitutes/ diversifications	Diversify sources of supply. Qualify regional vendors to shorten delivery and reduce risk of supply disruptions.	Low	Low	Medium

CORPORATE STRUCTURE



CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the "**Board**") of Federal International (2000) Ltd (the "**Company**" together with its subsidiaries the "**Group**") is committed to maintain a high standard of corporate governance. The Board and Management have taken steps to align its corporate governance framework with the principles and guidelines of the Code of Corporate Governance 2018 (the "**Code**"). Unless otherwise stated, the Group has generally adhered to the principles and guidelines as set out in the Code during the financial year ended 31 December 2022 ("**FY2022**").

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

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

Guidelines ***Federal Corporate Governance Practices***

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

The Board works closely with Management ensuring that their duties and responsibilities stipulated under the Companies Act 1967 and applicable rules and regulations are complied with and their obligations towards shareholders and other stakeholders are met. The Board will hold Management accountable for performance.

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

The Board has the appropriate core competencies and diversity of experience to enable them to contribute effectively. They are able to objectively raise issues and seek clarification as and when necessary, from fellow Directors and the Management and actively help the Management in the development of strategic proposals and oversees the effective implementation by Management to achieve the objectives set. All Directors are expected to exercise due diligence and independent judgment in dealing with the business affairs of the Group and are obliged to act in good faith and to take objective decisions in the interest of the Group.

On an annual basis, each Director is also required to submit the disclosure of interest in transactions for the purpose of monitoring interested persons transactions. Where a Director has a conflict or potentially conflict of interest in relation to any matter, he/she should immediately declare his/her interest when the conflict-related matter is discussed, unless the Board is of the opinion that his/her presence and participation is necessary to enhance the efficacy of such discussion. Nonetheless, he/she is abstained from voting in relation to the conflict-related matters.

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

The Company also has put in place a budget for Directors' training programmes on an annual basis and the Directors are encouraged to participate in industry conferences, seminars, courses or training programmes in connection with their duties and responsibilities as Directors of the Board and Board Committees, in order to keep abreast of the latest rules, regulations and accounting standards in Singapore. In addition, the Directors have attended the sustainability training course conducted by Singapore Institute of Directors ("**SID**") as required by the enhanced SGX sustainability reporting rules.

CORPORATE GOVERNANCE STATEMENT

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

Mr Heng Yeow Teck, Malcolm ("**Mr Malcolm Heng**") was newly appointed as a Non-Executive and Independent Director of the Company on 17 May 2022 and he was briefed by the Management on the Group's structure and operations. With the accounting background, Mr Malcolm Heng is familiar with the accounting standards and practices in Singapore.

Please also refer to Guideline 4.5.

1.3 The Board comprises the following members:

Executive Directors
Mr Koh Kian Kiong (Executive Chairman and Chief Executive Officer ("**CEO**"))
Ms Maggie Koh

Non-Executive and Independent Directors
Mr Hoon Tai Meng (Lead Independent Director)
Mr Murali Krishna Ramachandra
Mr Heng Yeow Teck, Malcolm

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

(1) Approving the Group's goals, strategies and objectives;

(2) Monitoring the performance of Management;

(3) Overseeing the processes for evaluating the adequacy and effectiveness of internal controls, risk management systems, financial reporting and compliance of the Group;

(4) Approving the appointment of Directors of the Company and Key Management Personnel of the Group;

(5) Approving the announcement of unaudited half-yearly and full year financial results and audited financial statements;

(6) Endorsing remuneration framework and key human resource matters of the Group;

(7) Convening of general meetings;

(8) Approving annual budgets, major funding proposals, major acquisition and major disposal of investments according to the Listing Manual of the SGX-ST; and

(9) Assuming responsibility for corporate governance and compliance with the Companies Act 1967 and the rules and regulations applicable to a public listed company.

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

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

CORPORATE GOVERNANCE STATEMENT

The EC comprises the following members:

Mr Koh Kian Kiong
Ms Maggie Koh
Mr Koh Beng Guan, Don (Deputy Group Chief Executive Officer ("**Deputy Group CEO**"))

The EC meets and performs the following key duties:

(1) to approve investment/divestment proposals within 5% of NTA;

(2) to review and submit the Group's business plans to the Board;

(3) to establish guidelines and approval limits for the management and operation of the Group's businesses;

(4) to review budget against performance of each business unit; and

(5) to ensure interested person transactions are undertaken at arm's length and on commercial terms.

1.5 With effect from 7 February 2020, quarterly reporting for listed companies in accordance with the Listing Rule 705(2) of the Listing Manual of the SGX-ST was abolished and will no longer be a requirement for listed companies unless they are associated with higher risks. Nevertheless, the Board continues to meet at least quarterly and more frequently as and when required, to review and evaluate the Group's operations and performance and to address key policy matters of the Group, where necessary.

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

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

The number of Board and Board Committee meetings held during FY2022 and the attendance of each Director, where relevant, are set out as follows:

Directors	Board Meetings	Audit Committee Meetings	Remuneration Committee Meetings	Nominating Committee Meetings
Mr Koh Kian Kiong	5	Not Applicable	Not Applicable	1
Ms Maggie Koh	5	Not Applicable	Not Applicable	Not Applicable
Mr Hoon Tai Meng	5	4	2	1
Mr Khoo Boo Yeow, Andrew(1)	1	1	1	1
Mr Murali Krishna Ramachandra	4	3	2	1
Mr Heng Yeow Teck, Malcolm(2)	3	2	1	Not Applicable
No. of Meetings held in FY2022	**5**	**4**	**2**	**1**

Notes:

(1) Mr Khoo Boo Yeow, Andrew ("**Mr Andrew Khoo**") retired as a Non-Executive and Independent Director at the annual general meeting held on 28 April 2022. Upon his cessation of an Independent Director, Mr Andrew Khoo has also ceased as the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

(2) Mr Malcolm Heng was appointed as a Non-Executive and Independent Director of the Company and a member of the Audit Committee and the Remuneration Committee with effect from 17 May 2022.

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

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

The appointment and the removal of the Company Secretaries are subject to the approval of the Board pursuant to the Constitution of the Company.

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

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

Guidelines ***Federal Corporate Governance Practices***

2.1 The Board comprises three (3) Non-Executive and Independent Directors and two (2) Executive Directors as at the date of the Annual Report.

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

Name of Director	Role undertaken	Board Committee Membership
Mr Koh Kian Kiong	Chairman & CEO	EC NC
Ms Maggie Koh	Executive Director	EC
Mr Hoon Tai Meng	Lead Independent Director	AC NC RC
Mr Murali Krishna Ramanchandra	Non-Executive Independent Director	AC NC RC
Mr Heng Yeow Teck, Malcolm	Non-Executive Independent Director	AC RC

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

CORPORATE GOVERNANCE STATEMENT

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

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

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

The Board is of the view that the current size, composition, range of experience and the varied expertise of the current Board members provides core competencies in business, investment, industry knowledge, legal, regulatory matters, audit, accounting and tax matters which are necessary to meet the Group's needs. It provides diversity and allows for informed and constructive discussion and effective decision making at the Board meetings. The Board will, however, continue to review opportunities to refresh the Board with a view to expanding the skills, experience and diversity of the Board as a whole.

The Board has adopted a Board Diversity Policy on 29 August 2022 which endorses the principle that its Board should have a balance of skills, knowledge, experience and diversity of perspectives appropriate to its business so as to mitigate against group think and to ensure that the Group has the opportunity to benefit from all available talents. In reviewing Board composition and succession planning, the NC will consider the benefits of all aspects of diversity, including diversity of background, experience, gender, age and other relevant factors. These differences will be considered in determining the optimum composition of the Board and when possible, should be balanced appropriately.

The NC conducts its review of the composition of the Board annually, which comprises members of both genders and from different backgrounds whose core competencies, qualifications, skills and experiences, met with the requirement of the Group. Each individual Director submitted a self-evaluation form annually and the NC, having reviewed the completed forms, is satisfied that the Board has the appropriate mix of expertise and experience, and collectively possesses the necessary core competencies to lead and govern the Group effectively.

In recognition of the importance and value of gender diversity in the composition of the Board, the Board has one female Director, which is representing 20% of the Board. Ms Maggie Koh has been appointed as a Director of the Company since 19 June 2000.

The NC will continue to review the Board Diversity Policy, as appropriate, to ensure its effectiveness, and will recommend appropriate revisions to the Board for consideration and approval. It will also continue its identification and evaluation of suitable candidates to ensure there is diversity (including gender diversity) on the Board.

Key information regarding the Directors is set out on pages 5 to 8 of the Annual Report.

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

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

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Guidelines ***Federal Corporate Governance Practices***

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

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

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

As the AC and RC consist of all independent directors, the Board believes that there are sufficient strong and independent elements in place against a possible concentration of power and authority where Mr Koh Kian Kiong holds the roles of both Executive Chairman and CEO.

3.2 As the founder of the Group, Mr Koh Kian Kiong has been responsible for leading the Board and has assumed full executive responsibilities over the directions and operational decisions of the Group since 1974, when operations first began as a hardware trading business. The Executive Chairman, with the assistance of Mr Koh Beng Guan, Don ("**Mr Don Koh**"), the Deputy Group CEO, oversees the formulation of the Group's corporate strategies and expansion plans.

The Chairman also ensures that Board meetings continues to be held every quarter and when necessary, even though the Board is only required to announce its financial results to the SGX-ST through SGXNET half-yearly. The Management, who can provide additional insight into the matters to be discussed, are invited to attend the relevant Board or Board Committees meetings.

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

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

(1) Act as liaison between the Independent Directors of the Board and the Chairman of the Board and lead the Independent Directors to provide a non-executive perspective in circumstances where it would be inappropriate for the Chairman to serve in such capacity and to contribute a balanced view point to the Board;

(2) Advise the Chairman of the Board as to the quality, quantity and timeliness of information submitted by Management that is necessary or appropriate for the Independent Directors to effectively and responsibly perform their duties;

(3) Assist the Board in ensuring compliance with and implementation of governance guidelines;

(4) Lead the meetings of Non-Executive Directors (without the presence of the Executive Directors), where necessary, and to provide feedback to the Chairman after such meetings; and

(5) Serve as principal liaison for consultation and communication with shareholders.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 4: BOARD MEMBERSHIP

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

Guidelines ***Federal Corporate Governance Practices***

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

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

(1) To review annually the independence of each Director with reference to the guidelines set out in the Code;

(2) To review all nominations for new appointments and re-election of Directors, put forth their recommendations for approval by the Board and ensure the new Directors are aware of their duties and obligation;

(3) To determine whether a Director is able to and has been adequately carrying out his duties as a Director of the Company, particularly, when a Director has multiple Board representations;

(4) Deciding how the Board's, Board Committees' and individual Director's performance may be evaluated and propose objective performance criteria, as approved by the Board, that allows comparison with its industry peers, and address how the Board has enhanced long term shareholders' value;

(5) To review Board succession plans, in particular, of the Chairman and CEO, and Key Management Personnel;

(6) To assess the effectiveness of the Board as a whole and NC; and

(7) To review training and professional development programmes for the Board.

The NC and the Board will, at least once every year, review the terms of reference of the NC.

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

4.2 The members of the NC of the Company are:

Mr Hoon Tai Meng (Chairman)
Mr Koh Kian Kiong
Mr Murali Krishna Ramachandra

The majority of the NC members, including the Chairman of the NC, are Non-Executive and Independent Directors.

CORPORATE GOVERNANCE STATEMENT

4.3 The NC is responsible to make recommendations to the Board on the appointment and re-appointment of Directors and reviewing all nominations for the appointments of new Directors.

The NC also reviews the succession planning for Key Management Personnel ("**KMP**"), especially the Chairman and CEO. As part of this review, the successors to key positions are identified, and development plans are instituted for them. The NC conducts a regular review of the succession plan for Board members, the CEO and KMP of the Company.

With the reference of the Board Diversity Policy, the NC has formalized a procedure for the selection, appointment and re-election of Directors. When an existing Director chooses to retire or the need for a new Director arises, either to replace a retiring Director or to enhance the Board's strength, the NC, in consultation with the Board, evaluates and determines the selection criteria so as to identify candidates with the appropriate expertise and experience for the appointment as new Director. The selection criterion includes integrity, diversity of competencies, expertise, industry experience and financial literacy.

Letters of appointment will be issued to new Non-Executive and Independent Directors setting out their duties, obligations and terms of appointment as appropriate while a service agreement accompanied with supporting documents setting out duties, responsibilities and terms of appointment will be given to new Executive Director.

The NC and Board are satisfied that its current composition has an appropriate level of independence and diversity of thought and background to enable it to make decisions in the best interests of the Company. The Board acknowledges that improvements to Board diversity practices are an ongoing process. The NC and Board reviewed the scope and nature of the Group's operations in determining the appropriate Board composition and areas of enhancement in its policy and practices to incorporate a balance of skills, knowledge, experience, gender, age and other qualities that will harness the benefits that diversity can bring.

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

The role of the NC includes re-nomination of Directors who retire by rotation, taking into consideration the Director's integrity, independence mindedness, contribution, performance and any other factors as may be determined by the NC.

In accordance with the Constitution of the Company, one-third of Directors for the time being, or, if their number is not a multiple of three, the number nearest to but not less than one-third, shall retire from office by rotation at annual general meeting of the Company, and a Director appointed during the year shall hold office until the next annual general meeting of the Company. The Company also ensures all Directors must submit themselves for re-appointment at least once every 3 years pursuant to Rule 720(5) of the Listing Manual of the SGX-ST. The retiring Directors may offer themselves for re-election.

The NC has reviewed and recommended the nomination of Ms Maggie Koh and Mr Hoon Tai Meng who will be retiring by rotation in accordance with Regulation 91 of the Constitution of the Company, and Mr Malcolm Heng who will be retiring in accordance with Regulation 97 of the Constitution of the Company, for re-election as Directors of the Company at the forthcoming Annual General Meeting ("**AGM**") of the Company scheduled on 28 April 2023.

CORPORATE GOVERNANCE STATEMENT

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

Name	Position	Date of First Appointment	Date of Last Re-election
Mr Koh Kian Kiong	Chairman & CEO	13 November 1999	28 April 2022
Ms Maggie Koh	Executive Director	19 June 2000	19 June 2020
Mr Hoon Tai Meng	Lead Independent Director	13 August 2020	28 April 2021
Mr Murali Krishna Ramachandra	Non-Executive Independent Director	1 July 2021	28 April 2022
Mr Heng Yeow Teck, Malcolm	Non-Executive Independent Director	17 May 2022	Not Applicable

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

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

The Board and the NC has assessed the independence of each Director from the date of their first appointment. The independency has been subjected to a vigorous review by the NC.

The Board and the NC also reviewed the individual Directors' judgement and conduct in carrying out their duties for FY2022. Together with the NC, the Board affirmed that Mr Hoon Tai Meng, Mr Murali Krishna Ramachandra and Mr Malcolm Heng continue to be independent pursuant to the definition of Independence under the Code. None of the Independent Director exceeds nine years tenure from the date of their first appointment.

During FY2022, there was no Alternate Director being appointed on the Board.

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

Mr Malcolm Heng was appointed as a Non-Executive and Independent Director on 17 May 2022. In addition, Mr Malcolm Heng has also completed the mandatory training conducted by SID under the requirement of Rule 210(5)(a) of the Listing Manual of the SGX-ST that a director who has no prior experience as a director of an issuer listed on the SGX-ST must undergo training in the roles and responsibilities of a director of a listed issuer.

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

CORPORATE GOVERNANCE STATEMENT

The NC has received assurance from the Directors who are holding multiple board representations, in particular the Directors holding listed company board representations, that their time and effort in carrying out their duties as Directors of the Company will not be compromised. The NC has also considered the number of listed company board representations held by each Director. In FY2022, all Non-Executive and Independent Directors held up to not more than six (6) listed company board representations. The NC also of the view that the Directors who do not have full time working commitment is not limited to the six (6) listed company board representations. Notwithstanding the foregoing, each of them contributes their time, resources and commitment to the Group.

The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding multiple listed company board representations and principal commitments of each Director of the Company, as the Board and the Board Committees experienced minimal competing time commitments among its Board and Board Committees meetings in FY2022, which are planned and scheduled in advance.

Please refer to Annual Report page 5 to 8 for listed company directorships and principal commitments of each director.

PRINCIPLE 5: BOARD PERFORMANCE

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

Guidelines ***Federal Corporate Governance Practices***

5.1 & 5.2 ***Board Evaluation Process***

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

(1) Board/Board Committees composition

(2) Information to the Board/Board Committees

(3) Board/Board Committees procedures

(4) Board accountability

(5) Communication with CEO

(6) Standards of conduct by the Board/Board Committees

The Board together with the NC has put in place a performance evaluation process where the effectiveness of the Board as a whole, of each Board Committee separately, and the contribution by the Chairman and each individual Director of the Board is carried out on annual basis following the conclusion of each financial year.

The annual evaluation exercise provides an opportunity to obtain constructive feedback from each Director on amongst others to propose changes which may be made to enhance the performance of the Board and the Board Committees, to provide their views on the functions of the Board and Board Committees including its procedures and processes and if any of these may be improved upon.

CORPORATE GOVERNANCE STATEMENT

Board and Board Committees Evaluation

The collective assessment is conducted by means of a confidential questionnaire to be completed by each Director before such assessment results are collated, analysed and reported to the respective Board Committees for their deliberation prior to the report to the Board. The results of the performance evaluation and comments received from the NC are compiled and presented to the Board for discussion and determine areas for improvement and enhancement.

Recommendations to further enhance the effectiveness of the Board and Board Committees are implemented as and when appropriate, if any. The performance evaluation of the Board and the Board Committees as a whole for FY2022 had been conducted.

No external facilitator had been engaged for this purpose, and the NC and the Board are open to the idea should such a need arise to enhance the Board performance evaluation process.

Chairman and CEO Evaluation

A performance evaluation of the Chairman and CEO is conducted on an annual basis. The assessment of the Chairman and CEO is based on his ability to chart the strategic direction and growth of the Group, including to make informed business decisions. It also includes whether he established proper procedures to ensure the effective functioning of the Board and that the time devoted to Board meetings were appropriate and are conducted in a manner that facilitate open communication and meaningful participation for effective discussion and decision-making by the Board.

Individual Director Evaluation

Individual evaluation of each Director is also conducted on an annual basis. The aim of the assessment is to assess whether each Director is able to and continues to contribute effectively and demonstrate commitment to his/her role. Factors taken into account include attendance at Board and Board Committees' meetings, participation at meetings, ability to make informed judgements/assessments as well as compliance with the policies and procedures of the Company. The Board will then act on the results where appropriate.

The Board was satisfied with results of the annual evaluation of the performance of the Board, its Board Committees, Chairman and CEO as well as individual Directors' assessment for FY2022.

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

Guidelines ***Federal Corporate Governance Practices***

6.1 In consultation with the Chairman of the Board, the key responsibilities of the RC include but not limited to the following:

(1) To recommend to the Board a framework of remuneration for Executive Directors and KMP of the Group that is aligned with the interests of shareholders and ensure that such remuneration is appropriate to attract, motivate and retain the right talents for the Group;

(2) To review and recommend to the Board for their endorsement on the annual remuneration packages for Executive Directors, KMP and employees related to Directors or substantial shareholder of the Group, if any, which include a performance-related variable bonus component;

CORPORATE GOVERNANCE STATEMENT

(3) To review and recommend to the Board the benefits under any long-term incentive schemes, if any, for Executive Directors and KMP of the Group;

(4) To review and recommend the remuneration package of employees related to Directors or substantial shareholder of the Group, if any; and

(5) To review the contracts of service of the Executive Directors and KMP of the Group.

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

6.2 The members of the RC of the Company are:

Mr Murali Krishna Ramachandra (Chairman)
Mr Hoon Tai Meng
Mr Heng Yeow Teck, Malcolm

The RC comprises entirely Non-Executive and Independent Directors.

6.3 In reviewing the remuneration packages for Executive Directors and KMP of the Group, as well as employee related to Directors and substantial shareholder of the Group, if any, the RC will consider their contributions as well as the financial performance and the commercial needs of the Group and ensure that they are adequately but not excessively remunerated by the Group.

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

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

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

6.4 The RC has access to expert advice from external remuneration consultant, where required. Since 2017, the Company had engaged external remuneration consultants to conduct reviews of executive remuneration for the Executive Directors periodically. In 2022, the Company had engaged Aon Solutions Singapore Pte Ltd to conduct the executive benchmarking. Aon Solutions Singapore Pte Ltd is an external professional firm with no relationship with the Company and, hence, its independence and objectivity in the said remuneration review has been maintained.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

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

Guidelines ***Federal Corporate Governance Practices***

7.1 The Company adopts a remuneration policy for Executive Directors and KMPs of the Group that comprise a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of profit-sharing or a variable bonus that is linked to the performance of the Group and the individual performance for the preceding financial year. The policy is reviewed periodically to ensure that it remain relevant and effective.

Executive directors do not receive directors' fees but are remunerated as members of Management. The remuneration packages of the Executive Directors and the Deputy Group CEO are associated to the performance of the Group as a whole, as well as the individual performance whereas other KMPs are remunerated based on performance of the entities under his/her charge as well as individual performance. Service agreements for Executive Directors and KMPs, are reviewed by the RC.

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

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

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

The Board, after the recommendation of the RC, has recommended the aggregate Directors' fees of S$190,000 to Non-Executive and Independent Directors of the Company for financial year ending 31 December 2023, to be paid quarterly in arrears, for shareholders' approval at the forthcoming AGM of the Company scheduled on 28 April 2023.

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

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 8: DISCLOSURE ON REMUNERATION

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

Guidelines ***Federal Corporate Governance Practices***

8.1 The following information relates to the remuneration received or to be received by the Directors from the Company and its subsidiaries for FY2022:

Directors of the Company	Salary	Bonus	Other Benefits*	Fees					Total
				Director	Lead Independent Director	AC Chairman	NC Chairman	RC Chairman	
	S$	S$	S$	S$	S$	S$	S$	S$	S$
Mr Koh Kian Kiong	552,000	46,000	37,973	–	–	–	–	–	635,973
Ms Maggie Koh	300,000	25,000	34,027	–	–	–	–	–	359,027
Mr Khoo Boo Yeow, Andrew(1)	–	–	–	16,468	–	–	3,294	–	19,762
Mr Hoon Tai Meng	–	–	–	50,000	5,000	15,000	6,250	–	76,250
Mr Murali Krishna Ramachandra	–	–	–	50,000	–	–	–	10,000	60,000
Mr Heng Yeow Teck, Malcolm(2)	–	–	–	31,250	–	–	–	–	31,250

* Other Benefits consists of Employer CPF, Transport and Cost-of-Living Allowances

Notes:

(1) Mr Andrew Khoo retired as a Non-Executive and Independent Director on 28 April 2022.

(2) Mr Malcolm Heng was appointed as a Non-Executive and Independent Director on 17 May 2022.

The following information relates to the remuneration received by the top 5 KMPs of the Group, including Deputy Group CEO and its subsidiaries for FY2022 in the bands of S$250,000:

	Salary	Bonus	Other Benefits*	Total
S$250,000 to S$499,999				
Koh Beng Guan, Don(1)	82%	7%	11%	100%
Sam Kwai Hoong	80%	14%	6%	100%
Quek Cheng Hock	69%	26%	5%	100%
S$1 to S$249,999				
Deng Guan Qun, George	89%	0%	11%	100%
Richard Docherty	85%	0%	15%	100%

* Other Benefits consists of Employer CPF, Transport and Cost-of-Living Allowances

8.2 Note:

(1) Mr Don Koh is the Deputy Group CEO of the Company. Mr Don Koh is the son of Mr Koh Kian Kiong, the Executive Chairman and CEO, the brother of Ms Maggie Koh, the Executive Director of the Company.

Mr Koh Kian Kiong is a substantial shareholder of the Company. Save as disclosed in the above, there were no other employees who are substantial shareholders of the Company, or are immediate family members of a director or CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during FY2022.

CORPORATE GOVERNANCE STATEMENT

8.3 In the interest of maintaining good morale and a strong spirit of teamwork within the Group, the Company has weighed the advantages and disadvantages of disclosing details of the individual and aggregate remuneration of the Group's top 5 KMP, including the Deputy Group CEO for FY2022 and believe that such disclosure may be prejudicial to its business interest given the highly competitive environment it is operating in. The remuneration package of the top 5 KMP, including the Deputy Group CEO, Mr Don Koh, comprising mainly salaries, bonuses and other benefits, aggregated to a total remuneration of S$1,121,000, which is also disclosed in "Note 44 Related Party Transactions" to the Financial Statements on page 150 of the Annual Report.

The disclosure of the total remuneration paid to the Executive Directors, Non-Executive directors and KMPs provides further information consistent with the intent of Principle 8 of the Code.

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

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

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

Guidelines ***Federal Corporate Governance Practices***

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

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

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

(1) To propose the risk governance approach and risk policies for the Group;

(2) To review the risk management methodology adopted by the Group;

(3) To review the strategic, financial, operational, regulatory compliance, information technology and other emerging risks relevant to the Group identified by Management; and

(4) To review Management's risk assessment and Management's action plans to mitigate such risks.

In FY2022, the Management carried out an annual review of the Group's key risks and the effectiveness of the key internal controls of the Group.

The Board and AC noted on the restrictions on certain activities or transactions with targeted jurisdictions, entities and persons, with the primary aim of achieving foreign policy or national security goals (the "**Sanctions**") which are imposed by international bodies and national governments.

The Board together with the AC will review and monitor the Sanctions as part of risk management framework and risk policies of the Group and to obtain independent legal advice or appoint a compliance adviser, if necessary.

CORPORATE GOVERNANCE STATEMENT

The work of the internal auditors and the report of the external auditors have enabled the identification of key risks which are reported to the AC to facilitate the Board's oversight of the effectiveness of risk management and the adequacy of mitigating measures taken by Management to address the underlying risks.

9.2 The Board and the AC has received annual assurance from the CEO and the Group Chief Financial Officer of the Group as at 31 December 2022, that:

(a) they have evaluated the adequacy and effectiveness of the Company's risk management and internal control systems, and have discussed with the Company's external and internal auditors of their reporting points and noted that there have been no significant deficiencies in the design or operation of internal controls which could adversely affect the Group's ability to record, process and report financial data. Accordingly, the Group's risk management systems and internal control systems (including financial, operational, compliance and information technology controls) are adequate and effective; and

(b) the financial records of the Company and the Group have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances and are in accordance with the relevant accounting standards.

Based on the internal controls established and maintained by the Company, work performed by the internal and external auditors, and reviews performed by Management, various Board Committees and the Board, the Board, with the concurrence of the AC, is of the opinion that (i) the internal controls established and maintained by the Group; (ii) the reports received from the internal auditor and the external auditor; and (iii) the regular reviews performed by Management, Board Committees and the Board; the Group's risk management system and the Group's internal controls including financial, operational, compliance and information technology controls are effective and adequate as at 31 December 2022.

The Board recognises that the Group's risk management system and internal control system are designed to ensure the reliability and integrity of financial information and to safeguard the assets of the Group. Notwithstanding the foregoing, the Board notes that internal controls system and risk management established by the Group provide reasonable, but not absolute assurance that the Group will not be adversely affected by any event that can be reasonably foreseen as it strives to achieve its business objectives.

However, the Board also notes that no internal controls system and risk management can provide absolute assurance in this regard, or absolute assurance against the occurrence of material errors, poor judgement in decision-making, human error, losses, fraud or other irregularities occurred within the Group.

PRINCIPLE 10: AUDIT COMMITTEE

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

Guidelines ***Federal Corporate Governance Practices***

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

CORPORATE GOVERNANCE STATEMENT

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

(1) To review the significant financial reporting issues and judgements so as to ensure the integrity of the financial statements of the Company and the Group and the announcements relating to the Group's financial performance;

(2) To review and report to the Board on the adequacy and effectiveness of the Group's internal controls, including financial, operational, compliance, information technology controls and risk management systems;

(3) To review the assurances from the CEO and the Group Chief Financial Officer on the financial records and financial statements of the Company;

(4) To review the adequacy, effectiveness, independence, scope, audit plans and reports of the external auditor and the internal auditor;

(5) To review interested person transactions in accordance with the requirements of the Listing Manual of the SGX-ST;

(6) To review and recommend to the Board of the release of the unaudited half-yearly financial results and unaudited full year financial results;

(7) To review and recommend the re-appointment of the external auditor, and approve the remuneration of the external auditor;

(8) To oversee co-ordination where more than one auditing firm or auditing corporation is involved in the Group's external audit;

(9) To review all non-audit services provided by the external auditor to determine if the provision of such services will affect the independence of the external auditor;

(10) To review the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on.

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

The AC has full access and co-operation of Management and has been given the resources required for it to discharge its function properly. The AC has full discretion to invite any Director and officer to attend AC meetings held from time to time. The external and internal auditors have unrestricted access to the AC.

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

The AC has also considered the performance of BT based on factors such as performance, adequacy of resources and experience of the audit engagement partner and audit team assigned to the Company's and the Group's audit as well as the size and complexity of the Company and of the Group. The AC has also taken into account of the Accounting and Corporate Regulatory Authority ("**ACRA**") Audit Quality Indicators Framework relating to BT at the firm level and on the audit engagement level.

CORPORATE GOVERNANCE STATEMENT

Based on the above, the AC is satisfied with the standard and quality of work performed by BT, and accordingly, the AC recommended the re-appointment of BT as external auditor of the Company for the ensuing year. The aggregate amount of fees paid to external auditor, as well as its fees for non-audit services is disclosed in page 126 of the Annual Report.

The Group has complied with Rules 712 and 715 of the Listing Manual of SGX-ST as the Group's Singapore-incorporated subsidiaries and significant associated companies were audited by BT and significant foreign-incorporated subsidiary was audited by independent overseas member firms of Baker Tilly International for FY2022, except for 2 Indonesia subsidiaries, PT Fedsin Rekayasa Pratama and PT Federal International, and 1 Indonesia associated company, PT Eastern Jason, which were audited by Kosasih, Nurdiyaman, Mulyadi, Tjahjo & Rekan ("**Crowe Indonesia**").

In accordance to Rule 716 of the Listing Manual of SGX-ST, the AC together with the Board had reviewed and satisfied that the appointment of Crowe Indonesia in FY2022 would not compromise the standard and effectiveness of the audit of the Group.

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

The AC oversees the administration of whistle-blowing policy. The whistle-blowing policy is also reviewed regularly by the AC. Periodic reports will be submitted to the AC with details of complaints if any and the results of the related investigations and follow-up actions commissioned. There were no reported incidents under the whistle-blowing policy for the financial year under review. There has been no reports of fraudulent or inappropriate activities or malpractices received to date.

The whistle-blowing policy is to establish and maintain a stronger policy where the identity of the whistleblower is kept confidential and the individual is protected from reprisal.

The Group prohibits discrimination, retaliation or harassment of any kind against a whistle blower who submits a complaint or report in good faith. If a whistle blower believes that he or she is being subjected to discrimination, retaliation or harassment for having made a report under this Policy, he or she should immediately report those facts to the relative persons. Reporting should be done promptly to facilitate investigation and the taking of appropriate action.

All reports/information are handled confidentially, except as necessary or appropriate to conduct investigation and to take remedial action, in accordance with the applicable laws and regulations. No employee, who in good faith reports a violation or suspected violation, shall suffer harassment, retaliation or adverse employment consequences. At the appropriate time, the party making the report/complaint may need to come forward as a witness. If an Employee or External Party(1) makes an allegation in good faith but it is not confirmed by the investigation, no action will be taken against him or her. If, however, an Employee has made an allegation frivolously, maliciously or for personal gain, disciplinary action may be taken against him or her. Likewise, if investigations reveal that the External Party making the complaint had done so maliciously or for personal gain, appropriate action, including reporting the matter to the police, may be taken.

Note:

(1) "External Party" refers to customers, suppliers, service providers, but not limited to, members of the public or those who are impacted by Federal Group.

CORPORATE GOVERNANCE STATEMENT

During FY2022, the key activities carried out by AC included but not limited to:–

(1) Reviewed and recommended unaudited half-yearly financial results and unaudited full year financial results to the Board for approval;

(2) Reviewed annual audit plans and reports presented by the internal auditor and external auditor;

(3) Received and discussed with the external auditor on the changes of Singapore Financial Reporting Standards (International) that may have a direct impact on the Group's financial statements ahead of the effective dates;

(4) Reviewed re-appointment of the external auditor and determining its independence before making a recommendation for Board's approval;

(5) Reviewed and reported to the Board on the adequacy and effectiveness of the Group's internal controls (including financial, operational, compliance and information technology controls) and risk management systems;

(6) Reviewed interested person transactions in accordance with the requirements of the Listing Manual of the SGX-ST; and

(7) Reviewed the Group's audited financial statements with Management and external auditor of the Company. Accordingly, the AC is of the view that the Group's financial statements for FY2022 are fairly presented in conformity with relevant Singapore Financial Reporting Standards (International) in all material aspects.

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

Mr Hoon Tai Meng (Chairman)
Mr Murali Krishna Ramachandra
Mr Heng Yeow Teck, Malcolm

The AC comprises entirely Non-Executive and Independent Directors.

The Board is of the view that at least two AC members, including the AC chairman, are qualified Chartered Accountants and have recent and relevant accounting or related financial management expertise or experience to discharge the AC's functions. The AC has an extensive knowledge and experience in the fields of corporate finance, legal and business. The Board is of the view that the AC members are appropriately qualified in discharging their duties and responsibilities and are capable of exercising sound and independent judgement in view of their requisite expertise and experience.

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

The AC has reviewed and is satisfied with the independence, adequacy and effectiveness of the Company's internal audit function. The AC is also satisfied that the internal auditor is adequately resourced and has the appropriate standing within the Group.

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

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

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

Guidelines ***Federal Corporate Governance Practices***

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

All shareholders of the Company can exercise their votes in accordance with voting procedures set out in the Constitution of the Company. The procedures setting out how each shareholder can vote either in person or via proxy are also read out prior to the voting during the general meetings.

Pursuant to Rule 730A(2) of the Listing Manual, all resolutions proposed at the AGMs and at any adjournment thereof shall be put to the vote by way of poll. All shareholders are entitled to vote in accordance with the established voting rules and procedures at the AGM. Each share is entitled to one vote. An external firm is appointed as scrutineers for the AGM voting process, which is independent of the firm appointed to undertake the poll voting process. The detailed results setting out the number of votes cast for and against each resolution and the respective percentages are announced at the AGM and released via SGXNET subsequently after the AGM.

CORPORATE GOVERNANCE STATEMENT

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

11.3 The Chairmen of the EC, AC, NC and RC are available to address shareholders' questions at general meetings like AGMs and Extraordinary General Meetings. The Management will be present to facilitate in addressing shareholders' queries at general meetings.

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

In light of the COVID-19 pandemic whereby the AGM held on 28 April 2022 was held by way of electronic means, the shareholders were invited to submit their questions for the AGM in advance of the meeting, and the Company provided its responses via SGXNET and the corporate website on 22 April 2022 prior to the commencement of the AGM.

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

With effect from 3 January 2016, those shareholders whose shares held under the names of relevant intermediaries as defined under Section 181 of the Companies Act 1967 of Singapore, such as nominees or custodial institutions, are allowed to attend the general meetings of the Company personally as the relevant intermediaries are allowed to appoint more than two proxies i.e. individual shareholders, corporate shareholders or their representatives to attend and vote at the general meetings of the Company.

11.5 The proceedings of general meetings, including questions and answers exchanged among the Board, the Management and the shareholders, will be recorded in minutes. These minutes are available to the shareholders via SGXNet and on the Company's website.

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

(1) the level of the earnings of the Group;

(2) the financial condition of the Group;

(3) the projected levels of the Group's capital expenditure and other investment plans;

(4) the restrictions on payment of dividends imposed on the Group by the Group's financing arrangements (if any); and

(5) other factors as the Directors of the Company may consider appropriate.

It is noted that there was no dividend declared to the shareholders of the Company for FY2022.

The Company has decided not to recommend any dividend for FY2022 at the forthcoming AGM of the Company as the Group wish to preserve cash for working capital and pursue new opportunities.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

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

Guidelines	***Federal Corporate Governance Practices***
12.1 to 12.3	The Board is committed to maintain a high standard of corporate governance by disclosing to its stakeholders, including its shareholders and investors, with adequate and material information concerning the Group's business development in accordance with disclosure requirements of the Listing Manual of the SGX-ST through SGXNET to SGX-ST in a timely and fair manner. The Board is mindful of its obligation to provide adequate and timely disclosure of all material and price-sensitive information to SGX-ST through SGXNET. The announcements, including but not limiting to the Group's unaudited half-year and full year financial results, and the material updates of the Group's business development prepared in accordance with disclosure requirements of the Listing Manual of the SGX-ST are also released through SGXNET in a timely manner. Following the amendments to Rule 705(2) of the Listing Manual of the SGX-ST which took effect as of 7 February 2020, the Board has, after due deliberations (including taking into consideration, inter alia, the compliance efforts required in connection therewith), decided not to continue with quarterly reporting of the Company and the Group's unaudited financial statements, and instead, the Company will announce the unaudited financial statements of the Company and the Group on a half-yearly basis, as required under the revised Listing Manual of the SGX-ST. The Board believes that announcement of financial statements on a half-yearly basis coupled with enhanced disclosure requirements is sufficient to keep shareholders and potential investors updated on the Company's and the Group's state of affairs. The corporate profile and announcements of the Company are also available at http://www.federal-int.com.sg. The Company does not practice selective disclosure as the relevant material and price-sensitive information are released to SGX-ST through SGXNET in a timely and fair manner. The shareholders of the Company, including institutional investors and retail investors, are encouraged to attend general meetings, especially AGM which serves as the primary channel to express their views and raise their questions regarding the Group's businesses and prospects. In addition, the Management may address shareholders' questions and concerns in respect of the Group's businesses should they approach the Company through emails or calls. The AGM of the Company serves as the primary channel for the Management to solicit and collate the views of the shareholders of the Company, including institutional investors and retail investors.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

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

Guidelines	***Federal Corporate Governance Practices***
13.1	The Company's engagement with its material stakeholders is set out in detail in the Sustainability Report and Task Force on Climate-Related Financial Disclosures on page 16 to 39 of Annual Report.
13.2	The Company's efforts on sustainability are focused on creating sustainable value for key stakeholders, which include communities, customers, staff, regulators, shareholders and vendors.
13.3	The Company maintains a corporate website at http://www.federal-int.com.sg to communicate and engage stakeholders.

Dealings in Securities

With the amendments to Rule 705(2) of the Listing Manual of the SGX-ST which took effect from 7 February 2020, the Company will not be required to release its financial statements on a quarterly basis. The Company would only be releasing its unaudited financial statements for the half year ending 30 June by not later than 45 days after the end of the relevant half financial year, and, for the full financial year ending 31 December, by not later than 60 days after the end of the relevant full financial year.

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

Interested Person Transactions

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

The Company does not have a shareholders' mandate for interested person transactions. The Company confirms that the aggregate value of all interested person transactions during FY2022 is less than S$100,000/-.

Material Contracts

No other material contracts were entered into between the Company and any of the subsidiaries of the Group with any CEO, Director or controlling shareholder of the Company either subsisting or during FY2022, except as disclosed in the Notes to the Financial Statements (Note 44).

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Federal International (2000) Ltd (the "Company") and its subsidiary corporations (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2022.

In the opinion of the directors:

(i) the consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company as set out on pages 71 to 151 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 2022 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 31 December 2022 in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (International); and

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

Directors

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

Koh Kian Kiong
Maggie Koh
Hoon Tai Meng
Murali Krishna Ramachandra
Heng Yeow Teck, Malcom (appointed on 17 May 2022)

Arrangement 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 directors of the Company holding office at the end of the financial year had no interests in the shares and debentures of the Company and related corporations as recorded in the Register of Directors' Shareholdings kept by the Company under Section 164 of the Companies Act 1967, except as follows:

	Direct interest			**Deemed interest**		
Name of directors	**At 1.1.2022**	**At 31.12.2022**	**At 21.1.2023**	**At 1.1.2022**	**At 31.12.2022**	**At 21.1.2023**
Ordinary shares of the Company						
Koh Kian Kiong	10,704,400	17,454,400	17,454,400	18,150,000	11,400,000	11,400,000
Maggie Koh	695,300	695,300	695,300	–	–	–

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

Koh Kian Kiong, by virtue of Section 7 of the Companies Act 1967 is deemed to have an interest in all related corporations of the Company.

DIRECTORS' STATEMENT

Options

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

Audit Committee

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

Hoon Tai Meng
Murali Krishna Ramachandra
Heng Yeow Teck, Malcom (appointed on 17 May 2022)

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Companies Act 1967. The functions performed are detailed in the Corporate Governance Statement, set out in the Annual Report of the Company.

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

Independent auditor

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

On behalf of the board of directors:

Koh Kian Kiong
Director

Maggie Koh
Director

Singapore
31 March 2023

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FEDERAL INTERNATIONAL (2000) LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Federal International (2000) Ltd (the "Company") and its subsidiaries as set out on pages 71 to 151 (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2022, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the 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 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

Impairment review of trade and other receivables
(Refer to Note 11, 14 and 15 to the financial statements)

Description of key audit matter

a) As at 31 December 2022, included in the trade receivables of the Group is an amount of $22,188,000 (2021: $19,989,000) and other receivables of the Group and the Company is an amount of $2,198,000 and $545,000 (2021: $1,131,000 and $234,000) respectively, due from an investee company. The Group owns 2.58% shares in the investee company, as disclosed in Note 10.

   The Group determines expected credit loss ("ECL") by applying the relevant approach in accordance with SFRS(I) 9 to measure the lifetime ECL for the amount due from investee company that is based on its historical credit loss experience, adjusted as appropriate for current conditions and forward-looking factors specific to the investee company and its economic environment.

   The need for any loss allowance is mitigated by payments from the end customer channelled into a joint account between a subsidiary of the Group and the investee company. The management also continue to monitor the investee company's financial position and performance on a periodic basis to manage the Group's exposure.

   Management have further assessed that the loss given default would be minimal as the investee company is committed to make repayment from surplus cash generated from its secured projects and the management are confident that the investee company also has the ability to repay, which is supported by the equity value of investee company determined by the external valuer based on discounted cash flow analysis from the forecast provided by the investee company as disclosed in Note 11.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FEDERAL INTERNATIONAL (2000) LTD

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Impairment review of trade and other receivables **(Continued)**
(Refer to Note 11, 14 and 15 to the financial statements) (Continued)

Description of key audit matter *(Continued)*

b) As at 31 December 2022, included in the other receivables (non-current) of the Group and the Company is an amount of $13,022,000 (2021: $11,022,000) due from a shareholder of an investee company. The amount due from a shareholder of this investee company is secured by the shareholder's shares in the investee company.

Management assessed impairment by applying the ECL. Any loss allowance is determined after taking into consideration the fair value of the pledged shares. Impairment loss of $2,000,000 was written back as at 31 December 2022 (2021: $Nil) after taking into consideration the increase in fair value of the pledged shares as at 31 December 2022.

The fair value of the pledged shares is determined by reference to the equity value of the investee company based on valuation performed by an external valuer. As disclosed in Note 11, the equity value of the investee company is determined by the external valuer based on discounted cash flow analysis from the forecast provided by the investee company.

Given the significant level of judgement and estimation involved in assessing the ECL and the significance of the trade receivables and other receivables due from an investee company and amount due from shareholder of an investee company to the Group's consolidated financial position, we considered this to be a key audit matter.

Our audit procedures to address the key audit matter

a) We obtained an understanding of the Group's processes and key controls relating to the monitoring of trade and other receivables and assessment of expected credit loss.

For the amount due from investee company, we further assessed the reasonableness of management's judgements and assumptions on the credit loss assessment, management's consideration of current and future economic conditions, recent and subsequent payments, explanations from management to assess the recoverability of the long outstanding receivables. We also reviewed the financial condition and financial position of the investee company as at 31 December 2022. We evaluated management's assessment that any loss given default would be minimal by considering the ability of the investee company to repay, supported with the equity value of investee company determined by external valuer based on discounted cash flow analysis from the forecast provided by investee company as disclosed in Note 11. We also reviewed the adequacy and appropriateness of the disclosures made in the financial statements.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FEDERAL INTERNATIONAL (2000) LTD

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Impairment review of trade and other receivables **(Continued)**
(Refer to Note 11, 14 and 15 to the financial statements) (Continued)

Our audit procedures to address the key audit matter (Continued)

b) We reviewed management's assessment of the impairment of the other receivables, and in particular the fair value of the pledged shares which serves as collateral for this receivable.

Accordingly, we evaluated the competency, capabilities and objectivity of the external valuer. We engaged our internal valuation specialists ("Specialist") to assist in assessing the assumptions, methodologies and parameters adopted in the valuation.

Together with our Specialist, we reviewed the assumptions used in deriving the equity value estimated in the valuation report by:

- performing an understanding of the basis of cash flow forecasted and evaluating the reasonableness of the assumptions used in the preparation of the cash flow;
- assessing various inputs used by management to estimate the weighted average cost of capital, the terminal growth rate and the gross profit used; and
- considering alternative outcomes by performing sensitivity analysis.

Other Information

Management is responsible for the other information. The other information comprises the information included in the 2022 Annual Report but does not include the financial statements and our auditor's report thereon.

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FEDERAL INTERNATIONAL (2000) LTD

Report on the Audit of the Financial Statements (Continued)

Responsibilities of Management and Directors for the Financial Statements

Management is responsible for the preparation of financial statements that give a true and fair view in accordance with the provisions of the Act and SFRS(I), and for devising and maintaining a system of internal accounting controls sufficient to provide a reasonable assurance that assets are safeguarded against loss from unauthorised use or disposition; and transactions are properly authorised and that they are recorded as necessary to permit the preparation of true and fair financial statements and to maintain accountability of assets.

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FEDERAL INTERNATIONAL (2000) LTD

Report on the Audit of the Financial Statements (Continued)

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

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.

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 Low See Lien.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore
31 March 2023

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Non-current assets					
Property, plant and equipment	4	**10,929**	11,405	**6**	9
Right-of-use assets	5	**2,223**	3,095	**–**	–
Investment properties	6	**–**	17,900	**–**	–
Investment in subsidiaries	7	**–**	–	**57,868**	70,949
Investment in associates	8	**4,264**	8,978	**732**	732
Intangible assets	9	**409**	545	**–**	–
Financial assets at fair value through other comprehensive income	10	**381**	381	**381**	381
Other receivables	11	**13,108**	11,112	**13,022**	11,022
Deferred tax assets	12	**1,836**	2,328	**–**	–
		33,150	55,744	**72,009**	83,093
Current assets					
Inventories	13	**14,417**	11,519	**–**	–
Trade receivables	14	**33,348**	36,571	**–**	–
Other receivables	15	**3,738**	2,131	**545**	234
Advance payment to suppliers		**1,716**	4,964	**–**	–
Prepayments		**191**	517	**25**	16
Deposits		**18**	30	**4**	4
Financial receivable	16	**–**	–	**–**	–
Amounts due from subsidiaries	17	**–**	–	**6,762**	3,478
Amounts due from associates	18	**2,546**	2,898	**–**	–
Amounts due from related parties	19	**–**	200	**–**	–
Fixed and bank deposits	37	**22**	103	**–**	–
Cash and bank balances	37	**7,543**	11,387	**870**	621
		63,539	70,320	**8,206**	4,353
Assets classified as held for sale	20	**21,486**	–	**–**	–
		85,025	70,320	**8,206**	4,353
Current liabilities					
Trade payables		**6,462**	15,934	**–**	–
Other payables	21	**9,985**	4,238	**639**	523
Contract liabilities	22	**2,765**	18,917	**–**	–
Amounts due to subsidiaries	23	**–**	–	**865**	871
Amounts due to related parties	24	**1,674**	2,184	**–**	–
Amounts due to banks	25	**18,548**	7,225	**–**	–
Term loans	26	**6,539**	7,418	**–**	–
Lease liabilities	5	**153**	205	**–**	–
Provision for taxation		**423**	391	**51**	–
		46,549	56,512	**1,555**	1,394
Liabilities directly associated with the assets held for sale	20	**720**	–	**–**	–
		47,269	56,512	**1,555**	1,394
Net current assets		**37,756**	13,808	**6,651**	2,959

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

	Note	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Non-current liabilities					
Amounts due to subsidiaries	23	**–**	–	**6,641**	8,402
Term loans	26	**1,834**	4,327	**–**	–
Provision for post employment benefits		**174**	167	**–**	–
Lease liabilities	5	**2,273**	3,108	**–**	–
Deferred tax liabilities	12	**1,370**	1,157	**115**	99
		5,651	8,759	**6,756**	8,501
Net assets		**65,255**	60,793	**71,904**	77,551
Equity					
Share capital	27(a)	**144,099**	144,099	**144,099**	144,099
Treasury shares	27(b)	**(25)**	(25)	**(25)**	(25)
Foreign currency translation reserve	28	**(1,885)**	(3,114)	**–**	–
Capital reserve	29	**5**	5	**–**	–
Revaluation reserve	30	**7,363**	18,993	**–**	–
Revaluation reserve of assets classified as held for sale	20	**12,290**	–	**–**	–
Other reserves	31	**(1,133)**	(1,133)	**(157)**	(157)
Accumulated losses		**(76,298)**	(78,802)	**(72,013)**	(66,366)
Equity attributable to owners of the Company		**84,416**	80,023	**71,904**	77,551
Non-controlling interests		**(19,161)**	(19,230)	**–**	–
Total equity		**65,255**	60,793	**71,904**	77,551

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

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 $'000	Group 2021 $'000
Revenue	32	**135,136**	59,816
Cost of sales		**(114,499)**	(47,779)
Gross profit		**20,637**	12,037
Other income		**4,000**	3,983
Selling and distribution costs		**(5,683)**	(5,203)
Administrative and general costs		**(9,579)**	(8,676)
Other operating expenses		**(3,483)**	(1,138)
Net writeback of impairment loss/(impairment loss) on financial assets		**3,312**	(127)
Finance costs		**(1,608)**	(1,088)
Share of results of associates		**815**	1,038
Impairment loss on investment in associate	8	**(5,300)**	–
Profit before tax	33	**3,111**	826
Income tax expense	35	**(773)**	(193)
Profit net of tax		**2,338**	633
Attributable to:			
Owners of the Company		**2,504**	334
Non-controlling interests		**(166)**	299
		2,338	633
Earnings per share attributable to owners of the Company (cents per share)	36		
Basic		**1.78**	0.24
Diluted		**1.78**	0.24

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Note	Group 2022 $'000	Group 2021 $'000
Profit net of tax		**2,338**	633
Other comprehensive income/(loss):			
Items that will not be reclassified subsequently to profit or loss			
Foreign currency translation		**719**	753
Net surplus on revaluation of leasehold buildings		**660**	584
Items that are or may be reclassified subsequently to profit or loss			
Foreign currency translation		**731**	1,228
Share of other comprehensive (loss)/income of associates		**(229)**	15
Foreign currency translation on loss of control of subsidiary		**727**	–
Other comprehensive income for the financial year, net of tax		**2,608**	2,580
Total comprehensive income for the financial year		**4,946**	3,213
Total comprehensive income attributable to:			
Owners of the Company		**4,393**	2,161
Non-controlling interests		**553**	1,052
		4,946	3,213

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Group	Attributable to the owners of the Company										
	Share capital (Note 27(a)) $'000	Treasury shares (Note 27(b)) $'000	Foreign currency translation reserve (Note 28) $'000	Capital reserve (Note 29) $'000	Revaluation reserve (Note 30) $'000	Revaluation reserve of assets classified as held for sale (Note 20) $'000	Other reserves (Note 31) $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2022	**144,099**	**(25)**	**(3,114)**	**5**	**18,993**	**–**	**(1,133)**	**(78,802)**	**80,023**	**(19,230)**	**60,793**
Profit net of tax	–	–	–	–	–	–	–	2,504	2,504	(166)	2,338
Other comprehensive income/(loss):											
Items that will not be reclassified subsequently to profit or loss:											
Foreign currency translation	–	–	–	–	–	–	–	–	–	719	719
Net surplus on revaluation of leasehold buildings	–	–	–	–	660	–	–	–	660	–	660
Items that are or may be reclassified subsequently to profit or loss:											
Foreign currency translation	–	–	731	–	–	–	–	–	731	–	731
Share of other comprehensive loss of associates	–	–	(229)	–	–	–	–	–	(229)	–	(229)
Foreign currency translation on loss of control of subsidiary	–	–	727	–	–	–	–	–	727	–	727
Total comprehensive income for the financial year	–	–	1,229	–	660	–	–	2,504	4,393	553	4,946
Revaluation reserve attributable to assets classified as held for sale	–	–	–	–	(12,290)	12,290	–	–	–	–	–
Disposal of a subsidiary company	–	–	–	–	–	–	–	–	–	(484)	(484)
At 31 December 2022	**144,099**	**(25)**	**(1,885)**	**5**	**7,363**	**12,290**	**(1,133)**	**(76,298)**	**84,416**	**(19,161)**	**65,255**

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Group	Attributable to the owners of the Company									
	Share capital (Note 27(a)) $'000	Treasury shares (Note 27(b)) $'000	Foreign currency translation reserve (Note 28) $'000	Capital reserve (Note 29) $'000	Revaluation reserve (Note 30) $'000	Other reserves (Note 31) $'000	Accumulated losses $'000	Total $'000	Non-controlling interests $'000	Total equity $'000
At 1 January 2021	144,099	(25)	(4,357)	5	18,409	(1,133)	(79,136)	77,862	(15,707)	62,155
Profit net of tax	–	–	–	–	–	–	334	334	299	633
Other comprehensive income:										
Items that will not be reclassified subsequently to profit or loss:										
Foreign currency translation	–	–	–	–	–	–	–	–	753	753
Net surplus on revaluation of leasehold buildings	–	–	–	–	584	–	–	584	–	584
Items that are or may be reclassified subsequently to profit or loss:										
Foreign currency translation	–	–	1,228	–	–	–	–	1,228	–	1,228
Share of other comprehensive income of associates	–	–	15	–	–	–	–	15	–	15
Total comprehensive income for the financial year	–	–	1,243	–	584	–	334	2,161	1,052	3,213
Share capital reduction by non-controlling interest in a subsidiary company	–	–	–	–	–	–	–	–	(4,575)	(4,575)
At 31 December 2021	144,099	(25)	(3,114)	5	18,993	(1,133)	(78,802)	80,023	(19,230)	60,793

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

Company	Share capital (Note 27(a)) $'000	Treasury shares (Note 27(b)) $'000	Other reserves (Note 31) $'000	Accumulated losses $'000	Total equity $'000
At 1 January 2022	**144,099**	**(25)**	**(157)**	**(66,366)**	**77,551**
Loss net of tax and total comprehensive loss for the financial year	**–**	**–**	**–**	**(5,647)**	**(5,647)**
At 31 December 2022	**144,099**	**(25)**	**(157)**	**(72,013)**	**71,904**
At 1 January 2021	144,099	(25)	(157)	(67,176)	76,741
Profit net of tax and total comprehensive income for the financial year	–	–	–	810	810
At 31 December 2021	144,099	(25)	(157)	(66,366)	77,551

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group	
	2022	2021
	$'000	$'000
Cash flows from operating activities		
Profit before tax	**3,111**	826
Adjustments for:		
Allowance for slow moving inventories	**368**	1,101
Amortisation of intangible assets	**136**	136
Amount due from a related party written off	**–**	1
Bad debts recovered	**–**	(1,365)
Depreciation of property, plant and equipment	**1,643**	1,912
Depreciation of right-of-use assets	**234**	262
Fair value gain on investment properties, net	**(2,930)**	(2,300)
Share of results of associates	**(815)**	(1,038)
Impairment loss on investment in associate	**5,300**	–
Impairment loss on trade and other receivables (current)	**788**	301
Implicit interest income	**(4)**	(4)
Interest expense	**1,608**	1,088
Interest income	**(51)**	(132)
Loss on disposal of property, plant and equipment, net	**–**	2
Loss on disposal of a subsidiary	**727**	–
Writeback of impairment loss on trade receivables (current)	**(2,100)**	(174)
Writeback of impairment loss on other receivables (non-current)	**(2,000)**	–
Foreign currency exchange loss/(gain)	**77**	(105)
Operating cash flows before changes in working capital	**6,092**	511
Decrease/(increase) in:		
Inventories	**(3,477)**	4,098
Trade and other receivables	**(7,987)**	5,109
Advance payment to suppliers	**3,178**	(4,225)
Prepayments	**126**	(178)
Deposits	**11**	10
Amounts due from associates	**–**	1
Amounts due from related parties	**–**	(27)
Increase/(decrease) in:		
Trade and other payables	**(3,367)**	7,080
Contract liabilities	**(4,927)**	5,758
Amounts due to associates	**–**	(10)
Amount due to a related party	**(17)**	396
Provision for post-employment benefits	**7**	(39)
Cash (used in)/generated from operations	**(10,361)**	18,484
Bad debts recovered received	**369**	995
Income taxes paid	**(372)**	(114)
Interest income received	**150**	197
Net cash (used in)/generated from operating activities	**(10,214)**	19,562

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

	Group	
	2022 $'000	2021 $'000
Cash flows from investing activities:		
Interest income received	**9**	6
Proceeds from disposal of property, plant and equipment	**11**	31
Purchase of property, plant and equipment	**(337)**	(181)
Repayment of loan from associate	**339**	–
Repayment of loan from investee company	**211**	139
Net cash generated from/(used in) investing activities	**233**	(5)
Cash flows from financing activities:		
Interest expense paid	**(1,194)**	(938)
Interest expense paid (amount due to a related party)	**(55)**	–
Additions to amount due to a related party	**307**	–
Repayments of amount due to a related party	**(634)**	–
Decrease in pledged deposits	**83**	1,344
(Repayments of)/proceeds from bank overdrafts	**(202)**	574
Drawdown of term loans	**–**	1,031
Repayments of term loans	**(3,263)**	(4,617)
Drawdown of trust receipts	**92,257**	20,107
Repayments of trust receipts	**(80,736)**	(32,271)
Repayments of lease liabilities – principal	**(182)**	(198)
Repayments of lease liabilities – interest	**(175)**	(184)
Net cash generated from/(used in) financing activities	**6,206**	(15,152)
Net (decrease)/increase in cash and cash equivalents	**(3,775)**	4,405
Effect of exchange rate changes on cash and cash equivalents	**(69)**	138
Cash and cash equivalents at 1 January	**11,387**	6,844
Cash and cash equivalents at 31 December (Note 37)	**7,543**	11,387

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

1. CORPORATE INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

The consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company have been prepared in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (International) ("SFRS(I)").

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

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

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

Use of estimates and judgements

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

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

The carrying amounts of cash and cash equivalents, trade and other current receivables and payables (other than lease liabilities) approximate their respective fair values due to the relatively short-term maturity of these financial instruments.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

New and revised standards

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

New standards, amendments to standards and interpretations that have been issued at each reporting period but are not yet effective for the financial year ended 31 December 2022 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company.

2.2 Foreign currency

The financial statements are presented in Singapore Dollar (“SGD” or “$“), which is also the Company’s functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency.

(a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the financial year are recognised in income statement 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 income statement are translated at the exchange rates prevailing at the date of the transactions. The exchange differences arising on the translation are recognised in other comprehensive income. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

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

– Derecognises the carrying amount of any non-controlling interests;

– Derecognises 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 income statement;

– Reclassifies the Group’s share of components previously recognised in other comprehensive income to profit or loss or retained earnings, as appropriate.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Basis of consolidation and business combinations (Continued)

(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 income statement.

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

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

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

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

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

2.4 Transactions with non-controlling interests

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

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

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

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

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

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

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

Leasehold building	–	Remaining leasehold period of 21 years (2021: 22 years)
Plant and machinery	–	3 to 10 years
Motor vehicles	–	5 to 10 years
Furniture and fittings and office equipment	–	3 to 5 years

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

The residual value, useful life and depreciation method are reviewed at each reporting period and adjusted prospectively, if appropriate.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Investment properties

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

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

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

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

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in income statement.

2.7 Intangible assets

Research and development costs

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

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

2.8 Impairment of non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets (Continued)

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

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

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

2.9 Subsidiaries

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

In the Company's statement of financial position, investments in subsidiaries are accounted for at cost less accumulated impairment losses. On disposal of the investment, the difference between disposal proceeds and the carrying amounts of the investments are recognised in income statement.

2.10 Associates and joint venture

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Associates and joint venture (Continued)

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

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

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

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

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

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

2.11 Financial assets

Recognition and derecognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

Classification and measurement

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

The Group classifies its financial assets in the measurement categories:

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

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

Subsequent measurement

i) Debt instruments

Debt instruments include trade receivables, other receivables (excluding prepayments and advance payment to suppliers), financial receivable, deposits, amount due from related parties, subsidiaries, and associates, fixed and bank deposits and cash and bank balances on the statements of financial position. The financial assets, depending on the Group's business model for managing the asset and cash flow characteristics of the asset, are subsequently measured at amortised cost.

Amortised cost

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

Subsequent measurement (Continued)

ii) Equity instruments

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

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

Offset

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

2.12 Impairment of financial assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

2.14 Service concession arrangement

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

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

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

2.15 Inventories

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

- Trading stocks: generally costed at weighted-average-cost basis.
- Finished goods and work-in-progress: costs of direct materials and labour and other direct cost. These costs are assigned on a weighted-average-cost basis.
- Raw materials: purchase costs on a weighted average basis.

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

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

2.16 Provisions

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

Provisions are reviewed at 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

31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.17 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Derecognition

A financial liability is derecognised 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 derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in income statement.

2.18 Financial guarantee

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

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

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

2.19 Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.20 Employee benefits

Employee leave entitlement

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

Defined contribution plans

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

Defined benefit plans

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

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

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

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

2.21 Leases

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

(a) When the Group is the lessee

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (Continued)

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

Lease liabilities

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

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

The lease liability is presented as a separate line in the statements of financial position.

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

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

Right-of-use assets

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

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

The right-of-use assets are presented as a separate line in the statements of financial position.

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (Continued)

(b) When the Group is the lessor

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

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

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct cost incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset and recognised on a straight-line basis over the lease term.

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

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

2.22 Revenue

(a) Sale of goods

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

(b) Revenue from service concession arrangement

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

(c) Revenue from wastewater treatment services

Revenue from wastewater treatment services is recognised as performance obligation satisfied over time in the accounting period when the services are rendered.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue (Continued)

(d) Charter income from land drilling rig

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

(e) Rental income

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

(f) Dividend income

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

(g) Interest income

Interest income is recognised using the effective interest method.

2.23 Taxes

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

Deferred tax

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

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

- Where the deferred tax liability arises from the initial recognition of goodwill or of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of taxable temporary differences associated with investments in subsidiaries and associates, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Taxes (Continued)

Deferred tax (Continued)

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

- Where the deferred tax asset relating to the deductible temporary difference arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will be reversed 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 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 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 each reporting period.

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

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

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

2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 43, including the factors used to identify the reportable segments and the measurement basis of segment information.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.25 Share capital and share issuance expenses

Ordinary shares

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

Treasury shares

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

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

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

2.26 Dividend

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

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

2.27 Grant income

Grant income are recognised at their fair value where there is a 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 in the deferred capital grant on the statements of financial position and amortised to income statement over the expected useful life of the relevant asset by equal annual instalments.

When the grant related to expenditure item, it is recognised in income statement over the period necessary to match them on a systematic basis to the expenditure that it is intended to compensate.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the Group's consolidated financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenue, expenses, assets and liabilities, and the disclosure of contingent liabilities at each 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 Critical judgement made in applying accounting policies

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

Deferred tax assets

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

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. The carrying value of deferred tax asset recognised and the unrecognised tax losses of the Group at 31 December 2022 are disclosed in Note 12.

3.2 Key sources of estimation uncertainty

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

(a) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the asset's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within the years stated in Note 2.5. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at each reporting period is disclosed in Note 4. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 2.64% (2021: 11.57%) variance in the Group's profit before tax.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

3.2 Key sources of estimation uncertainty (Continued)

(b) Impairment of non-financial assets

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

When value in use calculations are undertaken, management is required to estimate the expected future cash flows from the asset and a suitable discount rate, in order to determine the present value of those cash flows.

In performing the impairment assessment of non-financial assets, the Group adopted the Expected Cash Flow approach due to the increase in the level of uncertainty. The Expected Cash Flow approach uses multiple cash flow projections taking into consideration assumed probabilities of different future events and/or scenarios instead of a single cash flow scenario. The use of the Expected Cash Flow approach also aligns with management's internal forecasts. The recoverable amount was estimated by calculating the present value of the probability weighted expected cash flows.

(c) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income and deductibility of certain expenditure. Accordingly, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's tax payables as at 31 December 2022 was $423,000 (2021: $391,000). The carrying amount of the Group's deferred tax assets and liabilities at 31 December 2022 was $1,836,000 and $1,370,000 (2021: $2,328,000 and $1,157,000) respectively.

(d) Allowance for slow moving inventories

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

(e) Revaluation of leasehold building, and fair value adjustment of investment properties

The fair value of the leasehold building at 31 December 2022 is determined by professional valuer by reference to recent transactions of similar properties in the vicinity after adjusting for any differences in the nature, location and condition of the specific property.

The carrying amount and key assumptions used to determine the fair value of leasehold building and investment properties are explained in Notes 4 and 6.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

3.2 Key sources of estimation uncertainty (Continued)

(f) Calculation of expected credit loss allowance

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

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

As the calculation of loss allowance on receivables and loans is subject to assumptions and forecasts, any changes to these estimations will affect the amounts of loss allowance recognised and the carrying amounts of receivables and loans. Details of ECL measurement and carrying values of financial assets are disclosed in Note 40(a).

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

The Group determined the ECL of trade receivables by making a full allowance for debtors regarded as credit-impaired where one or more credit impairment events have occurred and using a provision matrix for remaining trade receivables. The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience, adjusted as appropriate to reflect current conditions and forecasts of future economic conditions and how these conditions will affect the Group's ECL assessment.

The Group's historical credit loss experience and forecasts of future economic conditions may also not be representative of customer's actual default in the future.

A reasonably possible change in the expected loss rate would not result in any significant impact to the loss allowance recognised.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. PROPERTY, PLANT AND EQUIPMENT

Group	At valuation Leasehold buildings $'000	At cost Plant and machinery $'000	Furniture and fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Cost or valuation:					
At 1 January 2021	13,650	12,802	2,362	551	29,365
Additions	–	7	90	84	181
Disposals/write off	–	(343)	(315)	(134)	(792)
Reclassified as investment properties (Note 6)	(4,100)	–	–	–	(4,100)
Revaluation (Note 30)	(850)	–	–	–	(850)
Exchange differences	–	(5)	8	(1)	2
At 31 December 2021 and 1 January 2022	**8,700**	**12,461**	**2,145**	**500**	**23,806**
Additions	**–**	**4**	**333**	**187**	**524**
Disposals/write off	**–**	**(136)**	**(60)**	**(159)**	**(355)**
Revaluation (Note 30)	**400**	**–**	**–**	**–**	**400**
Exchange differences	**–**	**(1,036)**	**(39)**	**(2)**	**(1,077)**
At 31 December 2022	**9,100**	**11,293**	**2,379**	**526**	**23,298**
Accumulated depreciation and impairment loss:					
At 1 January 2021	–	9,479	1,973	454	11,906
Depreciation charge for the financial year	668	1,067	143	34	1,912
Disposals/write off	–	(343)	(315)	(101)	(759)
Elimination of accumulated depreciation on revaluation (Note 30)	(668)	–	–	–	(668)
Exchange differences	–	6	6	(2)	10
At 31 December 2021 and 1 January 2022	**–**	**10,209**	**1,807**	**385**	**12,401**
Depreciation charge for the financial year	**395**	**1,017**	**184**	**47**	**1,643**
Disposals/write off	**–**	**(136)**	**(57)**	**(151)**	**(344)**
Elimination of accumulated depreciation on revaluation (Note 30)	**(395)**	**–**	**–**	**–**	**(395)**
Exchange differences	**–**	**(906)**	**(28)**	**(2)**	**(936)**
At 31 December 2022	**–**	**10,184**	**1,906**	**279**	**12,369**
Net carrying amount:					
At 31 December 2021	8,700	2,252	338	115	11,405
At 31 December 2022	**9,100**	**1,109**	**473**	**247**	**10,929**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	**Furniture and fittings and office equipment $'000**
Cost:	
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**16**
Accumulated depreciation:	
At 1 January 2021	4
Depreciation charge for the financial year	3
At 31 December 2021 and 1 January 2022	**7**
Depreciation charge for the financial year	**3**
At 31 December 2022	**10**
Net carrying amount:	
At 31 December 2021	9
At 31 December 2022	**6**

Revaluation of leasehold building

Leasehold building relates to a single-storey detached factory situated at 12 Chin Bee Drive on leasehold land of 7,146.3 square metres. The lease tenure of the leasehold land is 30 years effective October 2013.

The fair value of the Group's leasehold building was determined based on the property's highest and best use by an external valuer using direct comparison with recent transactions of comparable properties within the vicinity at 31 December 2022. Adjustments were made for differences in location, land area, land shape, floor area, floor loading, ceiling height, tenure, design and layout, age and condition of buildings, dates of transactions and the prevailing market conditions amongst other factors affecting its value.

The fair value measurement is categorised under Level 3 (31 December 2021: Level 3) of the fair value hierarchy.

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

	Group	
	2022 $'000	**2021 $'000**
Leasehold buildings at 31 December:		
Cost	**4,461**	4,461
Accumulated depreciation	**(1,759)**	(1,630)
Net carrying amount	**2,702**	2,831

Assets pledged as security

The Group's leasehold building with carrying amounts of $9,100,000 (2021: $8,700,000) is mortgaged to secure banking facilities and bank loans of certain subsidiaries (Note 25 and Note 26).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

5.1 The Group as a lessee

Nature of the Group's leasing activities

The Group's leasing activities comprise the following:

(a) The Group leases various equipment, office units and warehouse from non-related parties. The leases have an average tenure of between one to seven years;

(b) The Group also makes monthly lease payments for land lease. The right-of-use of the land lease is classified as right-of-use assets;

(c) In addition, the Group has elected not to recognise right-of-use assets and lease liabilities for:

- Short-term leases, consisting of office units and warehouse with contractual terms of 1 year; and
- Low-value assets, consisting of equipment of less than $5,000.

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

Amounts recognised in statements of financial position

	Group	
	2022	**2021**
	$'000	**$'000**
Carrying amount of right-of-use assets		
Land lease	**1,997**	2,806
Office units	**140**	225
Equipment	**86**	64
	2,223	3,095
Carrying amount of lease liabilities		
Current	**153**	205
Non-current	**2,273**	3,108
	2,426	3,313
Additions to right-of-use assets	**70**	6

Amounts recognised in income statement

Depreciation charge for the financial year		
Land lease	**154**	156
Office units	**63**	79
Equipment	**17**	27
	234	262
Lease expense not included in the measurement of lease liabilities:		
Lease expense – short term leases	**162**	143
Lease expense – low value assets leases	**6**	6
Total (Note 33)	**168**	149
Interest expense arising from lease liabilities (Note 33)	**175**	184

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

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

5.1 The Group as a lessee (Continued)

Total cash flow for leases during the financial year amounted to $525,000 (2021: $531,000).

As at 31 December 2022, the Group is committed to $109,000 (2021: $108,000) for short-term leases.

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

	Group	
	2022	**2021**
	$'000	**$'000**
At 1 January	**3,313**	3,503
Changes from financing cash flows:		
– Repayments of principal	**(182)**	(198)
– Repayments of interest	**(175)**	(184)
Non-cash changes:		
– Interest expense	**175**	184
– Additions of new leases	**70**	6
– Termination of leases	**(31)**	–
– Reclassification to liabilities directly associated with the assets held for sale (Note 20)	**(720)**	–
Effect of changes in foreign exchange rates	**(24)**	2
At 31 December	**2,426**	3,313

5.2 The Group as a lessor

Nature of the Group's leasing activities

The Group leased out its investment properties to third parties for monthly lease payments. The lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred. There was no longer any lease as at year end. Rental income from investment properties are disclosed in Note 6 and 33.

Maturity analysis of undiscounted lease payments to be received on an annual basis:

	Group	
	2022	**2021**
	$'000	**$'000**
1 year or less	**–**	274

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

6. INVESTMENT PROPERTIES

	Group	
	2022	**2021**
	$'000	**$'000**
At beginning of year	**17,900**	11,500
Reclassified from property, plant and equipment (Note 4)	**–**	4,100
Fair value gain recognised in income statement, net	**2,930**	2,300
Reclassification to assets classified as held for sale (Note 20)	**(20,830)**	–
At end of year	**–**	17,900

The investment properties were mortgaged to secure banking facilities and bank loans of certain subsidiaries (Note 25 and 26).

The following amounts are recognised in income statement:

	Group	
	2022	**2021**
	$'000	**$'000**
Rental income (Note 33)	**382**	276
Direct operating expenses arising from investment properties that generated rental income	**(171)**	(44)

Investment properties held by the Group relate to freehold land and buildings, consisting of two 3-storey terrace factories situated at 47 and 49 Genting Road ("Genting properties") on freehold land of 810.9 square metres and leasehold building, consisting of a single-storey factory situated at 11 Tuas Avenue 1 ("Tuas property) on a leasehold land area of 4,701.4 square metres. The lease tenure of the leasehold land is 22 years effective November 2012.

During the financial year, the carrying amount of Tuas property and Genting properties of $4,030,000 and $16,800,000 respectively were reclassified as assets classified as held for sale, included in Note 20. The fair values of Tuas property and Genting properties were determined based on the agreed consideration price in the sale and purchase agreement and options to purchase respectively.

In 2021, the fair values of the Group's investment properties were determined based on the properties' highest and best use by an external valuer using direct comparison with recent transactions of comparable properties within the vicinity at 31 December 2021. Adjustments were made for differences in location, land area, land shape, floor area, floor loading, ceiling height, tenure, design and layout, age and condition of buildings, dates of transactions and the prevailing market conditions amongst other factors affecting its value.

The fair value measurement is categorised under Level 2 (31 December 2021: Level 3) of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

7. INVESTMENT IN SUBSIDIARIES

	Company 2022 $'000	Company 2021 $'000
Unquoted shares, at cost:		
At 1 January	**83,597**	90,459
Share capital reduction of a subsidiary	**–**	(6,862)
At 31 December	**83,597**	83,597
Less: impairment losses	**(30,141)**	(29,289)
	53,456	54,308
Loans to subsidiaries:		
Gross amount	**96,485**	101,029
Less: impairment losses	**(92,073)**	(84,388)
	4,412	16,641
Net carrying amount	**57,868**	70,949
Analysis of impairment losses on investment in subsidiaries:		
At 1 January	**29,289**	30,615
Impairment loss	**852**	–
Written back	**–**	(1,326)
At 31 December	**30,141**	29,289
Analysis of impairment losses on loans to subsidiaries:		
At 1 January	**84,388**	83,710
Impairment loss	**8,193**	–
Exchange differences	**(508)**	678
At 31 December	**92,073**	84,388

In previous financial year, loans to subsidiaries of $3,779,000 bear interest at rate of 5.0% per annum. All other amounts are interest-free and unsecured.

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

Loans to subsidiaries are denominated in the following currencies:

	Company 2022 $'000	Company 2021 $'000
Singapore Dollar	**–**	10,292
United States Dollar	**4,412**	6,349
	4,412	16,641

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest 2022 %	2021 %
Held by the Company			
Federal Hardware Engineering Co Pte Ltd(1) (Singapore)	Dealer in flowline control materials and services and investment holding (Singapore)	**100**	100
Alton International (S) Pte Ltd(1) (Singapore)	Engineering and dealer in flowline control materials and services and investment holding (Singapore)	**100**	100
KVC (UK) Ltd(2) (United Kingdom)	Design, manufacture and assembly of valves (United Kingdom)	**90**	90
Federal Fire Engineering Pte Ltd(1) (Singapore)	Supply and installation supervision of fire detection and protection systems and related products (Singapore)	**100**	100
Federal Offshore Services Pte. Ltd.# (Singapore)	Dormant (Singapore)	**–**	60
Federal Environmental & Energy Pte. Ltd.(1) (Singapore)	Supply of flowline control products and investment holding (Singapore)	**65**	65
Federal Energi Pte. Ltd.(1) (Singapore)	Dormant (Singapore)	**100**	100
Eastern Jason Fabrication Services Pte Ltd(1) (Singapore)	Investment holding and offshore marine projects (Singapore)	**100**(3)	100(3)
Federal Capital Pte. Ltd.# (Singapore)	Dormant (Singapore)	**–**	100
PT Federal International(4) (Indonesia)	Provision of management and business consultation services, and operating and maintenance of oil and gas facility services (Indonesia)	**100**(5)	100(5)
FI (2000) UK Limited(6)* (United Kingdom)	Dormant (United Kingdom)	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest 2022 %	2021 %
Held by subsidiaries			
PT Fedsin Rekayasa Pratama (Indonesia)[4]	Hardware merchant and investment holding (Indonesia)	**100**	100
PT Federal International (Indonesia)[4]	Provision of management and business consultation services and operating and maintenance of oil and gas facility services (Indonesia)	**99**[5]	99[5]
Federal International (Shanghai) Co., Ltd.[2] (People's Republic of China "PRC")	Trader and agent of flowline control products (PRC)	**65**	65
Alton International (Thailand) Co., Ltd[7] (Thailand)	Dealer in hardware and oilfield engineering materials (Thailand)	**100**	100
Alton International Resources Pte. Ltd.[1] (Singapore)	Dormant (Singapore)	**70**	70
PT Alton International Resources (Indonesia)*	Dormant (Indonesia)	**69.3**	69.3
PT Mega Federal Energy (Indonesia)*	Dormant (Indonesia)	**60**	60
Federal Environmental Engineering (Shanghai) Co. Ltd[2] (PRC)	Water and wastewater treatment projects (PRC)	**65**	65
FEE Investment Management Consultants (Shanghai) Co. Ltd[2] (PRC)	Provision of management and consultancy services for environmental-related projects (PRC)	**65**	65
Federal Environmental Engineering (Suzhou) Co. Ltd[2] (PRC)	Provision of management and consultancy services for environmental-related projects (PRC)	**65**	65

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest 2022 %	2021 %
Held by subsidiaries			
Federal Environmental (Southwest China) Pte. Ltd.(1) (Singapore)	Investment holding (Singapore)	**65**	65
Federal Environmental (Chengdu) Pte. Ltd.(1) (Singapore)	Investment holding (Singapore)	**65**	65
Federal Water (Chengdu) Co., Ltd.(2) (PRC)	Supply of raw water, treated industrial tap water and project consultancy services (PRC)	**58.5**	58.5
Federal DNV India Private Ltd (India)	Dormant (India)	**51**	51

\# Struck off during the financial year
* Not required to be audited under the laws of the respective countries of incorporation

(1) Audited by Baker Tilly TFW LLP
(2) Audited by independent overseas member firms of Baker Tilly International
(3) This comprised 92.5% direct equity interest held by the Company and indirect equity interest of 7.5% held by a wholly-owned subsidiary
(4) Audited by Kosasih, Nurdiyaman, Mulyadi, Tjahjo & Rekan, Indonesia
(5) This comprised 1% direct equity interest held by the Company and indirect equity interest of 99% held by a wholly-owned subsidiary
(6) No share capital is contributed into the subsidiary as at 31 December 2022 and 31 December 2021
(7) Audited by JTT Accounting & Auditing Partnership Limited, Thailand

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

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

Name of subsidiary	Principal place of business/ Country of incorporation	Ownership interests held by NCI 2022 %	2021 %
FEE subgroup	Singapore and PRC	**35**	35
AIR subgroup	Singapore and Indonesia	**30**	30

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

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

Summarised Statements of Financial Position

	FEE subgroup		AIR subgroup	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Non-current assets	**19**	114	**19**	21
Non-current liabilities	**(220)**	(1,611)	**(10)**	(11)
Current assets	**6,699**	8,530	**–**	–
Current liabilities	**(28,515)**	(30,364)	**(33,458)**	(33,483)
Net liabilities	**(22,017)**	(23,331)	**(33,449)**	(33,473)
Net liabilities attributable to NCI	**(7,706)**	(8,166)	**(10,035)**	(10,042)

Summarised Statements of Comprehensive Income

	FEE subgroup		AIR subgroup	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	**2,023**	4,959	**–**	–
Profit/(loss) before tax	**815**	524	**(31)**	(4)
Income tax expense	**(1)**	(7)	**–**	–
Profit/(loss) after tax	**814**	517	**(31)**	(4)
Other comprehensive income/(loss)	**501**	(366)	**56**	(13)
Total comprehensive income/(loss)	**1,315**	151	**25**	(17)
Profit/(loss) allocated to NCI	**285**	181	**(9)**	(1)

Summarised Statement of Cash Flows

	FEE subgroup		AIR subgroup	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Cash (used in)/generated from operating activities	**(342)**	1,889	**(5)**	(4)
Cash used in investing activities	**(5)**	(2)	**–**	–
Cash generated from/(used in) financing activities	**54**	(2,018)	**5**	4
Net decrease in cash and cash equivalents	**(293)**	(131)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) *Disposal of subsidiaries*

(i) Federal Capital Pte. Ltd., a wholly-owned subsidiary of the Group, was struck off from the Register of Companies during the financial year. The disposal has no effect on the financial position of the Group.

(ii) Federal Offshore Services Pte. Ltd., a 60%-owned subsidiary of the Group, was struck off from the Register of Companies during the financial year. The effect of the disposal on the financial position of the Group is as follows:

	Group 2022 $'000
Net assets derecognised	–
Consideration received, satisfied in cash	–
Cash and bank balances disposed	–
Net cash inflow on disposal	–
Consideration received	–
Net assets derecognised	–
Cumulative foreign currency translation on loss of control of subsidiary	(1,211)
	(1,211)
Non-controlling interest	484
Loss on disposal	(727)

(d) *Company level – Impairment review of investment in subsidiaries*

During the financial year, management performed an impairment test for the investment in Federal Environmental & Energy Pte Ltd ("FEE") as this subsidiary has ceased its operation in the current year. The recoverable amount of the investment in FEE has been determined based on fair value less cost of disposal. The fair value was determined as the adjusted value of assets upon disposal and realisation of liabilities, and the measurement is categorised under Level 3 of the fair value hierarchy. An impairment loss of $852,000 was recognised during the financial year which reduced the carrying amounts of investment in subsidiaries to $53,456,000 (2021: $54,308,000).

Management determines that certain loans to subsidiaries are quasi-equity in nature, which are therefore included in the investment in subsidiaries.

During the financial year, management performed an impairment review for loans to subsidiaries for FEE, PT Federal International and Eastern Jason Fabrication Services Pte Ltd and the Company made an impairment loss on loans to these subsidiaries of $8,193,000 (Note 40(a)).

(e) *Significant restriction*

Cash and cash equivalents of $906,000 (2021: $500,000) are held in the People's Republic of China and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

8. INVESTMENT IN ASSOCIATES

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Unquoted shares, at cost	**4,215**	4,215	**868**	868
Share of post-acquisition reserves	**6,152**	5,337	**–**	–
Impairment losses	**(5,875)**	(575)	**(136)**	(136)
Exchange differences	**(228)**	1	**–**	–
Net carrying amount	**4,264**	8,978	**732**	732
Analysis of impairment losses:				
At 1 January	**575**	575	**136**	136
Additions	**5,300**	–	**–**	–
At 31 December	**5,875**	575	**136**	136

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest 2022 %	2021 %
Associates			
Held by the Company			
KVC Co., Ltd (Japan)*	Manufacture and export of valves (Japan)	**50**	50
Held by subsidiaries			
Federal-Applied Industrial Services Co Ltd (Thailand)*	Dormant (Thailand)	**49**	49
PT Eastern Jason[(1)] (Indonesia)	Chartering of vessels (Indonesia)	**30**	30

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

8. INVESTMENT IN ASSOCIATES (CONTINUED)

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

Summarised Statements of Comprehensive Income

	PT Eastern Jason		KVC Co., Ltd	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Revenue	**7,051**	13,757	**6,988**	6,568
Profit/(loss) after tax	**2,312**	3,924	**243**	(278)
Other comprehensive (loss)/income	**(190)**	469	**(344)**	(251)
Total comprehensive income/(loss)	**2,122**	4,393	**(101)**	(529)

Summarised Statements of Financial Position

	PT Eastern Jason		KVC Co., Ltd	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Non-current assets	**33,851**	35,616	**1,058**	1,130
Current assets	**4,600**	5,727	**4,414**	4,971
Non-current liabilities	**(7,683)**	(8,841)	**(994)**	(1,456)
Current liabilities	**(3,227)**	(7,083)	**(1,875)**	(1,941)
Net assets	**27,541**	25,419	**2,603**	2,704
Proportion of the Group's ownership	**30%**	30%	**50%**	50%
Group's share of net assets based on proportion of ownership interest	**8,262**	7,626	**1,302**	1,352
Carrying amount of investment	**2,962**	7,626	**1,302**	1,352

During the financial year, management performed an impairment review for the Group's investment in PT Eastern Jason ("PTEJ"). The recoverable amount of the investment in PTEJ has been determined based on fair value less cost of disposal. The fair value was determined by the Group by reference to the consideration price in the conditional sale and purchase agreement entered into, and the measurement is categorised under Level 2 of the fair value hierarchy. The Group made an impairment loss of $5,300,000 to write down its carrying amount of investment in PTEJ to its recoverable amount of $2,962,000 as at 31 December 2022.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

9. INTANGIBLE ASSETS

Group	Goodwill $'000	Development costs $'000	Total $'000
Cost			
At 1 January 2021, 31 December 2021, 1 January 2022 and 31 December 2022	**1,044**	**2,061**	**3,105**
Accumulated amortisation and impairment loss			
At 1 January 2021	1,044	1,379	2,423
Amortisation charge	–	136	136
Exchange difference	–	1	1
At 31 December 2021 and 1 January 2022	**1,044**	**1,516**	**2,560**
Amortisation charge	**–**	**136**	**136**
At 31 December 2022	**1,044**	**1,652**	**2,696**
Net carrying amount:			
At 31 December 2021	–	545	545
At 31 December 2022	**–**	**409**	**409**

Development costs

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

Impairment testing of goodwill

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

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Equity investments designated at FVOCI				
Unquoted equity shares	**381**	381	**381**	381

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

The fair value of the unquoted equity share is determined by reference to the equity value of an investee company as disclosed in Note 11.

These investments are categorised under Level 3 fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

11. OTHER RECEIVABLES (NON-CURRENT)

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Deposits	**86**	90	**–**	–
Loan to a shareholder of an investee company	**13,022**	13,022	**13,022**	13,022
Less: impairment loss	**–**	(2,000)	**–**	(2,000)
	13,108	11,112	**13,022**	11,022

The loan to a shareholder of an investee company, as disclosed in Note 10, PT Gunanusa Utama Fabricators ("PTG"), is secured by the shareholder's shares in PTG, bears interest at 7% (2021: 7%) per annum and is repayable in December 2025 (2021: December 2023).

Management assessed the loan to a shareholder of an investee company for impairment using the expected credit loss model and took into consideration the fair value of the pledged shares. Impairment loss of $2,000,000 was written back as at 31 December 2022 (2021: $Nil) after taking into consideration the increase in fair value of the pledged shares as at 31 December 2022.

The fair value of the pledged shares is determined by reference to the equity value of the investee company based on valuation performed by an external valuer using income approach.

The valuation using income approach has been determined based on discounted cash flow analysis from forecast provided by the investee company covering a three-year period. The weighted average cost of capital applied to the cash flow projection and forecasted growth rate used to extrapolate cash flow projection beyond three-year period are 15% (2021: 12.3%) and 1.6% (2021: 1.7%) respectively.

The valuer has also considered that the computed Enterprise Value/Earnings Before Interest, Taxes, Depreciation and Amortisation ("EV/EBITDA") multiple of the investee company is within the range of EV/EBITDA multiple of the comparable companies.

12. DEFERRED TAX

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
At 1 January	**1,171**	240	**(99)**	(91)
Movement in temporary differences:				
Recognised directly in income statement (Note 35)	**(367)**	168	**(16)**	(8)
Recognised directly in other comprehensive income (Note 30)	**(135)**	766	**–**	–
Exchange differences	**(203)**	(3)	**–**	–
At 31 December	**466**	1,171	**(115)**	(99)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

12. DEFERRED TAX (CONTINUED)

Deferred tax as at 31 December relates to the following:

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax liabilities				
Differences in depreciation for tax purposes	**(99)**	(61)	**(1)**	(1)
Revaluation to fair value of leasehold building	**(1,088)**	(998)	**–**	–
Unremitted foreign sourced income	**(114)**	(98)	**(114)**	(98)
Other items	**(69)**	–	**–**	–
	(1,370)	(1,157)	**(115)**	(99)
Deferred tax assets				
Provisions	**1,056**	1,530	**–**	–
Difference in depreciation for tax purpose	**777**	788	**–**	–
Other items	**3**	10	**–**	–
	1,836	2,328	**–**	–

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	**$'000**	**$'000**	**$'000**
Deferred tax liabilities	**(1,370)**	(1,157)	**(115)**	(99)
Deferred tax assets	**1,836**	2,328	**–**	–

Unrecognised tax losses

At the end of the financial year, the Group has unabsorbed tax losses of approximately $29,215,000 (2021: $31,623,000) that are available for offset against future taxable profits of the subsidiaries in which the losses arose for which no deferred tax assets is recognised due to uncertainty of their recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

The income tax benefits from the unabsorbed tax losses carried forward is available for an unlimited period subject to the conditions imposed by law, except for unabsorbed tax losses of $7,780,000 (2021: $6,421,000) which will expire progressively over the next 5 years up till 2027, subject to the conditions imposed by the Indonesian tax authorities.

Deferred tax not recognised for undistributed earnings

At the end of the reporting period, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is $Nil (2021: $Nil).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

13. INVENTORIES

	Group	
	2022 $'000	2021 $'000
Trading stocks	**12,724**	8,382
Goods-in-transit	**1,221**	2,572
Work-in-progress	**371**	446
Raw materials	**101**	119
	14,417	11,519
Income statement:		
Inventories recognised as an expense in cost of sales	**112,714**	45,944
Additional allowance for slow moving inventories	**368**	1,101

14. TRADE RECEIVABLES

	Group	
	2022 $'000	2021 $'000
Trade receivables		
– Third parties	**41,303**	46,526
Less: impairment loss	**(7,955)**	(9,955)
Trade receivables, net	**33,348**	36,571

Included in trade receivable is an amount of $686,000 (2021: $11,818,000) relating to advance billing issued to customers.

15. OTHER RECEIVABLES (CURRENT)

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Amount due from an investee company	**2,198**	1,131	**545**	234
Goods and Services Tax ("GST") and Value Added Tax ("VAT") receivable	**292**	356	**–**	–
Sundry debtors	**1,248**	644	**–**	–
	3,738	2,131	**545**	234

For the Group, except for an amount due from an investee company of $1,154,000 (2021: $202,000) which bear interest at 18% per annum (2021: 8% per annum) and repayable within next 12 months, all other amounts are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

For the Company, except for an amount due from an investee company of $402,000 (2021: $202,000) which bear interest at 18% per annum (2021: 8% per annum) and repayable within next 12 months, all other amounts are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

Sundry debtors are unsecured and non-interest bearing.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

16. FINANCIAL RECEIVABLE

Financial receivable is stated after netting off impairment loss allowance of $3,256,000 (2021: $3,553,000). The impairment loss allowance has been provided for as there is slow repayment from the receivable.

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

17. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2022	**2021**
	$'000	**$'000**
Trade	**2,878**	2,031
Non-trade	**6,309**	3,625
	9,187	5,656
Allowance for impairment	**(2,425)**	(2,178)
	6,762	3,478

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

Non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

Amounts due from subsidiaries are denominated in the following currencies:

	Company	
	2022	**2021**
	$'000	**$'000**
Singapore Dollar	**5,430**	2,390
United States Dollar	**1,332**	1,088
	6,762	3,478

18. AMOUNTS DUE FROM ASSOCIATES

	Group	
	2022	**2021**
	$'000	**$'000**
Non-trade	**2,546**	2,898

Amounts due from associates are interest-free, unsecured and repayable on demand. The non-trade balances and transactions mainly relate to loans and payments made on behalf of the associates.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

19. AMOUNTS DUE FROM RELATED PARTIES

	Group	
	2022 $'000	2021 $'000
Amount due from a director of certain subsidiaries	**–**	200

In 2021, amount due from a director of certain subsidiaries is unsecured, interest-free and is expected to be settled within the next twelve months.

20. ASSETS CLASSIFIED AS HELD FOR SALE LIABILITIES DIRECTLY ASSOCIATED WITH THE ASSETS HELD FOR SALE REVALUATION RESERVE OF ASSETS CLASSIFIED AS HELD FOR SALE

The disposal group comprised the following assets, liabilities and revaluation reserve:

	Group	
	2022 $'000	2021 $'000
Assets classified as held for sale		
Right-of-use assets	**656**	–
Investment properties (Note 6)	**20,830**	–
	21,486	–
Liabilities directly associated with the assets held for sale		
Lease liabilities	**720**	–
Revaluation reserve of assets classified as held for sale		
Revaluation reserve (Note 30)	**12,290**	–

The fair value measurement of investment properties classified as held for sale is categorised under Level 2 of the fair value hierarchy.

The Group's investment properties classified as held for sale with carrying amount of $20,830,000 as at 31 December 2022 are mortgaged to secure banking facilities and bank loans of certain subsidiaries (Note 25 and 26).

21. OTHER PAYABLES

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Accruals	**4,846**	2,499	**557**	359
Accruals for foreign tax liabilities, GST and VAT payable	**339**	227	**47**	–
Amount payable to a non-controlling shareholder	**–**	12	**–**	–
Deposit for disposal of investment properties	**1,042**	–	**–**	–
Sundry creditors	**3,758**	1,500	**35**	164
	9,985	4,238	**639**	523

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

22. CONTRACT LIABILITIES

Contract liabilities relate to advance consideration received from customers.

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

	Group		
	2022 $'000	2021 $'000	1.1.2021 $'000
Trade receivables from contracts with customers	**33,348**	36,571	27,985
Contract liabilities	**2,765**	18,917	1,962

Significant changes in the contract liabilities during the financial year mainly relate to revenue recognised that was included in the contract liabilities at the beginning of the year, partially offset by advance consideration received from customers.

23. AMOUNTS DUE TO SUBSIDIARIES

Non-current

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

Current

Amounts due to subsidiaries are unsecured, interest-free and is repayable on demand. The non-trade balance mainly relates to payments made on behalf of the Company by the subsidiaries.

Amounts due to subsidiaries are denominated in the following currencies:

	Company	
	2022 $'000	2021 $'000
Singapore Dollar	**477**	481
United States Dollar	**7,029**	8,792
	7,506	9,273

24. AMOUNTS DUE TO RELATED PARTIES

	Group	
	2022 $'000	2021 $'000
Advances from a director of the Company	**–**	20
Amounts owing to a director of certain subsidiaries	**1,674**	2,164
	1,674	2,184

Amounts due to related parties are unsecured, interest-free except for an amount of $117,000 (2021: $467,000) which bear interest at rate of 1% per month (2021: 1.5% per month), and expected to be settled in cash within the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

25. AMOUNTS DUE TO BANKS

	Group	
	2022 $'000	2021 $'000
Bank overdrafts, secured	**3,063**	3,270
Trust receipts, secured	**15,485**	3,955
	18,548	7,225

Bank overdrafts bear interest at 5.25% – 6.00% (2021: 3.15% – 6.00%) per annum ("p.a.") and are repayable on demand. Trust receipts bear interest at 2.65% – 7.66% (2021: 1.40% – 2.84%) p.a..

Securities

Bank overdrafts and trust receipts are secured by:

(i) legal mortgage on the Group's leasehold building (Note 4);

(ii) legal mortgage on the Group's investment properties (Note 6 and 20);

(iii) floating charge on inventories, which was discharged during the financial year (Note 13);

(iv) corporate guarantee provided by the Company (Note 38);

(v) charge over the contracts and contract proceeds & first fixed charge over account in respect of certain sales proceeds; and

(vi) first floating charge over certain receivables of a subsidiary.

The Group obtained other credit facilities from various financial institutions. Among others, one of the financial institutions, in its financial covenants requirements, sets a threshold of $60,000,000 (2021: $60,000,000) of minimum consolidated total net worth (defined as paid-up capital and capital reserves/revaluation reserves/accumulated losses/retained earnings) for the Group.

Amounts due to banks are denominated in the following currencies:

	Group	
	2022 $'000	2021 $'000
Singapore Dollar	**3,204**	3,339
United States Dollar	**15,023**	3,423
Euro	**113**	151
Great Britain Pound	**208**	312
	18,548	7,225

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

25. AMOUNTS DUE TO BANKS (CONTINUED)

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

Group	Bank overdrafts $'000	Trust receipts $'000	Sub-total $'000	Bank overdrafts, trust receipts – Accrued interest* $'000	Total $'000
At 1 January 2022	**3,270**	**3,955**	**7,225**	**12**	**7,237**
Changes from financing cash flows:					
– Proceeds	**–**	**92,257**	**92,257**	**–**	**92,257**
– Repayments	**–**	**(80,736)**	**(80,736)**	**–**	**(80,736)**
– Changes in bank overdrafts	**(202)**	**–**	**(202)**	**–**	**(202)**
– Interest paid	**–**	**–**	**–**	**(815)**	**(815)**
Non-cash changes:					
– Interest expense	**–**	**–**	**–**	**1,001**	**1,001**
Effect of changes in foreign exchange rates	**(5)**	**9**	**4**	**–**	**4**
At 31 December 2022	**3,063**	**15,485**	**18,548**	**198**	**18,746**
At 1 January 2021	2,697	16,050	18,747	54	18,801
Changes from financing cash flows:					
– Proceeds	–	20,107	20,107	–	20,107
– Repayments	–	(32,271)	(32,271)	–	(32,271)
– Changes in bank overdrafts	574	–	574	–	574
– Interest paid	–	–	–	(424)	(424)
Non-cash changes:					
– Interest expense	–	–	–	382	382
Effect of changes in foreign exchange rates	(1)	69	68	–	68
At 31 December 2021	3,270	3,955	7,225	12	7,237

* Included as accruals (Note 21)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

26. TERM LOANS

	Group 2022 $'000	Group 2021 $'000
Amounts repayable within one year		
– secured	**6,539**	7,418
Amounts repayable after one year		
– secured	**1,834**	4,327

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

Group	Term loans $'000	Term loans – Accrued interest* $'000	Total $'000
At 1 January 2022	**11,745**	**5**	**11,750**
Changes from financing cash flows:			
– Repayments	**(3,263)**	**–**	**(3,263)**
– Interest paid	**–**	**(379)**	**(379)**
Non-cash changes:			
– Interest expense	**–**	**377**	**377**
Effect of changes in foreign exchange rates	**(109)**	**–**	**(109)**
At 31 December 2022	**8,373**	**3**	**8,376**
At 1 January 2021	15,249	11	15,260
Changes from financing cash flows:			
– Proceeds	1,031	–	1,031
-– Repayments	(4,617)	–	(4,617)
– Interest paid	–	(514)	(514)
Non-cash changes:			
– Interest expense	–	508	508
Effect of changes in foreign exchange rates	82	–	82
At 31 December 2021	11,745	5	11,750

* Included as accruals (Note 21)

Securities

The term loans are secured by:

(i) legal mortgage on the Group's leasehold building (Note 4);

(ii) legal mortgage on the Group's investment properties (Note 6 and 20);

(iii) corporate guarantee provided by the Company (Note 38);

(iv) Standby Letter of Credit issued by financial institution and guaranteed by related companies;

(v) personal guarantee and pledge of real property by a director of a subsidiary;

(vi) charge over the contracts and contract proceeds & first fixed charge over account in respect of certain sales proceeds; and

(vii) first floating charge over certain receivables of a subsidiary.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

26. TERM LOANS (CONTINUED)

Interest rate

The interest rates of the term loans at the end of the reporting period range from 2.75% to 5.50% (2021: 1.95% to 5.50%) per annum.

27. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2022		2021	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	**140,767**	**144,099**	140,767	144,099

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

(b) Treasury shares

	Group and Company			
	2022		2021	
	No. of shares '000	$'000	No. of shares 000	$'000
At 1 January and 31 December	**100**	**25**	100	25

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

There are no acquisition of shares for the financial year ended 31 December 2022 and 31 December 2021.

28. FOREIGN CURRENCY TRANSLATION RESERVE

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

	Group	
	2022 $'000	2021 $'000
At 1 January	**(3,114)**	(4,357)
Net effect of exchange differences arising from translation of financial statements of foreign operations	**731**	1,228
Share of other comprehensive (loss)/income of associates	**(229)**	15
Foreign currency translation on loss of control of subsidiary	**727**	–
At 31 December	**(1,885)**	(3,114)

29. CAPITAL RESERVE

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

30. REVALUATION RESERVE

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

	Group	
	2022 $'000	2021 $'000
At 1 January	**18,993**	18,409
Surplus/(deficit) on revaluation of leasehold building (Note 4)	**795**	(182)
Deferred tax liabilities on revaluation surplus of leasehold building (Note 12)	**(135)**	766
Revaluation reserve attributable to assets classified as held for sale (Note 20)	**(12,290)**	–
At 31 December	**7,363**	18,993

31. OTHER RESERVES

	Group		Company	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Fair value reserve	**(157)**	(157)	**(157)**	(157)
Statutory reserve fund	**248**	248	**–**	–
Premium paid on acquisition of non-controlling interests	**(1,223)**	(1,223)	**–**	–
Share of other reserve of an associate	**(1)**	(1)	**–**	–
	(1,133)	(1,133)	**(157)**	(157)

Fair value reserve

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

Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the PRC, the subsidiary is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

Premium paid on acquisition of non-controlling interests

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

32. REVENUE

	Group	
	2022 $'000	2021 $'000
Point in time		
Sale of products	**133,948**	58,116
Over time		
Service concession income	**377**	513
Provision of wastewater treatment services	**811**	1,187
	135,136	59,816

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

32. REVENUE (CONTINUED)

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

The Group applies the practical expedient in SFRS(I) 15 *Revenue from Contracts with Customers* and does not disclose information about its remaining performance obligation as the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, and it recognises revenue in that amount.

33. PROFIT BEFORE TAX

	Group	
	2022	**2021**
	$'000	**$'000**
Other income		
Fair value gain on investment properties, net	**2,930**	2,300
Gain on disposal of property, plant and equipment	**5**	11
Implicit interest income	**4**	4
Interest income from banks and fixed deposits	**9**	5
Interest on trade overdue	**42**	127
Interest on guaranteed repayment due from a related party	**–**	44
Other rental income	**33**	186
Rental income from investment properties	**382**	276
Grant income	**–**	313
Selling and distribution costs		
Depreciation of property, plant and equipment	**(46)**	(26)
Staff costs (including directors)		
– salaries and other emoluments	**(3,874)**	(3,482)
– employer's contribution to defined contribution plans including Central Provident Fund in Singapore	**(520)**	(446)
Administrative and general costs		
Amortisation of intangible assets	**(136)**	(136)
Depreciation of property, plant and equipment	**(1,597)**	(1,886)
Depreciation of right-of-use assets	**(234)**	(262)
Directors' fees	**(187)**	(189)
Staff costs (including directors)		
– salaries and other emoluments	**(3,559)**	(3,234)
– employer's contribution to defined contribution plans including Central Provident Fund in Singapore	**(379)**	(307)
Audit fees		
– auditor of the Company	**(259)**	(263)
– other auditors	**(65)**	(64)
Non-audit fees		
– auditor of the Company	**(41)**	(39)
– other auditors	**(71)**	(55)
Operating lease expense	**(168)**	(149)
Other operating expenses		
Allowance for slow moving inventories	**(368)**	(1,101)
Amount due from a related party written off	**–**	(1)
Bad debts recovered	**–**	1,365
Foreign currency exchange loss	**(1,671)**	(1,127)
Inventories written off	**(26)**	(220)
Loss on disposal of a subsidiary (Note 7(c))	**(727)**	–
Loss on disposal of property, plant and equipment	**(5)**	(13)
Other expenses	**(686)**	(41)
	(3,483)	(1,138)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

33. PROFIT BEFORE TAX (CONTINUED)

	Group	
	2022 $'000	2021 $'000
Net writeback of impairment loss/(impairment loss) on financial assets		
Non-cash adjustment:		
Impairment loss on trade and other receivables (current)	**(788)**	(301)
Write back of impairment loss on trade receivables (current)	**2,100**	174
Write back of impairment loss on other receivables (non-current)	**2,000**	–
	3,312	(127)
Finance costs		
Interest expense on:		
Bank overdrafts	**(164)**	(193)
Term loans	**(377)**	(508)
Trust receipts	**(837)**	(189)
Lease liabilities	**(175)**	(184)
Amount owing to a related party	**(55)**	(14)
	(1,608)	(1,088)

In previous financial year, government grant of $311,000 was recognised under the Jobs Support Scheme (the "JSS"). Under the JSS, the Singapore Government will co-fund gross monthly wages paid to each local employee through cash subsidies with the objective of helping employers retain local employees. The JSS is a temporary scheme introduced in the Singapore Budget 2020 and had been extended up to 2021 by the Government.

34. EMPLOYEE BENEFITS

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

	Group	
	2022 $'000	2021 $'000
Salaries and bonuses	**7,433**	6,716
Employer's contribution to defined contribution plans including Central Provident Fund in Singapore	**899**	753
	8,332	7,469

35. INCOME TAX EXPENSE

The major components of income tax expense for the years ended 31 December 2022 and 2021 are:

	Group	
	2022 $'000	2021 $'000
Income statement		
Current income tax		
– Current income taxation	**382**	88
– Under provision in respect of previous years	**24**	273
	406	361
Deferred income tax		
– Origination and reversal of temporary differences	**336**	(115)
– Under/(over) provision in respect of previous years	**31**	(53)
	367	(168)
Income tax expense recognised in income statement	**773**	193

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

35. INCOME TAX EXPENSE (CONTINUED)

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

	2022			2021		
	Before tax $'000	**Tax charge $'000**	**After tax $'000**	**Before tax $'000**	**Tax credit $'000**	**After tax $'000**
Group						
Revaluation adjustment on leasehold building	**795**	**(135)**	**660**	(182)	766	584

Relationship between tax expense and accounting profit

A reconciliation between tax expense and the product of accounting profit multiplied by the applicable corporate tax rate for the years ended 31 December 2022 and 2021 is as follows:

	Group	
	2022 %	**2021 %**
Tax at the domestic rates applicable to profits in the countries where the Group operates	**12.7**	8.1
Adjustments:		
Non-deductible expenses	**44.0**	95.7
Income not subject to taxation	**(29.4)**	(128.6)
Benefits from previously unrecognised deferred tax assets	**(23.3)**	–
Deferred tax assets not recognised	**25.8**	44.1
Effect of partial tax exemption	**(2.2)**	(2.1)
Under/(over) provision in respect of previous years	**1.8**	26.6
Share of result of associates	**(4.5)**	(21.4)
Others	**–**	0.9
	24.9	23.3

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

The corporate tax rates applicable to companies incorporated in Singapore and foreign subsidiaries of the Group are 17% (2021: 17%) and from 19% to 25% (2021: 19% to 25%) respectively for the year of assessment 2023 onwards.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

36. EARNINGS PER SHARE

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

As at 31 December 2022 and 2021, diluted earnings per share is similar to basic earnings per share as there were no potential dilutive ordinary shares.

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

	Group	
	2022	**2021**
	$'000	**$'000**
Profit net of tax attributable to owners of the Company used in the computation of earnings per share	**2,504**	334

	2022	**2021**
	No. of shares	**No. of shares**
	'000	**'000**
Weighted average number of ordinary shares on issue (excluding treasury shares) for earnings per share computation	**140,667**	140,667

37. CASH AND CASH EQUIVALENTS

Cash and bank balances and fixed and bank deposits earn interest at floating rates based on daily bank deposit rates. Fixed deposits are placed with banks and mature within 1 month (2021: 1 month) from the reporting date and earn interests at the respective short-term deposit rates.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the end of the financial year.

	Group	
	2022	**2021**
	$'000	**$'000**
Cash and bank balances and fixed and bank deposits	**7,565**	11,490
Less: Bank deposits pledged	**(22)**	(103)
Cash and cash equivalents	**7,543**	11,387

The deposits are pledged for banking facility granted to a subsidiary of the Group.

38. COMMITMENTS AND CONTINGENCIES

Contingent liability

Guarantees

The Company has provided corporate guarantees of $25.9 million (2021: $17.6 million) to financial institutions in relation to certain subsidiaries' bank facilities.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

39. FAIR VALUE OF ASSETS AND LIABILITIES

A) *Fair value hierarchy*

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

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

B) *Assets and liabilities measured at fair value*

The following table shows an analysis of each class of assets measured at fair value at each reporting period:

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
2022				
Group				
Recurring fair value measurements				
Non-financial assets				
Property, plant and equipment				
– Leasehold building	**–**	**–**	**9,100**	**9,100**
Financial assets at FVOCI				
Unquoted equity shares	**–**	**–**	**381**	**381**
Non-recurring fair value measurements				
Assets classified as held for sale				
Investment properties	**–**	**20,830**	**–**	**20,830**
Company				
Recurring fair value measurements				
Financial assets at FVOCI				
Unquoted equity shares	**–**	**–**	**381**	**381**
2021				
Group				
Recurring fair value measurements				
Non-financial assets				
Property, plant and equipment				
– Leasehold building	–	–	8,700	8,700
Investment properties	–	–	17,900	17,900
Financial assets at FVOCI				
Unquoted equity shares	–	–	381	381
Company				
Recurring fair value measurements				
Financial assets at FVOCI				
Unquoted equity shares	–	–	381	381

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

39. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

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

Level 3 fair value measurements

Financial assets at FVOCI – Unquoted equity shares

The fair values of the unquoted equity shares are determined by reference to the equity value of the investee company based on valuation performed by an external valuer. The equity value of the investee company is determined by the external valuer based on discounted cash flow analysis from forecast provided by the investee company covering a three-year period. The weighted average cost of capital applied to the cash flow projection and forecasted growth rate used to extrapolate cash flow projection beyond three-year period are 15% (2021: 12.3%) and 1.6% (2021: 1.7%) respectively.

Non-financial assets – Property, plant and equipment and investment properties

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

Description	Fair value as at 31 December 2022 $'000	Valuation technique	Significant unobservable input	Range
Leasehold building	**9,100**	Direct comparison method	Price per square foot(1)	**$160 – $199**

Description	Fair value as at 31 December 2021 $'000	Valuation technique	Significant unobservable input	Range
Investment properties	17,900	Direct comparison method	Price per square foot(1)	$125 – $305 $1,785 – $2,178
Leasehold building	8,700	Direct comparison method	Price per square foot(1)	$115 – $195

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

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

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

	Group			
	2022 Freehold land and buildings, and leasehold buildings $'000	2021 Freehold land and buildings, and leasehold buildings $'000	2022 Equity investments $'000	2021 Equity investments $'000
At beginning of financial year	**26,600**	25,150	**381**	381
Surplus/(deficit) recognised in other comprehensive income	**795**	(182)	**–**	–
Net fair value gain recognised in income statement	**2,930**	2,300	**–**	–
Depreciation charge	**(395)**	(668)	**–**	–
Reclassification to assets classified as held for sale (transfer to Level 2)	**(20,830)**	–	**–**	–
At end of financial year	**9,100**	26,600	**381**	381
Total gains for the financial year included:				
Other comprehensive income for the year, net of tax:				
Revaluation adjustment on leasehold building	**660**	584	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

39. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

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

	Company	
	2022 Equity investments $'000	**2021 Equity investments $'000**
At beginning and end of financial year	**381**	381

D) *Valuation process applied by the Group*

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

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

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

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

The carrying amount of other receivables (non-current) approximates its fair value as the interest rate of 7% (2021: 7%) per annum is similar to the current market interest rate for similar financial instruments.

The carrying amount of floating rate loans approximate fair value as the loans are repriced within 1 to 6 months from the end of the financial year. The fair value determination is classified in Level 3 of the fair value hierarchy.

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

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	2022		2021	
	Carrying amount $'000	**Fair Value $'000**	**Carrying amount $'000**	**Fair Value $'000**
Company				
Financial asset:				
Loans to subsidiaries	**4,412**	**(a)**	12,862	(a)
Financial liability:				
Amounts due to subsidiaries	**6,641**	**(b)**	8,402	(b)

(a) Fair value information has not been disclosed for the Company's loans to subsidiaries because fair value cannot be measured reliably. Management determined that the loans to subsidiaries are quasi-equity in nature which have no repayment terms and are repayable only when cash flows of the subsidiaries permit.

(b) Fair value information has not been disclosed for the Company's amounts due to subsidiaries because fair value cannot be measured reliably. The amount has no repayment terms and is not expected to be repaid in the near future.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks comprise credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

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

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

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables, amounts due from subsidiaries, associates, related parties and financial receivable. For other financial assets (including fixed and bank deposits and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis to reduce the Group's exposure to bad debt. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the directors. Trade receivables are arranged to be settled via letters of credits issued by reputable banks in countries where the customers are based for first-time customers who wish to trade on credit terms in order to mitigate heightened credit risks arising from revenue growth strategies.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses ("ECL"):

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Counterparty has a low risk of default and does not have any past due amounts.	12-month ECL
Contractual payments that are more than 60 days past due or where there has been significant increase in credit risk since initial recognition. The presumption of significant increase in credit risk after 30 days past due is not suitable for application in the industries that the Group operates in.	Lifetime ECL – not-credit-impaired
Contractual payments that are more than 120 days past due and there is evidence of credit impairment.	Lifetime ECL – credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.	Write-off

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in the value of the security or collateral provided by the debtor; and
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criteria are generally not recoverable.

- Information developed internally or obtained from external sources indicates that the debtor (without collaterals held by the Group) is in significant financial difficulty such that it will have insufficient liquid assets to pay its creditors, including the Group, in full, including:
  - Failure of projects carried out by the debtor, in which the Group is acting as the supplier for the debtor under the project; and
  - Loss of sole or primary source of recurring income by the debtor.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

Exposure to credit risk

As the Group and the Company does not hold any collateral except for the pledged shares as security for the loan to shareholder of an investee company (Note 11), the maximum exposure to credit risk is represented by:

– the carrying amount of each class of financial assets recognised in the statements of financial position; and

– a nominal amount of $25.9 million (2021: $17.6 million) relating to corporate guarantees provided by the Company to financial institutions in relation to certain subsidiaries' bank facilities.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the financial year is as follows:

	Group			
	2022		2021	
	$'000	% of total	$'000	% of total
By country:				
Indonesia	**24,905**	**74.7**	22,287	61.0
People's Republic of China	**1,523**	**4.6**	3,423	9.4
Singapore	**3,817**	**11.4**	4,470	12.2
Thailand	**748**	**2.2**	4,550	12.4
Vietnam	**1,888**	**5.7**	489	1.3
Others	**467**	**1.4**	1,352	3.7
	33,348	**100.0**	36,571	100.0
By industry sectors:				
Oil and Gas	**26,846**	**80.5**	29,151	79.7
Infrastructure	**2,306**	**6.9**	1,504	4.1
Marine	**222**	**0.7**	2,269	6.2
Others	**3,974**	**11.9**	3,647	10.0
	33,348	**100.0**	36,571	100.0

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk (Continued)*

Credit risk concentration profile (Continued)

At the end of the financial year, approximately:

– 79% (2021: 80.7%) of the Group's trade receivables were due from 5 major customers who are from the oil and gas, infrastructure and others industries located in the Asia Pacific region, of which 66.5% (2021: 54.7%) were due from the Group's largest customer; and

– 67% (2021: 67%) of the Group's other receivables and 64% (2021: 75%) of the Company's other receivables were due from one external debtor.

Trade receivables

The Group has applied the simplified approach to measure the lifetime expected credit loss allowance for trade receivables.

Trade receivables that shared the same credit risk characteristics and days past due are grouped together in measuring the expected credit losses.

The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience, adjusted as appropriate to reflect current conditions and forecasts of future economic conditions on the ability of the customers to settle the receivables.

There have been no changes in the estimation techniques or significant assumptions made during the current financial year.

The Group recognised a loss allowance of 100% against trade receivables that are regarded as credit impaired where one or more credit impairment events have occurred.

No loss allowance is provided for certain customers, such as amount due from an investee company as the Group's credit risk is managed through payments from the end customer (who are mainly reputable companies) to the Group's customer into a joint account. Such joint accounts would have the Group as a mandatory payment signatory and hence limit the Group's credit risk exposure.

A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk (Continued)*

Trade receivables (Continued)

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 *Financial Instruments* as at 31 December 2022 and 31 December 2021 are set out in the provision matrix below:

	Weighted average loss rate %	Gross carrying amount $'000	Credit loss allowance $'000	Net carrying amount $'000
Group				
2022				
Current (not past due)	**–**	**2,829**	**–**	**2,829**
1 – 120 days past due	**–**	**10,468**	**–**	**10,468**
More than 120 days past due	**28.4**	**28,006**	**(7,955)**	**20,051**
		41,303	**(7,955)**	**33,348**[(1)]
2021				
Current (not past due)	–	16,694	–	16,694
1 – 120 days past due	0.8	6,418	(52)	6,366
More than 120 days past due	42.3	23,414	(9,903)	13,511
		46,526	(9,955)	36,571[(1)]

(1) Included in the provision matrix of the Group above is an amount of $22,188,000 (2021: $19,989,000) due from an investee company.

Credit quality of financial assets

The table below details the credit quality of the Group's financial assets (other than trade receivables) as at 31 December 2022:

Group	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Other receivables	Lifetime	**18,689**	**(2,135)**	**16,554**
Deposits	Not applicable (Exposure limited)	**18**	**–**	**18**
Financial receivable	Lifetime	**3,256**	**(3,256)**	**–**
Amounts due from associates	12-month	**2,546**	**–**	**2,546**
	Lifetime	**91**	**(91)**	**–**
Fixed and bank deposits	Not applicable (Exposure limited)	**22**	**–**	**22**
Cash and bank balances	Not applicable (Exposure limited)	**7,543**	**–**	**7,543**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk (Continued)*

Credit quality of financial assets (Continued)

The table below details the credit quality of the Group's financial assets (other than trade receivables) as at 31 December 2021:

Group	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Other receivables	Lifetime	17,234	(4,347)	12,887
Deposits	Not applicable (Exposure limited)	30	–	30
Financial receivable	Lifetime	3,553	(3,553)	–
Amounts due from associates	12-month	2,898	–	2,898
	Lifetime	91	(91)	–
Amounts due from related parties	12-month	200	–	200
Fixed and bank deposits	Not applicable (Exposure limited)	103	–	103
Cash and bank balances	Not applicable (Exposure limited)	11,387	–	11,387

The table below details the credit quality of the Company's financial assets as at 31 December 2022:

Company	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Loans to subsidiaries	Lifetime	**96,485**	**(92,073)**	**4,412**
Other receivables	Lifetime	**13,567**	**–**	**13,567**
Deposits	Not applicable (Exposure limited)	**4**	**–**	**4**
Amounts due from subsidiaries	12-month	**4,712**	**–**	**4,712**
	Lifetime	**4,475**	**(2,425)**	**2,050**
Amounts due from associates	Lifetime	**41**	**(41)**	**–**
Cash and bank balances	Not applicable (Exposure limited)	**870**	**–**	**870**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk (Continued)*

Credit quality of financial assets (Continued)

The table below details the credit quality of the Company's financial assets as at 31 December 2021:

Company	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Loans to subsidiaries	Lifetime	101,029	(84,388)	16,641
Other receivables	Lifetime	13,256	(2,000)	11,256
Deposits	Not applicable (Exposure limited)	4	–	4
Amounts due from subsidiaries	12-month	3,478	–	3,478
	Lifetime	2,178	(2,178)	–
Amounts due from associates	Lifetime	41	(41)	–
Cash and bank balances	Not applicable (Exposure limited)	621	–	621

The credit loss exposure for cash and bank balances, fixed and bank deposits, deposits and amounts due from associates are immaterial as at 31 December 2022 and 31 December 2021.

Other receivables

Loan to a shareholder of an investee company of $13,022,000 (2021: $11,022,000) is included within other receivables. In measuring the ECL, management considered the fair value of the pledged shares by reference to the equity value of the investee company based on valuation performed by an external valuer.

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowance.

Loans to and amounts due from subsidiaries

For the loans to and amounts due from subsidiaries where impairment loss allowance is measured using lifetime ECL, the Company assessed the latest performance and financial position of the respective counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using lifetime ECL.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk (Continued)*

Movements in credit loss allowance

There are no movement in the allowance for impairment of financial assets under SFRS(I) 9 *Financial Instruments* during the financial year for the Group and the Company except for the following:

	Trade receivables $'000	Other receivables $'000	Financial receivable $'000	Amounts due from associates $'000
Group				
At 1 January 2021	9,967	4,317	3,389	90
Loss allowance measured/(reversed):				
Lifetime ECL				
– Simplified approach	270	–	–	–
– Credit impaired	–	31	–	–
Written back	(174)	–	–	–
Exchange differences	(108)	(1)	164	1
At 31 December 2021 and 1 January 2022	**9,955**	**4,347**	**3,553**	**91**
Loss allowance measured/(reversed):				
Lifetime ECL				
– Simplified approach	**788**	**–**	**–**	**–**
Written back	**(2,100)**	**(2,000)**	**–**	**–**
Receivables written off as uncollectable	**(4)**	**–**	**–**	**–**
Exchange differences	**(684)**	**(212)**	**(297)**	**–**
At 31 December 2022	**7,955**	**2,135**	**3,256**	**91**

	Loans to subsidiaries $'000	Other receivables $'000	Amounts due from subsidiaries $'000	Amounts due from associates $'000
Company				
At 1 January 2021	83,710	2,000	2,182	41
Receivables written off as uncollectable	–	–	(44)	–
Exchange differences	678	–	40	–
At 31 December 2021 and 1 January 2022	**84,388**	**2,000**	**2,178**	**41**
Loss allowance measured/(reversed):				
Lifetime ECL				
– Credit impaired	**8,193**	**–**	**304**	**–**
Written back	**–**	**(2,000)**	**–**	**–**
Exchange differences	**(508)**	**–**	**(57)**	**–**
At 31 December 2022	**92,073**	**–**	**2,425**	**41**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk (Continued)*

Financial guarantee

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9 *Financial Instruments*. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations and does not expect significant credit losses arising from these guarantees.

(b) *Liquidity risk*

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group's and the Company's liquidity risk management policy is that the maturity of loans and borrowings would match that of the estimated future cash flows of the projects and trading activities. The Group maintains sufficient liquid financial assets and stand-by credit facilities with 4 (2021: 4) different financial institutions. At the end of the financial year, approximately 93% (2021: 77%) of the Group's loans and borrowings (Note 25 and Note 26) will mature in less than one year based on the carrying amount reflected in the financial statements.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the financial year based on contractual undiscounted repayment obligations:

	2022				2021			
	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Group								
Financial liabilities:								
Trade and other payables	**15,879**	**–**	**–**	**15,879**	19,669	–	–	19,669
Amounts due to related parties	**1,675**	**–**	**–**	**1,675**	2,190	–	–	2,190
Loans and borrowings	**25,392**	**1,872**	**–**	**27,264**	14,866	4,548	–	19,414
Lease liabilities	**274**	**876**	**2,773**	**3,923**	364	1,267	3,594	5,225
Total undiscounted financial liabilities	**43,220**	**2,748**	**2,773**	**48,741**	37,089	5,815	3,594	46,498
Company								
Financial liabilities:								
Other payables	**538**	**–**	**–**	**538**	414	–	–	414
Amounts due to subsidiaries	**865**	**–**	**6,641**	**7,506**	871	–	8,402	9,273
Total undiscounted financial liabilities	**1,403**	**–**	**6,641**	**8,044**	1,285	–	8,402	9,687

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

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

	2022				2021			
	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Company								
Financial guarantees*	**25,876**	**–**	**–**	**25,876**	17,597	–	–	17,597

* At each reporting period, the maximum exposure of the Company in respect of the intra-group financial guarantee based on facilities drawndown by the subsidiaries is $25,876,000 (2021: $17,597,000). The Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and interest-bearing loans given to related parties.

The Group's policy is to manage interest cost by using a mix of fixed and floating rate debts. At the end of the financial year, 20% (2021: 45%) of the Group's borrowings are at fixed rates of interest.

Sensitivity analysis for interest rate risk

The sensitivity analysis for interest rate is not disclosed as the effect on the income statement is considered not significant.

(d) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, United States Dollar ("USD") and British Pound ("GBP"). The foreign currencies in which these transactions are denominated are mainly USD and SGD.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the financial year, such foreign currency balances are mainly in USD for the Group and the Company.

The Group does not use derivative financial instruments to protect against the volatility associated with its foreign currency investments. The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including United Kingdom, Indonesia, the PRC and Thailand. The Group's investment in its Singapore incorporated subsidiaries are hedged by USD denominated bank borrowings, which mitigates structural currency in exposures arising from the subsidiaries' net assets. The Group's net investments in subsidiaries in USD, GBP, IDR, Renminbi ("RMB") and Thai Baht ("THB") functional currency are not hedged as these currencies positions are considered to be long-term in nature.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (Continued)

The Group's and the Company's major foreign currency exposure against the respective functional currencies of the Group and the Company entities based on the information provided by management is as follows:

Group	Denominated in USD $'000
2022	
Financial assets	
– Trade receivables	**24,120**
– Other receivables	**2,245**
– Amounts due from related companies	**4,168**
– Cash and bank balances	**4,457**
	34,990
Financial liabilities	
– Trade payables	**1,855**
– Other payables	**1,454**
– Amounts due to banks	**15,024**
– Amounts due to related companies	**3,878**
	22,211
Currency exposure on net financial assets	**12,779**
2021	
Financial assets	
– Trade receivables	23,331
– Other receivables	1,286
– Amounts due from related companies	4,076
– Cash and bank balances	9,101
	37,794
Financial liabilities	
– Trade payables	7,354
– Other payables	497
– Amounts due to banks	3,423
– Amounts due to related companies	3,901
	15,175
Currency exposure on net financial assets	22,619

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (Continued)

Company	**Denominated in USD $'000**
2022	
Financial assets	
– Other receivables	**532**
– Amounts due from subsidiaries	**1,332**
– Loans to subsidiaries	**4,412**
– Cash and bank balances	**523**
	6,799
Financial liabilities	
– Other payables	**191**
– Amounts due to subsidiaries	**7,029**
	7,220
Currency exposure on net financial liabilities	**(421)**
2021	
Financial assets	
– Other receivables	227
– Amounts due from subsidiaries	1,088
– Loans to subsidiaries	6,349
– Cash and bank balances	551
	8,215
Financial liabilities	
– Other payables	193
– Amounts due to subsidiaries	8,792
	8,985
Currency exposure on net financial liabilities	(770)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (Continued)

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of a reasonably possible change in the USD exchange rates (against SGD), with all other variables held constant, of the Group's and the Company's profit/(loss) net of tax.

			Increase/ (decrease) profit net of tax 2022 $'000	Increase/ (decrease) profit net of tax 2021 $'000
Group				
USD	–	strengthened 5.0% (2021: 5.0%)	**530**	939
	–	weakened 5.0% (2021: 5.0%)	**(530)**	(939)

			(Increase)/ decrease loss net of tax 2022 $'000	(Decrease)/ increase profit net of tax 2021 $'000
Company				
USD	–	strengthened 5.0% (2021: 5.0%)	**(17)**	(32)
	–	weakened 5.0% (2021: 5.0%)	**17**	32

41. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2022 and 2021.

As disclosed in Note 31, subsidiaries in the PRC are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2022 and 2021.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

41. CAPITAL MANAGEMENT (CONTINUED)

The Group monitors capital using a gearing ratio, which is total debt divided by equity. The Group's policy is to ensure that the gearing ratio does not exceed 2.0. The Group's total debt includes amounts due to banks and term loans. Equity includes the amount attributable to the owners of the Company less other reserves (Note 31).

	Group	
	2022 **$'000**	**2021** **$'000**
Amounts due to banks (Note 25)	**18,548**	7,225
Term loans (Note 26)	**8,373**	11,745
	26,921	18,970
Equity attributable to the owners of the Company	**84,416**	80,023
Less: Other reserves (Note 31)	**1,133**	1,133
Total equity	**85,549**	81,156
Gearing ratio	**0.31**	0.23

42. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below are the carrying amounts of the Group's and the Company's financial assets and financial liabilities that are carried on the statements of financial position:

	Group		Company	
	2022 **$'000**	**2021** **$'000**	**2022** **$'000**	**2021** **$'000**
Financial assets				
At fair value through other comprehensive income (Note 10)	**381**	381	**381**	381
At amortised cost	**60,031**	64,076	**21,203**	19,137
At cost	**–**	–	**4,412**	12,862
	60,412	64,457	**25,996**	32,380
Financial liabilities				
At amortised cost	**46,901**	44,136	**1,356**	1,285
At cost	**–**	–	**6,641**	8,402
	46,901	44,136	**7,997**	9,687

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

43. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services, and has six reportable operating segments as follows:

I. Trading segment is a supply of assembly and distribution of flowline control products, distribution of oilfield drilling equipment for use on onshore and offshore rigs and drilling platforms, provision of complete fire protection and detection systems, as well as electrical products for the marine, coal mining, oil and gas, petrochemical and pharmaceutical industries. In these respects, the Group offers products and related services in the areas of oil and gas, power, petrochemical and pharmaceutical industries.

II. Manufacturing/Design/Research and Development segment is involved in research, development, design and manufacture of flowline control products, high pressure and temperature valves and related oilfield products.

III. Marine Logistics segment is in the business of chartering of vessels to the offshore oil and gas and other related industries.

IV. Energy and Utilities segment is involved in procurement and construction projects of waste water treatment facility and provision of wastewater treatment services to the end-users.

V. Resources segment is in the business of sales and mining of coal and other natural resources.

VI. Corporate and Others segment is involved in Group level corporate services and treasury functions and operating and maintenance of oil and gas facility services.

Geographical Information

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. Others include countries such as Malaysia, Philippines, United Kingdom, etc.

Non-current assets consist of property, plant and equipment, investment properties, right-of-use assets, investment in associates and intangible asset as presented in the Group's statements of financial position.

Information about major customers

During the financial year, there was 1 customer (2021: 2 customers) which contributed at least 10% of the Group's revenue at $95,355,000 (2021: $15,798,000 and $10,425,000 respectively). The revenue is attributable to the trading segment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

43. SEGMENT INFORMATION (CONTINUED)

Business segments

	Trading		Manufacturing/ Design/Research and Development		Marine Logistics		Energy and Utilities		Resources		Corporate/Others		Eliminations		Note	Group	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000	2022 $'000	2021 $'000		2022 $'000	2021 $'000
Revenue:																	
External customers	**130,787**	55,732	**2,344**	1,324	**–**	–	**2,005**	2,760	**–**	–	**–**	–	**–**	–		**135,136**	59,816
Intersegment sales	**48**	27	**477**	455	**–**	–	**–**	–	**–**	–	**2,820**	2,880	**(3,345)**	(3,362)	A	**–**	–
Total revenue	**130,835**	55,759	**2,821**	1,779	**–**	–	**2,005**	2,760	**–**	–	**2,820**	2,880	**(3,345)**	(3,362)		**135,136**	59,816
Result:	**9,721**	4,498	**177**	(35)	**(1,078)**	950	**(151)**	19	**(2,200)**	199	**(96)**	(1,048)	**1,870**	(1,449)	B	**8,243**	3,134
Depreciation and amortisation	**(922)**	(1,268)	**(123)**	(151)	**–**	–	**(4)**	(4)	**–**	–	**(988)**	(1,017)	**24**	130		**(2,013)**	(2,310)
Other non-cash (expenses)/income	**(366)**	(1,049)	**(27)**	(7)	**–**	(1)	**–**	178	**–**	–	**–**	922	**–**	–	C	**(393)**	43
Writeback of impairment loss/ (impairment loss) on financial assets	**1,346**	(127)	**–**		**–**	–	**(34)**	–	**–**	–	**2,000**	–	**–**	–	D	**3,312**	(127)
Finance costs	**(1,842)**	(1,302)	**(24)**	(29)	**–**	–	**–**	–	**–**	–	**–**	(1)	**258**	244		**(1,608)**	(1,088)
Interest income																**55**	136
Share of results of associates																**815**	1,038
Impairment loss on investment in associate																**(5,300)**	–
Profit before tax																**3,111**	826
Income tax expense																**(773)**	(193)
Profit net of tax																**2,338**	633
Assets:	**113,751**	130,381	**1,876**	2,226	**3,454**	3,862	**3,366**	4,819	**–**	–	**80,897**	89,226	**(91,269)**	(115,756)	E	**112,075**	114,758
Investment in associates	**–**	–	**–**	–	**2,962**	7,626	**–**	–	**–**	–	**1,302**	1,352	**–**	–		**4,264**	8,978
Unallocated assets																**1,836**	2,328
Total assets																**118,175**	126,064
Liabilities:	**(73,713)**	(98,478)	**(5,600)**	(6,433)	**(86,556)**	(86,482)	**(9,767)**	(13,106)	**(53,957)**	(54,108)	**(43,585)**	(45,197)	**222,051**	240,081	F	**(51,127)**	(63,723)
Unallocated liabilities																**(1,793)**	(1,548)
Total liabilities																**(52,920)**	(65,271)
Other segment information:																	
Additions to non-current assets																	
– Property, plant and equipment	**513**	108	**6**	71	**–**	–	**5**	2	**–**	–	**–**	–	**–**	–		**524**	181
– Right-of-use assets	**70**	6	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–		**70**	6
– Investment properties	**–**	4,100	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–		**–**	4,100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

43. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

Notes:

A Inter-segment revenue are eliminated on consolidation.

B The following items are deducted from segment profit to arrive at the segment results:

	2022 $'000	2021 $'000
Interest income from inter-segments	**365**	404
Interest expense from inter-segments	**(366)**	(415)
(Loss)/profit from inter-segments operation	**(1,554)**	565
Exchange differences on quasi-equity loans	**4,925**	(2,003)
Dividend from subsidiaries	**(1,500)**	–
	1,870	(1,449)

C Other non-cash (expenses)/income consist of allowance for slow moving inventories, inventories written off and bad debts recovered as presented in the respective notes to the financial statements.

D Writeback of impairment loss/(impairment loss) on financial assets consist of write back of impairment loss on trade receivables (current) and other receivables (non-current), and impairment loss on trade and other receivables (current) as presented in the respective notes to the financial statements.

E The elimination refers to inter-segment assets.

F The elimination refers to inter-segment liabilities.

Geographical segments

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

	Revenue		Non-current assets	
	2022 $'000	2021 $'000	2022 $'000	2021 $'000
Indonesia	**99,850**	12,162	**3,941**	9,706
Japan	**48**	64	**1,302**	1,352
People's Republic of China	**9,020**	14,442	**15**	15
Singapore	**12,535**	12,416	**12,230**	30,347
Thailand	**5,177**	16,161	**–**	–
Vietnam	**2,908**	637	**–**	–
Others	**5,598**	3,934	**337**	503
	135,136	59,816	**17,825**	41,923

Non-current assets information presented above consist of property, plant and equipment, investment properties, right-of-use assets, investment in associates and intangible assets as presented in the Group's statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

44. RELATED PARTY TRANSACTIONS

(a) *Other related party transactions*

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group	
	2022	**2021**
	$'000	**$'000**
Amount recovered from a director of certain subsidiaries[1]	**–**	922
Purchases of goods and services from an associate	**(2)**	–
Rental paid to a director of certain subsidiaries	**(37)**	(38)
Sales of goods and services to an associate	**1**	–
Secretarial and professional fee paid to director-related firms[2]	**(39)**	(27)
(Repayments of)/additions to amount due to a director of certain subsidiaries	**(327)**	376
Repayment of amount due from a director of certain subsidiaries	**200**	–
(Repayment of)/addition to advances from a director of the Company	**(20)**	20
Repayment of loan received from an associate	**339**	–
Settlement of amount due from a related party[3]	**–**	(3,773)

(1) The amount recovered in 2021 related to a debt guaranteed by the director.

(2) During the current financial year, secretarial and professional services were provided by entity which is controlled by one of the independent directors of the Company. $Nil (31 December 2021: $3,000) was outstanding at the end of current financial year.

(3) The related party refers to a non-controlling interest ("NCI") of a subsidiary where the Group and the NCI each took up a loan from the subsidiary. The loans were settled through a capital reduction of the subsidiary during 2021.

(b) *Compensation of key management personnel ("KMP")*

	Group	
	2022	**2021**
	$'000	**$'000**
Directors' fees	**187**	189
Short-term employee benefits	**1,947**	1,586
Defined contributions	**99**	75
Other short-term benefits	**70**	65
Total compensation paid to KMP	**2,303**	1,915
Comprise of amounts paid to:		
Directors of the Company	**1,182**	1,231
Other KMP	**1,121**	684
	2,303	1,915

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2022

45. SUBSEQUENT EVENT

On 16 January 2023 and 17 February 2023, the Company's wholly-owned subsidiary, Federal Hardware Engineering Co Pte Ltd, has fulfilled all conditions precedent as set out in the sale and purchase agreement and options to purchase and completed its sale of 11 Tuas Avenue 1 property ("Tuas property") and 47, 49 Genting Road properties ("Genting properties") for a consideration of $4,030,000 and $16,800,000 respectively.

46. AUTHORISATION OF FINANCIAL STATEMENT FOR ISSUE

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a resolution of the directors on 31 March 2023.

STATISTICS OF SHAREHOLDINGS

AS AT 24 MARCH 2023

Class of shares	:	Ordinary shares
Total number of shares (including treasury shares)	:	140,767,484 ordinary shares
Total number of shares (excluding treasury shares)	:	140,667,484 ordinary shares
Number and Percentage of treasury shares held	:	100,000 (0.07%)
Number of subsidiary holdings held	:	Nil
Voting rights (excluding treasury shares)	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 99	196	5.23	3,130	0.00
100 – 1,000	694	18.51	374,179	0.27
1,001 – 10,000	1,897	50.58	8,500,542	6.04
10,001 – 1,000,000	950	25.33	50,346,469	35.79
1,000,001 and above	13	0.35	81,443,164	57.90
	3,750	100.00	140,667,484	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Koh Kian Kiong	28,854,400	20.51
2.	Citibank Nominees Singapore Pte Ltd	17,499,316	12.44
3.	DBS Nominees Pte Ltd	14,558,778	10.35
4.	KGI Securities (Singapore) Pte. Ltd	4,485,500	3.19
5.	Phillip Securities Pte Ltd	2,968,035	2.11
6.	Gu Jian Lin	2,698,500	1.92
7.	Koh May Ling Judy (Xu Meiling Judy)	2,264,200	1.61
8.	Ling Kee Poh	1,650,000	1.17
9.	United Overseas Bank Nominees Pte Ltd	1,544,070	1.10
10.	Koh Tin Yock	1,450,300	1.03
11.	Koh Yan Yock	1,215,400	0.86
12.	UOB Kay Hian Pte Ltd	1,198,965	0.85
13.	Yang, Kai – Ting	1,055,700	0.75
14.	Raffles Nominees (Pte) Limited	929,204	0.66
15.	Foo Tiang Ann	800,000	0.57
16.	Chan Keng Mun	798,500	0.57
17.	Tang Joo Kok	787,700	0.56
18.	Chan Tat Soon	780,000	0.55
19.	Phang Yeh Fenn	754,300	0.54
20.	OCBC Nominees Singapore Pte Ltd	715,412	0.51
	Total	87,008,280	61.85

STATISTICS OF SHAREHOLDINGS

AS AT 24 MARCH 2023

SHAREHOLDING OF THE SUBSTANTIAL SHAREHOLDERS

(As recorded in the Register of Substantial Shareholders as at 24 March 2023)

Name	Direct Interest	%	Deemed Interest	%
Fame Asia Limited[(i)]	16,055,989	11.41	–	–
Leung Kwok Hung, Jonathan[(ii)]	–	–	16,055,989	11.41
Yang Yi-Chung[(iii)]	9,736,174	6.92	–	–
Koh Kian Kiong	28,854,400	20.51	–	–

Notes:

(i) Fame Asia Limited has 16,055,989 ordinary shares held under the name of Citibank Nominees Singapore Pte Ltd.

(ii) Mr Leung Kwok Hung, Jonathan has a deemed interest in 16,055,989 ordinary shares held by Fame Asia Limited.

(iii) Yang Yi-Chung has 9,736,174 ordinary shares held under the name of DBS Nominees Pte Ltd.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 24 March 2023, there were approximately 56.05% of the Company's total number of issued ordinary shares (excluding preference shares, convertible equity securities and treasury shares) held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of FEDERAL INTERNATIONAL (2000) LTD (the "**Company**") will be held on Friday, 28 April 2023 at 10:00 a.m. at 12 Chin Bee Drive, Singapore 619868 for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2022 together with the Auditor's Report thereon. **(Resolution 1)**

2. (a) To re-elect Ms Maggie Koh, a Director of the Company retiring pursuant to Regulation 91 of the Constitution of the Company. **(Resolution 2)**

   (b) To re-elect Mr Hoon Tai Meng, a Director of the Company retiring pursuant to Regulation 91 of the Constitution of the Company. [See Explanatory Note (i)] **(Resolution 3)**

   (c) To re-elect Mr Heng Yeow Teck, Malcolm, a Director of the Company retiring pursuant to Regulation 97 of the Constitution of the Company. [See Explanatory Note (ii)] **(Resolution 4)**

3. To approve the Directors' fees of S$190,000 to Non-Executive and Independent Directors of the Company for the financial year ending 31 December 2023, to be paid quarterly in arrears (FY2022: S$190,000). **(Resolution 5)**

4. To re-appoint Baker Tilly TFW LLP as the Auditor of the Company and to authorise the Directors of the Company to fix its remuneration. **(Resolution 6)**

5. To transact any other ordinary business which may be properly transacted at the Annual General Meeting of the Company.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

6. Authority to issue shares

That pursuant to Section 161 of the Companies Act 1967 ("**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

(a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

(b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

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

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (iii)] **(Resolution 7**)

By Order of the Board

Sam Kwai Hoong
Noraini Binte Noor Mohamed Abdul Latiff
Company Secretaries

Singapore, 12 April 2023

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

(i) Mr Hoon Tai Meng will, upon re-election as a Director of the Company, remain as the Lead Independent Director, the Chairman of the Audit Committee and the Nominating Committee and a member of the Remuneration Committee of the Company. Mr Hoon Tai Meng will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

(ii) Mr Heng Yeow Teck, Malcolm will, upon re-election as a Director of the Company, remain as an Independent Director, a member of the Audit Committee and the Remuneration Committee of the Company. Mr Heng Yeow Teck, Malcolm will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

(iii) Resolution 7, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding the aggregate 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) may be issued other than on a pro-rata basis to shareholders of the Company, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when Resolution 7 is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Notes:

The AGM will be held physically and members are invited to attend the AGM physically ("Physical AGM"). There will be no option for members to participate the Physical AGM virtually.

1. Access to Documents or Information Relating to the AGM

Printed copies of this Notice of AGM, Proxy Form, and Annual Report will NOT be sent to members. These documents are available to members by electronic means only via publication on the SGX website at https://www.sgx.com/securities/company-announcements or at https://federal-int.com.sg.

2. Submission of Proxy Form to Vote

A member of the Company entitled to attend and vote at the AGM is entitled to appoint not more than 2 proxies to attend and vote in his/her stead. A proxy need not be a member of the Company.

A member who is not a relevant intermediary (as defined in section 181 of the Singapore Companies Act 1967) is entitled to appoint not more than 2 proxies and where 2 proxies are appointed, shall specify the proportion of shareholding to be represented by each proxy.

A member who is a relevant intermediary is entitled to appoint more than 2 proxies and where such member's proxy form appoints more than 1 proxy, the number of and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form. Each proxy must be appointed to exercise the rights attached to the different share or shares held by such member.

In any case where more than 1 proxy is appointed, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form. If no such proportion or number is specified, the first named proxy may be treated as representing 100 per cent of the shareholding and any second named proxy as an alternate to the first named.

Investors holding shares under the Central Provident Fund Investment Schemes ("**CPF Investors**") and/or Supplementary Retirement Scheme ("**SRS Investors**") should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least 7 working days before the AGM (ie. by 10.00 a.m. on 18 April 2023). CPF/SRS Investors should contact their respective CPF Agent Banks or SRS Operators for any queries they may have with regard to the appointment of proxy for the AGM.

The instrument appointing a proxy, together with the power of attorney or other authority under which it is signed (if applicable) or a duly certified copy thereof, must be submitted in the following manner:

(a) if submitted by post, be deposited to the registered office of the Company at 12 Chin Bee Drive, Singapore 619868; or

(b) if submitted by email, be sent to FIshareholders_queries@federal-int.com.sg using a clear scanned signed form in PDF,

in each case, by 10.00 a.m. on 26 April 2023 being not less than 48 hours before the time appointed for the holding of the AGM.

The Company shall be entitled to reject the 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 the instrument appointing a proxy or proxies. In addition, in the case of shares entered in the Depository Register (as defined in Section 81F of the SFA), 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/her name in the Depository Register as at 72 hours before the time appointed for holding the AGM (i.e. by 10.00 a.m. on 25 April 2023), as certified by The Central Depository (Pte) Limited to the Company.

A corporation which is a member of the Company may authorise by resolutions of its directors or other governing body, such person as it thinks fit to act as its representative at the meeting.

The instrument appointing a proxy must be signed by the appointor or his/her attorney duly authorised in writing. Where the instrument appointing a proxy is executed by a corporation, it shall be executed either under its common seal or under the hand of any officer or attorney duly authorised. The power of attorney or other authority, if any, under which the instrument of proxy is signed on behalf of the member or duly certified copy of that power of attorney or other authority (failing previous registration with the Company) shall be attached to the instrument of proxy, failing which the instrument may be treated as invalid.

NOTICE OF ANNUAL GENERAL MEETING

3. Submission of Questions in Advance

Members may submit their questions in relation to the business of the AGM by email to FIshareholders_queries@federal-int.com.sg. All questions must be submitted at least 7 calendar days from the date of this Notice of AGM, i.e. by **10.00 a.m. on 20 April 2023** ("**Cut-Off Time**"). After the Cut-Off Time, if there are subsequent clarifications or follow-up on the questions submitted, these will be addressed at the Physical AGM.

The Company will endeavor to address questions which are substantial and relevant and received from members who are verifiable against the Depository Register or the Register of Members.

Verified members and Proxy(ies) attending the Physical AGM will be able to ask questions in person at the AGM venue. The Company will, within 30 days after the date of the AGM, publish the minutes of the AGM on SGXNET and the Company's website and the minutes will include the responses to the questions referred to above.

4. General

The Company shall be entitled to reject the 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 the instrument appointing a proxy or proxies. In addition, in the case of Shares 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/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the AGM of the Company, as certified by The Central Depository (Pte) Limited to the Company.

Members are strongly encouraged to submit completed proxy forms electronically via email.

PERSONAL DATA PRIVACY

By attending the Physical AGM and/or any adjournment thereof and/or submitting the Proxy Form appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Physical AGM and/or any adjournment thereof, a member of the Company (a) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purpose of the processing and administration by the Company (or its agents or service providers) of proxies and representatives appointed for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof), and in order for the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"), and (b) 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 or service providers), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents or service providers) of the personal data of such proxy(ies) and/or representative(s) for the Purposes and (c) 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.

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE AGM ON FRIDAY, 28 APRIL 2023
[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1]

Name of Director	**Ms Maggie Koh**	**Mr Hoon Tai Meng**	**Mr Heng Yeow Teck, Malcolm**
Date of Appointment	19 June 2000	13 August 2020	17 May 2022
Date of last re-appointment (if applicable)	19 June 2020	28 April 2021	N/A
Age	55	71	45
Country of principal residence	Singapore	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board has considered the Nominating Committee recommendation and assessments of Ms Koh's qualifications and experiences and is satisfied that she will continue to contribute relevant knowledge, skills and experience to the Board.	The Board has considered the Nominating Committee recommendation and assessments of Mr Hoon's qualifications and experiences and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.	The Board has considered the Nominating Committee recommendation and assessments of Mr Heng's qualifications and experiences and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive Ms Maggie Koh assists the Board in business and strategic planning including managing the Group's overall business development and expansion. As part of her corporate role, Ms Koh oversees the trading business of the Group and leads with a strategic role in operations, including Quality Control management, Research & Development management, and management of the Group's subsidiaries. Ms Koh has over 27 years of experience in the oil and gas industries.	Non-executive	Non-executive

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE AGM ON FRIDAY, 28 APRIL 2023
[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1]

Name of Director	Ms Maggie Koh	Mr Hoon Tai Meng	Mr Heng Yeow Teck, Malcolm
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Committee (Member)	Lead Independent Director Audit Committee (Chairman) Nominating Committee (Chairman) Remuneration Committee (Member)	Independent Director Audit Committee (Member) Remuneration Committee (Member)
Professional qualifications	Master in Business Administration	Bachelor of Commerce degree in Accountancy Bachelor of Laws (Hons) Fellow of the Institute of Chartered Accountants of Singapore Fellow of the Chartered Institute of Management Accountants (UK) Fellow of the Association of Chartered Certified Accountants (UK) Barrister-at-law (Middle Temple)	Master of Business Administration Bachelor of Commerce Institute of Singapore Chartered Accountants (Singapore) CPA Australia Chartered Institute of Management Accountants (UK) Institute of Internal Auditors Singapore Institute of Director Singapore Chartered Tax Professionals
Working experience and occupation(s) during the past 10 years	From June 2000 to present: Executive Director of the Company From November 1999 to present: Director of subsidiaries and associated companies of the Federal Group	From 2018 to present: Senior Consultant of RHTLaw Asia LLP From 2018 to 2011: Executive Director of Chip Eng Seng Corporation Ltd From 2007 to 2011: Partner of KhattarWong LLP	From May 2008 to present: Partner of Heng Lee Seng LLP
Shareholding interest in the listed issuer and its subsidiaries	Yes	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE AGM ON FRIDAY, 28 APRIL 2023
[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1]

Name of Director	**Ms Maggie Koh**	**Mr Hoon Tai Meng**	**Mr Heng Yeow Teck, Malcolm**
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Yes	No	No
Conflict of interest (including any competing business)	No	No	No
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes	Yes
Other Principal Commitments[(1)]: including Directorships	No	Senior Consultant, RHTLaw Asia LLP	Partner, Heng Lee Seng LLP Director, HLS Corporate Services Pte. Ltd. Director, HLS Tax Advisory Services Pte. Ltd. Director, HLS Risk Advisory Services Pte. Ltd.
Past (for the last 5 years)	No	Yes Listed companies: Chip Eng Seng Corporation Ltd Pavilion Holdings Ltd Sin Ghee Huat Corporation Ltd Koufu Group Limited	No
Present	Listed companies: Federal International (2000) Ltd Other principal directorships: Subsidiaries and associated companies of the Federal Group Major Appointments (other than directorships): Nil	Listed companies: Aedge Group Limited Hock Lian Seng Holdings Limited Spindex Industries Limited Other principal directorships: Nil Major Appointments (other than directorships): Nil	Listed companies: Federal International (2000) Ltd Other principal directorships: HLS Corporate Services Pte. Ltd. HLS Tax Advisory Services Pte. Ltd. HLS Risk Advisory Services Pte. Ltd. Major Appointments (other than directorships): Nil

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE AGM ON FRIDAY, 28 APRIL 2023
[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1]

Name of Director	Ms Maggie Koh	Mr Hoon Tai Meng	Mr Heng Yeow Teck, Malcolm
Information required Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.			
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him/her or against a partnership of which he/she was a partner at the time when he/she was a partner or at any time within 2 years from the date he/she ceased to be a partner?	No	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jursdiction was filed against an entity (not being a partnership) of which he/she was a director or an equivalent person or a key executive, at the time when he/she was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he/she ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No	No
(c) Whether there is any unsatisfied judgment against him/her?	No	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE AGM ON FRIDAY, 28 APRIL 2023
[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1]

Name of Director	Ms Maggie Koh	Mr Hoon Tai Meng	Mr Heng Yeow Teck, Malcolm
(d) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such purpose?	No	No	No
(e) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such breach?	No	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him/her in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his/her part, or he/she has been the subject of any civil proceedings (including any pending civil proceedings of which he/she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his/her part?	No	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE AGM ON FRIDAY, 28 APRIL 2023
[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1]

Name of Director	Ms Maggie Koh	Mr Hoon Tai Meng	Mr Heng Yeow Teck, Malcolm
(g) Whether he/she has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No	No
(h) Whether he/she has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No	No
(i) Whether he/she has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him/her from engaging in any type of business practice or activity?	No	No	No
(j) Whether he/she has ever, to his/her knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:			
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE AGM ON FRIDAY, 28 APRIL 2023
[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1]

Name of Director	Ms Maggie Koh	Mr Hoon Tai Meng	Mr Heng Yeow Teck, Malcolm
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he/she was so concerned with the entity or business trust?	No	No	No
(k) Whether he/she has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No	No

Note:
1 "Principal Commitments" has the same meaning as defined in the Code.

FEDERAL INTERNATIONAL (2000) LTD
(Company Registration No. 199907113K)
(Incorporated In the Republic of Singapore)

PROXY FORM

This form of proxy has been made available on SGXNet and the Company's website and can be accessed at https://federal-int.com.sg. A printed copy of this form of proxy will NOT be despatched to members.

IMPORTANT:
This Proxy Form is not valid for use by investors who hold shares in the Company through relevant intermediaries (as defined in Section 181 of the Singapore Companies Act), including CPF/SRS investors, and shall be ineffective for all intents and purposes if used or purported to be used by them. Such investors (including CPF/SRS investors), if they wish to vote, should contact their respective relevant intermediaries as soon as possible to specify voting instructions. CPF/SRS investors should approach their respective CPF Agent Banks or SRS Operators at least 7 working days before the AGM to specify voting instructions.

I/We*,____ (Name)

____________________________________ (NRIC/Passport/Company Registration No.*)

of ____ (Address)

being a member/members* of **FEDERAL INTERNATIONAL (2000) LTD** (the "**Company**"), hereby appoint:

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares	%

*and/or (delete as appropriate)

Name	Address	NRIC/Passport Number	Proportion of Shareholdings	
			No. of Shares	%

or failing him/her, the Chairman of the annual general meeting ("**AGM**") of the Company, as my/our proxy/proxies to attend and to vote for me/us on my/our behalf at the AGM to be held on Friday, 28 April 2023, at 10.00 a.m. at 12 Chin Bee Drive, Singapore 619868 and at any adjournment thereof.

I/We direct my/our proxy/proxies to vote for or against the resolution to be proposed at the AGM as indicated hereunder. In the absence of specific directions, the proxy/proxies will vote or abstain as he/she/they may think fit, as he/she/they will on any other matters arising at the AGM.

No.	Ordinary Resolutions relating to:	No. of Shares For**	No. of Shares Against**	No. of Shares Abstain**
1.	To receive and adopt Directors' Statement and Audited Financial Statements of the Company for financial year ended 31 December 2022 together with Auditor's Report thereon			
2.	To re-elect Ms Maggie Koh as a Director of the Company			
3.	To re-elect Mr Hoon Tai Meng as a Director of the Company			
4.	To re-elect Mr Heng Yeow Teck, Malcolm as a Director of the Company			
5.	To approve the Directors' fees of S$190,000 to Non-Executive and Independent Directors of the Company for financial year ending 31 December 2023, to be paid quarterly in arrears			
6.	To re-appoint Baker Tilly TFW LLP as Auditor of the Company and to authorise the Directors to fix its remuneration			
7.	To approve the authority to issue shares			

* *Delete where inapplicable*
** *Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate. If you tick the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution.*

Dated this ________day of ____________ 2023

Total No. of Shares in:	No. of Shares
(a) Depository Register	
(b) Register of Members	

____
Signature of Shareholder(s)/
Common Seal of Corporate Shareholder

IMPORTANT: PLEASE READ NOTES OVERLEAF BEFORE COMPLETING THIS PROXY FORM.

Notes

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register (as defined in Section 81SF of the SFA), you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, this Proxy Form shall be deemed to relate to all the Shares held by you.

2. A member of the Company entitled to attend and vote at the AGM is entitled to appoint 1 or 2 proxies to attend and vote in his/her stead. A proxy need not be a member of the Company. Where a member appoints more than 1 proxy, the member must specify the proportion of shareholdings (expressed as a percentage of the whole) to be represented by each proxy. If no proportion of shareholdings is specified, the proxy whose name appears first shall be deemed to carry 100% of the shareholdings of his/her appointor and the proxy whose name appears after shall be deemed to be appointed in the alternate.

3. If the instrument appointing a proxy is returned without any indication as to how the proxy shall vote, the proxy will vote or abstained as he/she thinks fit. If the instrument appointing a proxy is returned without the name of the proxy indicated, the instrument appointing a proxy shall be invalid.

4. If the appointor is an individual, the instrument appointing a proxy shall be signed by the appointor or his/her attorney. If the appointor is a corporation, the instrument appointing a proxy shall be either given under its common seal or signed on its behalf by an attorney or a duly authorised officer of the corporation. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM.

5. The signature on the instrument appointing a proxy need not be witnessed. Where an instrument appointing a proxy is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing a proxy, failing which the instrument may be treated as invalid.

6. CPF or SRS investors who wish to vote should approach their respective CPF Agent Banks or SRS Operators to submit their votes at least seven (7) working days before the AGM in order to allow sufficient time for their respective relevant intermediaries to submit a proxy form to vote on their behalf by the cut-off date. "Relevant intermediary" has the meaning as defined in section 181 of Companies Act 1967 of Singapore.

7. The instrument appointing a proxy of the Meeting must be submitted to the Company in the following manner:

   (a) if in hard copy by post, be lodged at the registered office of the Company located at 12 Chin Bee Drive, Singapore 619868; or

   (b) if by email, be received by FIshareholders_queries@federal-int.com.sg.

   in either case, **no later than 10.00 a.m., on 26 April 2023.**

   A member who wishes to submit an instrument of proxy must first **download, complete and sign** the proxy form, before submitting it by post to the address provided above, or scanning and sending it by email to the email address provided above.

8. Members are strongly encouraged to submit completed proxy forms electronically via email.

9. The instrument appointing a proxy must be under the hand of the appointor or of his attorney duly authorised in writing and where such instrument is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised.

   Where an instrument appointing a proxy is submitted by email, it must be authorised in the following manner:

   (a) by way of the affixation of an electronic signature by the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation; or

   (b) by way of the appointor or his duly authorised attorney or, as the case may be, an officer or duly authorised attorney of a corporation signing the instrument under hand and submitting a scanned copy of the signed instrument by email.

   Where an instrument appointing a proxy is signed or, as the case may be, authorised on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be lodged with the instrument appointing the Chairman of the Meeting as proxy, failing which the instrument may be treated as invalid.

10. Terms not specifically defined herein shall have the same meanings ascribed to them in the Annual Report to shareholders of the Company dated 12 April 2023.

PERSONAL DATA PRIVACY

By submitting an instrument appointing a proxy or proxies, the member accepts and agrees to the personal data privacy terms set out in the Notice of AGM dated 12 April 2023.

This page has been intentionally left blank

This page has been intentionally left blank

CORPORATE INFORMATION

DIRECTORS

Executive

MR KOH KIAN KIONG
Chairman & Chief Executive Officer

MS MAGGIE KOH

Non-Executive & Independent

MR HOON TAI MENG
Lead Independent Director

MR MURALI KRISHNA RAMACHANDRA

MR HENG YEOW TECK, MALCOLM

AUDIT COMMITTEE
Mr Hoon Tai Meng (Chairman)
Mr Murali Krishna Ramachandra
Mr Heng Yeow Teck, Malcolm

NOMINATING COMMITTEE
Mr Hoon Tai Meng (Chairman)
Mr Koh Kian Kiong
Mr Murali Krishna Ramachandra

REMUNERATION COMMITTEE
Mr Murali Krishna Ramachandra (Chairman)
Mr Hoon Tai Meng
Mr Heng Yeow Teck, Malcolm

COMPANY SECRETARIES
Mr Sam Kwai Hoong
Ms Noraini Binte Noor Mohamed Abdul Latiff

REGISTERED OFFICE
12 Chin Bee Drive
Singapore 619868
Tel: (65) 6747 8118
Fax: (65) 6743 0690
Email: admin@federal-int.com.sg
Website: www.federal-int.com.sg

SHARE REGISTRAR
B.A.C.S. Private Limited
77 Robinson Road
#06-03 Robinson 77
Singapore 068896
Tel: (65) 6593 4848

AUDITOR
BAKER TILLY TFW LLP
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778

PARTNER-IN-CHARGE
Mr. Low See Lien
(Appointed with effect from financial year ended 31 December 2021)

PRINCIPAL BANKERS
United Overseas Bank Limited
DBS Bank Limited

(REGISTRATION NO. 199907113K)
12 Chin Bee Drive, Singapore 619868
Tel: (65) 6747 8118
Fax: (65) 6743 0690
Corporate website: www.federal-int.com.sg