Far East Group Limited

Towards a Resilient and Sustainable Future

ANNUAL REPORT **2022**

OUR
VISION

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

CONTENTS

This Annual Report has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**"). This Annual Report has not been examined or approved by the Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this Annual Report, including the correctness of any of the statements or opinions made or reports contained in this Annual Report.

The contact person for the Sponsor is Ms Lee Khai Yinn (Telephone: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

CORPORATE **PROFILE**

Founded in 1953, Far East Group is one of the pioneers in the refrigeration and air-conditioning business in Singapore and a leading regional distributor of commercial and light industrial refrigeration systems and products with more than 69 years of experience in the Heating, Ventilation, Air-conditioning and Refrigeration ("**HVAC&R**") industry in Southeast Asia ("**SEA**") and the People's Republic of China (the "**PRC**"). In 2011, the Group was listed on the Catalist Board of the Singapore Exchange.

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

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

As a major **Wholesaler** and **Distributor** regionally, we represent multiple internationally renowned product brands in the refrigeration and air-conditioning market such as Bitzer, Danfoss, Schneider-Eliwell and Emerson etc. We offer a full suite of services ranging from consultation, engineering design, equipment supplies, commissioning and aftersales support. Our long-standing and close relationships with our partners ensure genuine and quality products are readily available through our distribution network.

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

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

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

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

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

M-Tech is a registered contractor with the Building and Construction Authority of Singapore (BCA), and certified in Air-conditioning, Refrigeration & Ventilation Works (ME01–L5), Communication & Security Systems (ME04–L1) and Electrical Engineering (ME05–L1).

RSP Systems Pte Ltd is the System Integration arm of Far East Group in Singapore, specialising in providing a host of monitoring systems ranging from temperature monitoring, energy & resource monitoring, alarms management & asset management system tools; and incorporating Internet of Things (IoT) devices from Eliwell, Schneider Electric and other third-party devices. These systems allow for quick deployment, full system management control and data analytics for troubleshooting and improving efficiency of any refrigeration and HVAC&R system.

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

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

CEO'S MESSAGE

DEAR SHAREHOLDERS,

On behalf of the Board of Directors ("**Board**" or "**Directors**"), I am pleased to present to you the annual report of Far East Group Limited ("**Far East Group**" or the "**Group**") for the financial year ended 31 December ("**FY**") 2022.

Far East Group started FY2022 with plenty of uncertainties. The world was still battling the COVID-19 pandemic even though many people whom we have spoken with considered that the worst was over. In addition, in February 2022, Russia invaded Ukraine and a whole new set of issues such as soaring energy costs, high interest rates, etc. ensued amid high inflation rates. Despite a recovery in FY2021, we had no clear indication of which direction the regional economies in which the Group has a presence were headed or would end up.

In spite of these uncertainties and the rocky start, we stayed focused on our vision to have a highly motivated and inspired team working in unison and striving for excellence through providing quality and technologies, and being ever sensitive and responsive to our employees, customers, suppliers and society in which we live. We maintained our course to achieve the goals set out before us – to deliver maximum value to our stakeholders.

I am proud to announce that through the concerted efforts of the Management and all our staff, we have achieved a record revenue of S$104 million in FY2022 which is a historic milestone for Far East Group. This milestone was achieved amid the challenging global economic and political conditions in FY2022 and in spite of our China operations being affected by the various COVID-19 lock-downs and restrictions.

Our efforts to optimise our operating costs has been ongoing since the onset of the COVID-19 pandemic when we had to scrutinise and carefully consider our cost structures and operate as a much leaner organisation. Efficiency is the key driver of such efforts and the objective to be efficient at various levels of the businesses that we are in became even more important in times of uncertainties. The re-segmentation carried out in FY2021 into the Wholesale and Distribution, Manufacturing, and Engineering Solutions segments allowed us to focus on each segment more clearly and to apply targeted strategies to the issues faced by each segment.

In FY2022, the revenue from our Wholesale and Distribution segment grew by approximately 17% compared with FY2021 on the back of increasing demand from certain F&B sectors and more orders from contractors for commercial installation projects. The revenue from our Engineering Solutions segment continued to show strong growth of approximately 70% due to a large installation project on hand. Due largely to the abrupt and protracted periods of lock-downs in China, the revenue from our Manufacturing segment shrunk by approximately 18%. Inflationary and supply chain pressures continue to weigh upon the various segments in the Group, albeit not as sharply as in the past year. High labour cost and shortage of labour supply affect the Engineering Solutions segment the most as it is a labour-intensive business where skilled labour is required. Financing costs have also increased sharply due to the impact of high interest rates.

Nevertheless, the Group hopes to leverage on the recovery of the various regional economies that the Group operates in, especially in China, for the Manufacturing segment to catch up with the pace of completion for projects that were previously stalled or put on hold. While revenue growth is expected for all three segments, it is envisaged that the Manufacturing and Engineering Solutions segments may have more room for growth compared with the Wholesale and Distribution segment. Margins may continue to be tight as the world is still experiencing many new uncertainties in light of the geopolitical tensions between the USA and China, which may have indirect consequences on the region.

The Group will also focus on sustainability in terms of our products, operations and business model to deliver more value to our stakeholders. Seizing opportunities for inorganic growth to diversify and spread the risks amongst the various businesses through mergers and acquisitions to add value to shareholders continue to be a key objective of the Group.

Operations and Financial Review

The Group's revenue improved by S$21.1 million or 25.4% to S$104.2 million in FY2022 from S$83.1 million in FY2021, mainly due to the recovery of the Wholesale and Distribution and Engineering Solutions segments.

The Engineering Solutions segment is the largest revenue contributor to the Group's FY2022 results, accounting for 41.7% of total revenue. The Wholesale and Distribution segment accounted for 40.6% of total revenue, while the Manufacturing segment accounted for the remaining 17.7%.

Gross profit increased by S$4.1 million or 24.3% to S$21.0 million in FY2022 from S$16.9 million in FY2021, with gross profit margin decreasing by 0.2 percentage points to 20.1% from 20.3% over the comparative period.

The Group generated S$12.0 million net cash flows from operating activities. Net cash flows generated from investing activities of S$2.7 million were mainly from the disposal of investment securities. The Group used S$15.4 million net cash flows in financing activities, repaying loans and trade facilities as well as dividends to shareholders. Cash and cash equivalents decreased from S$6.8 million as at FY2021 to S$6.0 million as at FY2022.

The Group reported a net profit attributable to shareholders of S$2.1 million in FY2022, compared with a loss of S$32,000 in FY2021. Earnings per share stood at 1.86 cents in FY2022, compared with a loss per share of 0.03 cents in FY2021 while net asset value per share increased to 41.0 cents as at 31 December 2022 from 40.3 cents the year before.

Dividend

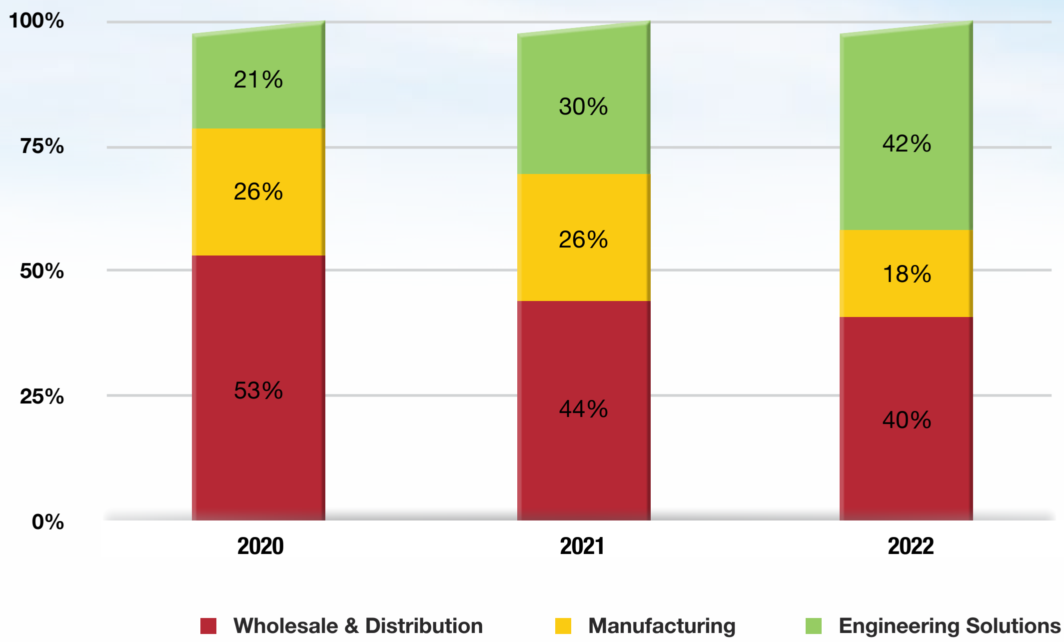
The Company has recommended a final (tax exempt one-tier) dividend of 0.20 cents per ordinary share for FY2022, subject to the shareholders' approval at the forthcoming Annual General Meeting.

Appreciation

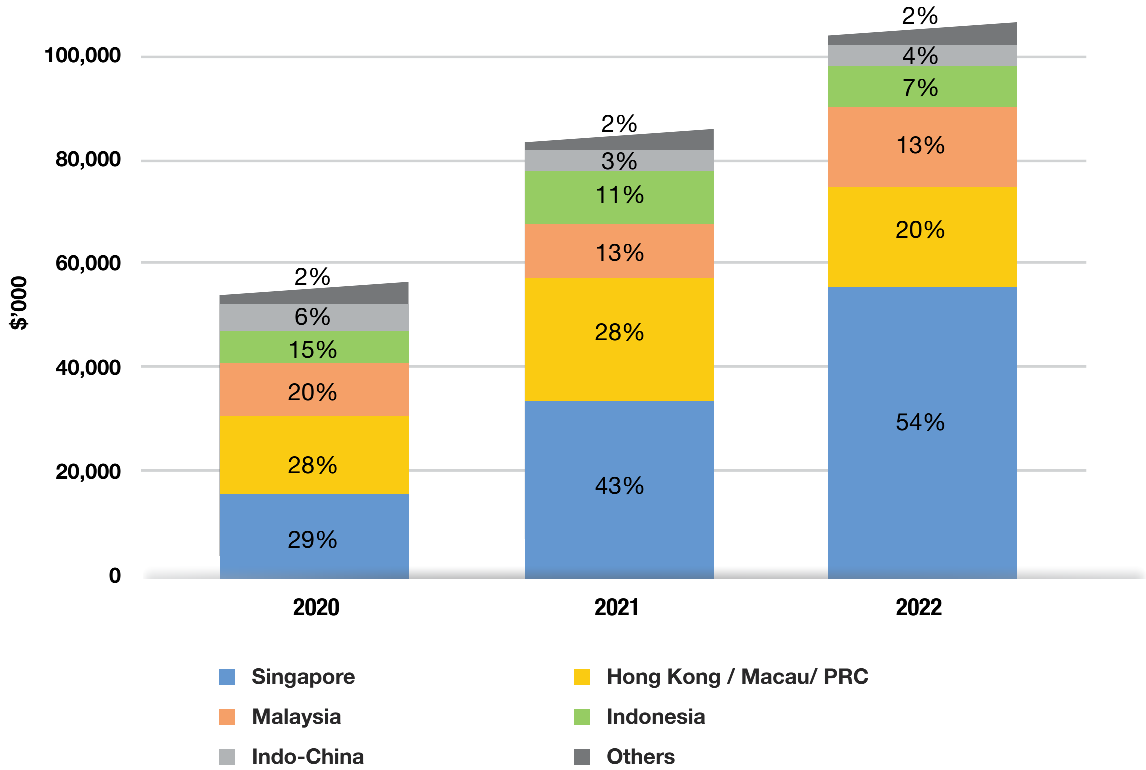
On behalf of my fellow Directors, I would also like to thank all shareholders, customers and business partners for your continued support and trust. I would also like to extend my sincere appreciation to our management and staff for their hard work and dedication to the Company and in pulling through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

AT A GLANCE

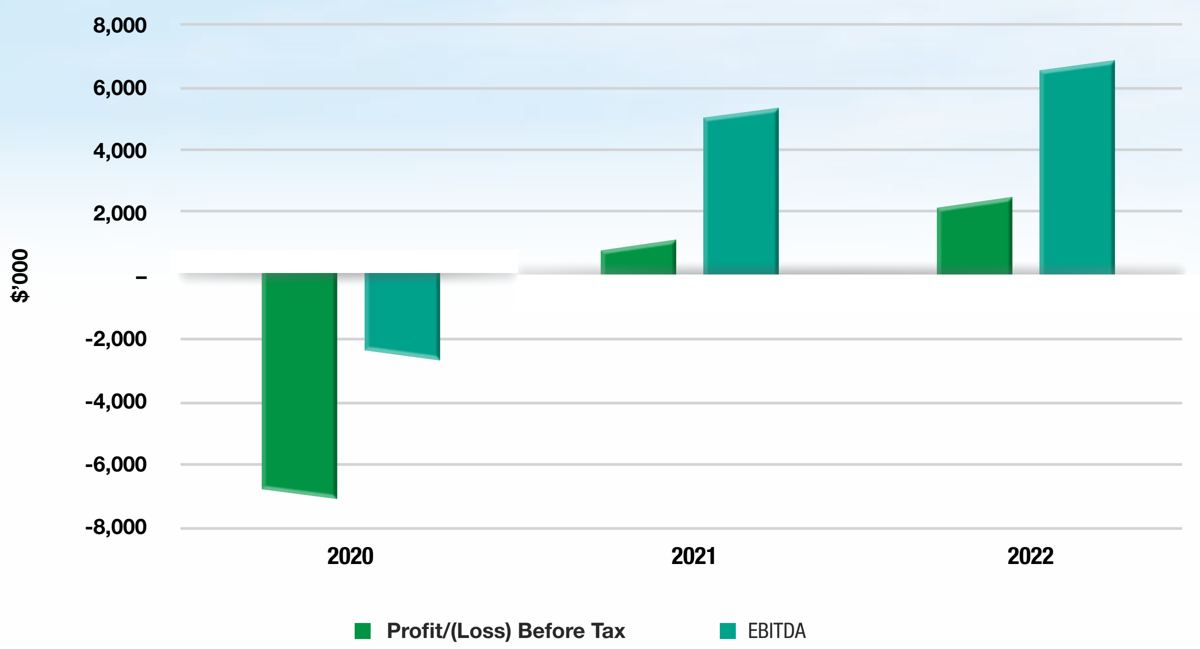
Segmental Revenue Contribution



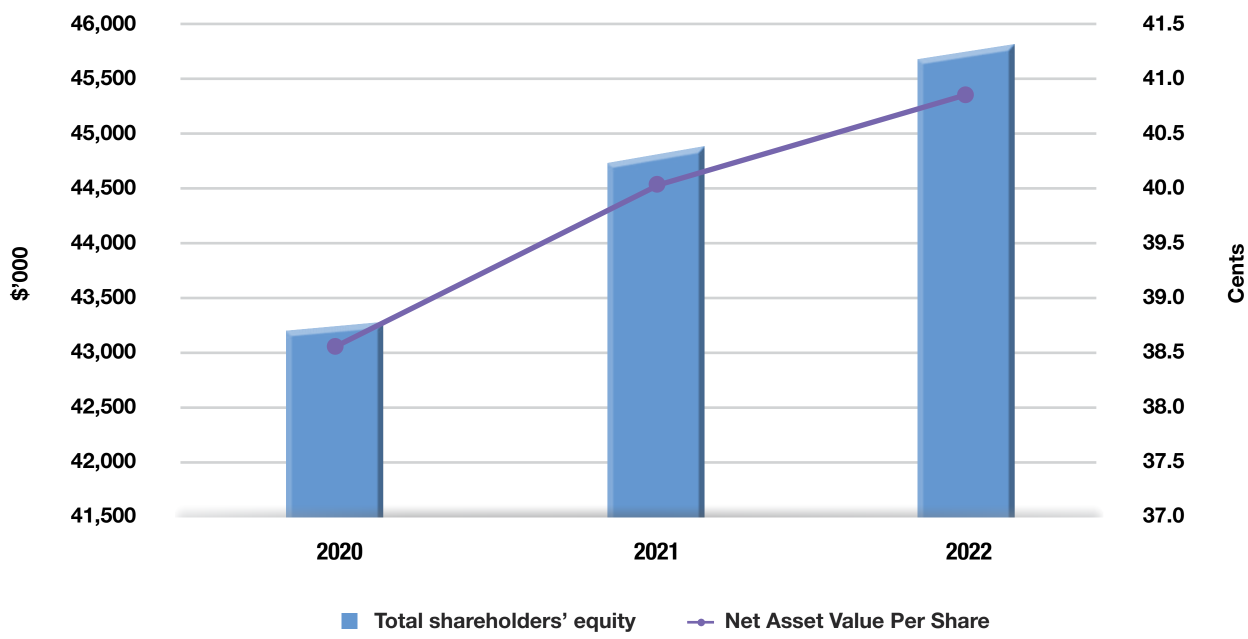
Geographical Revenue Contribution



Profitability



Net Assets



BOARD OF **DIRECTORS**

A KAREN LOH
Non-Executive Chairman

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

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

B STEVEN LOH
Chief Executive Officer and Executive Director

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

Mr Loh joined the Group in 1990 as a Retail Sales Executive and has risen through the ranks to become the Group's Assistant Managing Director in 2000, overseeing its operations and financial performance. In 2003, he was appointed as the Group Managing Director.

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

C DAVID LENG
Chief Operating Officer and Executive Director

Mr David Leng joined the Group as Business Development Director and Assistant Group Managing Director in 2004, and was appointed to the Board in 2005. He is responsible for overseeing the Group's sales, strategic marketing and business development, as well as growing the Group's business in the South-East Asia region.

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

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

D WILSON HO
Lead Independent Non-Executive Director

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

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

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

E ANDREW MAK
Independent Non-Executive Director

Mr Andrew Mak was appointed to the Board on 28 June 2011. He is a practising lawyer with more than 27 years of experience in legal practice. He is currently a consultant with Fortis Law Corporation. His current practice focuses on mergers and acquisitions, joint ventures, securities and capital markets, listed company work, general corporate/commercial work, cross-border transactions. He is also familiar with corporate governance.

Mr Mak is an independent director of Falcon Energy Group Limited and Leader Environmental Technologies Limited, both listed on the Main Board of the SGX-ST, and an independent director of H2G Green Limited, which is listed on the Catalist Board of the SGX-ST. He is also a member of the advisory board at Executives' Global Network (Singapore) as well as a board member of The Singapore Lyric Opera Limited. He was awarded the Public Service Medal (PBM) by the President of Singapore in the 2012 Singapore National Day honours list.

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

F TAN HWEE KIONG
Independent Non-Executive Director

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

Mr Tan was the Regional Managing Director of Snap-On Tools (Singapore) Pte Ltd and responsible for South-East Asia, Taiwan, Hong Kong and South Korea from 2008 to early 2018. From March 2018 to December 2021, Mr Tan was the Chief Operation Officer of Leedon National Oxygen Ltd and responsible for its Fire Safety group of companies in Singapore, Malaysia, China and Australia. He is currently running his own business in the food industry.

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

EXECUTIVE OFFICERS & KEY MANAGEMENT

G

FRANCIS LAI

Chief Financial Officer

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

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

Mr Lai started his career as an entrepreneur in the education industry while studying for his Bachelor of Arts degree in the National University of Singapore where he graduated with a Second-Class Honours degree in Arts specialising in Japanese Studies. He is a Fellow Chartered Accountant of Singapore (FCA Singapore) and a Fellow of the Association of Chartered Certified Accountants (FCCA).

H

RICHARD CHUNG

Director of Research & Development

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

Mr Chung had been invited as a speaker at various seminars, such as (i) the Asian Cold Chain Management Conference on topics of "Examining Trends in Temperature

Control for the Food and Beverage Sector: An International Overview" and "Examining Trends in Temperature Control for the Healthcare and Pharmaceutical Sector: An International Overview" in 2007; (ii) the Singapore Manufacturing Association/Singapore Article Number Council/Singapore Cold Chain Workshop on the topic of "Training Workshop on Cold Chain Management" in 2004; and (iii) SPRING Singapore seminars on topic of "A Total Approach to Cold Chain Management for Milk and Dairy Products" in 2002. He is currently a member (individual capacity) of the Singapore Cold Chain Committee for Milk and Dairy Products and the Chairman (sub-group III – technology) of the Singapore Cold Chain Committee for Pork Products.

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

RYAN OH

Senior Director of Sales and Operations (Distribution)

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

Between 2015 and 2018, Mr Oh joined Watts Asia Pacific Sales Pte Ltd as a Sales Director where he was responsible for developing and implementing its sales strategy in the South-East Asia region and managing the profit and loss (P&L) of the company. He has helped the company to turn its business around, achieving his annual sales target within 4 months in 2015 despite being 50% behind the target when he joined. He helped the company achieve a record sales growth of 39.3% in the subsequent year and was awarded the Above & Beyond Award in 2016 and Best Sales Award in 2017 respectively by the company.

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

GROUP STRUCTURE

Far East Group Limited

Wholesale & Distribution

- GPS Compressor Services & Parts Pte Ltd (Singapore) (100%)
- Edenkool Pte Ltd (Singapore) (100%)
- Far East Refrigeration (M) Sdn. Bhd. (Malaysia) (100%)
- Green Point Compressor Services & Parts Sdn. Bhd. (Malaysia) (100%)
- Far East Refrigeration Limited (Hong Kong) (100%)
- Guangzhou Fayi Trading Co., Ltd (China) (30%)
- Far East Refrigeration Vietnam Company Limited (Vietnam) (100%)
- P.T. Far East Refrigeration Indonesia (Indonesia) (100%)
- Fayi Technology Inc. (Taiwan) (27%)

Manufacturing

- Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd (China) (84.25%)
- Elite Envirotech Co., Ltd (China) (51%)
- Yealea Industry Co., Ltd (China) (14%)

Engineering Solutions

- RSP Systems Pte Ltd (Singapore) (80%)
- M-Tech Air-Con & Security Engineering Pte Ltd (Singapore) (100%)
- Coolwerkz Engineering Limited (Myanmar) (60%)

- Comfresh Group Holdings Pty Ltd (Australia) (20%)

* *Please note that the subsidiaries listed in this section are our principal subsidiaries and associated companies, as well as investment in unquoted securities.*

FINANCIAL CONTENTS

CORPORATE
GOVERNANCE REPORT

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

This report outlines the Group's corporate governance practices and structures that were in place for the financial year ended 31 December 2022 ("**FY2022**"), with specific reference made to each of the principles and the provisions of the Code of Corporate Governance 2018 (the "**Code**"). Pursuant to Rule 710 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") ("**Catalist Rules**"), the Board confirms that the Company has complied with the principles of the Code for FY2022 and in respect of any deviation from provisions of the Code, appropriate disclosures and explanations are provided in this report in accordance to the requirements of the Catalist Rules.

BOARD MATTERS

<u>The Board's Conduct of Affairs</u>

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

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

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

The primary functions of the Board, apart from its statutory duties, include:

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

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

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

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

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

The Board ensures that newly-appointed Directors are orientated on the Group's business strategies, operations and governance practices to facilitate the effective discharge of their duties. For newly-appointed Directors who do not have prior experience as a director of a public listed company in Singapore, they will attend training courses organised by the Singapore Institute of Directors within one year from their appointment dates and other training institutions in areas such as accounting, legal, sustainability and industry-specific knowledge, where appropriate, in connection with their duties.

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

The Company is responsible for arranging and funding the training of Directors. Board members have been and will be encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. The Company works closely with its professional advisors to provide its Directors with updates on changes to relevant laws, regulations and accounting standards. During FY2022, Directors were provided with briefings and updates on: (i) the developments in financial reporting and governance standards by the external auditors, Ernst & Young LLP; (ii) changes in the relevant laws and regulations, commercial risks and business conditions pertaining to the Group's business by the Management during Board and/or Board Committee meetings; and (iii) updates to the Catalist Rules and regulatory guidelines by the Company's sponsor, SAC Capital Private Limited, and the Company Secretaries. All Directors have also attended the mandatory training on sustainability matters as prescribed by the SGX-ST pursuant to Rule 720(6) of the Catalist Rules.

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

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

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

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

The number of Board and Board Committee meetings held and attended by each Board member for FY2022 is set out as follows:

	Board	**Board Committees**			**General Meetings**
		Audit	**Nominating**	**Remuneration**	**Annual**
Number of meetings held	4	2	1	1	1
	Number of meetings attended				
Ms Loh Pui Lai	4	2*	1*	1*	1
Mr Loh Mun Yew	4	2*	1*	1*	1
Mr Leng Chee Keong	4	2*	1*	1*	1
Mr Ho Boon Chuan Wilson	4	2	1	1	1
Mr Mak Yen-Chen Andrew	4	2	1	1	1
Mr Tan Hwee Kiong	3	2	1	1	1

** By invitation*

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

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

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

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

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

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

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

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

At least one of the Company Secretaries attends Board and Board Committee meetings and ensures that Board procedures and the provisions of the Companies Act 1967 (the "**Companies Act**"), the Constitution and the Catalist Rules are followed. The Company Secretaries also ensure good information flows within the Board and the Board Committees and between the Management and Non-Executive Directors, and also assist with the circulation of Board papers and the updating of the Directors on changes in laws and regulations relevant to the Group. The appointment and removal of the Company Secretaries are subject to the Board's approval.

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

Board Composition and Guidance

Principle 2: The Board has an appropriate level of independence and diversity of thought and background in its composition to enable it to make decisions in the best interests of the company.

Provision 2.1: An "independent" director is one who is independent in conduct, character and judgement, and has no relationship with the company, its related corporations, its substantial shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the director's independent business judgement in the best interests of the company.

CORPORATE GOVERNANCE REPORT

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

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

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

Previously, pursuant to Rule 406(3)(d)(iii) of the Catalist Rules, a director who has served on the board for a cumulative period of nine (9) years from the date of his first appointment will no longer be eligible to be designated as an Independent Director unless a resolution from shareholders present and voting at the general meeting is sought, and approved in separate resolutions by (a) all shareholders; and (b) shareholders excluding the directors, chief executive officer, and their associates ("**Two-Tier Vote**"). On the same note, SGX-ST has stated that to ensure that the independence designation of a director who has served for more than nine (9) years as at and from 1 January 2022 is not affected, a listed issuer should seek and obtain approvals for his continued appointment as an Independent Director prior to 1 January 2022. Subsequently, the Two-Tier Vote was removed with effect from 11 January 2023.

Under the Transitional Practice Note 3 Transitional Arrangements Regarding the Tenure Limit for Independent Directors and Rule 406(3)(d)(iv) of the Catalist Rules, Independent Directors whose tenure exceeds the nine-year limit can continue to serve as Independent Directors until the Company's annual general meeting ("**AGM**") held for the financial year ending on or after 31 December 2023. Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong have been subjected to the Two-Tier Vote at the last AGM held on 27 April 2022 and would continue to serve on the Board as Independent Directors during the transition period as such arrangement remains valid until the AGM to be held for the financial year ending on or after 31 December 2023.

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

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

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

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

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

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

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

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

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

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

The Company recognises and embraces the importance and benefits of having a diverse Board to better support the Company's strategic objectives for inclusive growth and sustainable development, by enhancing the decision-making process of the Board through garnering diverse perspectives across various skills, industry disciplines, business experiences, genders, age, ethnicities, cultural and geographical backgrounds, nationalities and other personal strengths and distinguishing qualities of the Directors. Following the introduction of Rule 710A of the Catalist Rules effective from 1 January 2022, the Board has approved and adopted the board diversity policy of the Company on 24 February 2023 ("**Board Diversity Policy**"), to formalise the Company's approach to achieve diversity on the Board. A copy of the Board Diversity Policy has been made available on the Company's website, and can be found at www.fareastgroup.com.sg.

Under the Board Diversity Policy, the NC will review and assess the Board composition on behalf of the Board, on at least an annual basis, having regard to, amongst others, the benefits from all aspects of diversity, including the skills, experience, gender and knowledge of the Directors, the core competencies of the Directors, both individually and collectively as a group in the context, nature and scope of the Group's operations and business.

The Board Diversity Policy provides that any search firm engaged, where required, to assist the Board or a committee of the Board in identifying candidates for appointment to the Board will be specifically required to include diverse, experienced and reputable candidates. All appointments to the Board are based on merit, in the context of the skills, experience, independence and knowledge which the Board requires to be effective, and will take into consideration a range of diversity perspectives as described in the Board Diversity Policy to promote boardroom diversity. In this regard, the NC is responsible for:

(a) ensuring that boardroom diversity objectives are adopted in an effective and practical manner in Board recruitment, Board performance evaluation and succession planning processes; and

(b) defining and setting the relevant measurable objectives for promoting and achieving diversity on the Board, and to make its recommendations for consideration and approval by the Board.

The Board will review and assess the effectiveness of the Board Diversity Policy on an annual basis to ensure that the objectives of the Board Diversity Policy are met and remain effective for the Company. At any given time, the Board may seek to improve one or more aspects of its diversity and measure progress accordingly.

Currently, the Board comprises Directors from diverse backgrounds and varied expertise in accounting, finance, legal, engineering, business, marketing and management fields. The profile of each of the Directors is disclosed in the "Board of Directors" section of the Annual Report 2022.

The Board recognises the Singapore's Diversity Action Committee's progressive target of having at least 30% female representation on boards of Singapore-listed companies. In support with gender diversity, the NC ensures that appropriate efforts are made to include suitably qualified women in the list of director candidates, while reviewing the optimum composition and balance of the Board in order to ensure the right blend of skills, experience relevant to the Group's business and ability to contribute effectively is kept a priority. The Board currently comprises five (5) male Directors and one (1) female Director, which is equivalent with 16.67% female representation on the Board.

The Board, through the NC, has examined its current size and diversity, and is of the view that the Board is of an appropriate size and composition for effective decision-making after taking into account the scope and nature of the operations of the Group. Further, the NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The Board will continue to emphasise and consider the various provisions of the Board Diversity Policy when considering any future appointments of Directors to the Board.

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

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

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

Principle 3: There is a clear division of responsibilities between the leadership of the Board and Management, and no one individual has unfettered powers of decision-making.

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

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

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

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

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

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

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

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

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

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

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

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

Board Membership

Principle 4: The Board has a formal and transparent process for the appointment and re-appointment of directors, taking into account the need for progressive renewal of the Board.

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

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

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

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

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

The NC is responsible for the following:

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The NC has recommended to the Board that Mr Loh Mun Yew and Mr Ho Boon Chuan Wilson be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC has considered each of the said Directors' overall contributions and performance. Mr Loh Mun Yew will, upon re-election as a Director, remain as the CEO and Executive Director of the Board. Mr Ho Boon Chuan Wilson will, upon re-election as a Director, remain as the Lead Independent Director of the Board, Chairman of the AC and a member of the NC and RC. The details of the Directors seeking for re-election as required under Rule 720(5) of the Catalist Rules are set out in the "Information on Directors Seeking Re-election" section of the Annual Report 2022.

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

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

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

For FY2022, the NC has assessed and affirmed that the Independent Directors are independent (within the meaning of the Code and the Catalist Rules). Please refer to Provision 2.1 for further details.

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

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

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

The key information for each Director is disclosed in his profile as set out in the section entitled "Board of Directors" of the Annual Report 2022. The dates of initial appointment and last re-election of each Director, together with his directorships in other listed companies, are set out below:

Name	Age	Appointment	Date of initial appointment	Date of last re-election	Directorship in other listed companies
Loh Pui Lai [1]	51	Non-Executive Chairman	28 June 2011	27 April 2022	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None
Loh Mun Yew [1]	56	CEO and Executive Director	2 May 1990	28 April 2021	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None
Leng Chee Keong	66	COO and Executive Director	18 February 2005	27 April 2022	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None

Name	Age	Appointment	Date of initial appointment	Date of last re-election	Directorship in other listed companies
Ho Boon Chuan Wilson	52	Lead Independent Director	1 September 2020	28 April 2021	**Present Directorships** Kim Heng Ltd. **Past Directorships (in the last three (3) preceding years)** None
Mak Yen-Chen Andrew	53	Independent Director	28 June 2011	28 April 2021	**Present Directorships** H2G Green Limited Leader Environmental Technologies Limited Falcon Energy Group Limited **Past Directorships (in the last three (3) preceding years)** China Jishan Holdings Limited
Tan Hwee Kiong	57	Independent Director	28 June 2011	28 April 2021	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None

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

Board Performance

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

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

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

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

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

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

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

The NC has assessed the performance of the Board and each Board Committee in FY2022, and is of the view that the performance of each Board Committee and the Board as a whole was satisfactory. Although two (2) of the Board members have multiple board representations, the NC is satisfied that sufficient time and attention have been given by the Directors to the Group.

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

REMUNERATION MATTERS

Procedures for Developing Remuneration Policies

Principle 6: The Board has a formal and transparent procedure for developing policies on director and executive remuneration, and for fixing the remuneration packages of individual directors and key management personnel. No director is involved in deciding his or her own remuneration.

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

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

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

The principal functions of the RC are as follows:

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

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

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

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

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

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

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

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

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

During FY2022, the RC did not seek any external professional advice on fixing remuneration packages for the Directors and key management personnel. Where relevant, the RC will consider such engagement and will review the suitability and independence of the external firm before engaging them.

Level and Mix of Remuneration

Principle 7: The level and structure of remuneration of the Board and key management personnel are appropriate and proportionate to the sustained performance and value creation of the company, taking into account the strategic objectives of the company.

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

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

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

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

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

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

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

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

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

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

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

Disclosure on Remuneration

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

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

(a) each individual director and the CEO; and

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

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

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

The breakdown, showing the level and mix of each individual Director's remuneration in FY2022 by percentage (%), is as follows:

	Base/ Fixed salary	Director's fees [(1)]	Variable or performance benefits related income / Bonus	Other benefits
Remuneration Band and Name of Director				
Between S$500,000 and S$749,999				
Mr Loh Mun Yew	78%	–	22%	–
Between S$250,000 and S$499,999				
Mr Leng Chee Keong	76%	–	22%	2%
S$249,999 and below				
Ms Loh Pui Lai [(2)]	55%	45%	–	–
Mr Ho Boon Chuan Wilson	–	100%	–	–
Mr Mak Yen-Chen Andrew	–	100%	–	–
Mr Tan Hwee Kiong	–	100%	–	–

Notes:

(1) Director's fees had been approved by the shareholders of the Company at the last AGM held on 27 April 2022.

(2) Ms Loh Pui Lai assisted in the operations of Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd. in view of Mr Wong Thiam Hock's departure from the Company since January 2022 and was given an allowance for her time spent.

In accordance with Provision 8.1(b) of the Code, the Company has only three (3) key management personnel. The breakdown, showing the level and mix of each of the top three (3) key management personnel's remuneration in FY2022 by percentage (%), is as follows:

	Designation	Base/ Fixed salary	Variable or performance benefits related income / Bonus	Other benefits
Remuneration Band and Name of Key Management Personnel				
Between S$250,000 and S$499,999				
Mr Chung Kong Poh Richard	Director of Research & Development	85%	12%	3%
Mr Francis Lai Kum Wai	CFO	77%	21%	2%
Mr Oh Hong Tat Ryan	Senior Director of Sales & Operations (Distribution)	85%	13%	2%

The annual aggregate remuneration accrued to the top three (3) key management personnel of the Company (who are not Directors or the CEO) for FY2022 is S$938,263.

The Company has not disclosed the exact details of the remuneration of each individual Director and the top three (3) key management personnel of the Company as it is not in the best interests of the Company and Directors to disclose such details due to the sensitive nature of such information. The current management team has served the Company for a considerable period of time and it is a stable team. It is important for the Company to retain talent for the long-term interests of the Company and ensure stability and continuity of business operations with a competent management team in place. Such disclosure of remuneration of each Director and key management personnel in a highly competitive market for talents may potentially result in staff movement.

There is no employee of the Group (excluding the Executive Directors) who is a substantial shareholder of the Company, or an immediate family member of any Director, the CEO or substantial shareholders of the Company, and whose remuneration exceeded S$100,000 during FY2022. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister, and parent of such person.

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

The Company has adopted a long-term employee incentive scheme known as FEG Employee Share Option Scheme ("**FEG ESOS**") that was approved by shareholders at the extraordinary general meeting held on 28 April 2017, to align itself with and embrace local trends and best practices in employee compensation and retention. The FEG ESOS aims to promote higher performance goals, recognise exceptional achievement and retain talents within the Group. The FEG ESOS is administered by the RC. Please refer to the section entitled "Directors' Statement" of the Annual Report 2022 for more information on the FEG ESOS. No share option was granted pursuant to the FEG ESOS during FY2022.

ACCOUNTABILITY AND AUDIT

Risk Management and Internal Controls

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

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

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

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

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

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

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

The Board and AC is responsible for (a) monitoring the Group's risks of becoming subject to, or violating, any sanctions law; and (b) ensuring timely and accurate disclosures to the SGX-ST and other relevant authorities in respect of sanctions-related risks, subject or activity. The Group currently has no exposure or nexus to sanctions-related risks, subject or activity.

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

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

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

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

The CEO and the CFO have provided a letter of confirmation that for FY2022, (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the Company's risk management and internal control systems are adequate and effective. Separately, the other key management personnel, including Mr David Leng, Mr Richard Chung and Mr Ryan Oh, have also provided a letter of confirmation that for FY2022, the Company's risk management and internal control systems are adequate and effective.

As part of the Group's annual internal audit plan approved by the AC, the internal auditor, PricewaterhouseCoopers Risk Services Pte. Ltd. ("**PwC**"), has carried out internal audit reviews of the system of internal controls, which is maintained by Management, and reported the findings to the AC. The external auditor, Ernst & Young LLP, has also, in the course of their statutory audit, gained an understanding of the key internal accounting controls assessed to be relevant to the statutory audit. In this respect, the AC has reviewed the findings of both the internal and external auditors and will ensure that the Company follows up on the auditors' recommendations raised during the audit processes.

Based on the findings of the internal and external auditors, the various adequate and effective management controls put in place by and the assurance received from the Management, the Board with the concurrence of the AC, is of the opinion that there are adequate and effective controls in place within the Group addressing financial, operational, compliance and information technology controls, and risk management policies and systems to meet the needs of the Group in their current business environment. The Board will, on a continuing basis, endeavour to further enhance and improve the Company's system of internal controls and risk management policies and systems. No material internal control weakness had been raised by our external auditor in the course of their audits for FY2022.

Audit Committee

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

Provision 10.1: The duties of the AC include:

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

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

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

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

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

(f) reviewing the policy and arrangements for concerns about possible improprieties in financial reporting or other matters to be safely raised, independently investigated and appropriately followed up on. The company publicly discloses, and clearly communicates to employees, the existence of a whistle-blowing policy and procedures for raising such concerns.

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

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

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

- meeting with the external auditor, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- meeting with the internal auditors and external auditors without the presence of the management at least once a year;
- reviewing legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- reviewing the cost effectiveness and the independence and objectivity of the external auditor;
- reviewing the nature and extent of non-audit services provided by the external auditor;
- reviewing the scope and results of the external audit;
- reporting actions and minutes of the AC to the board of directors with such recommendations as the AC considers appropriate;
- reviewing interested person transactions in accordance with the requirements of the Catalist Rules;
- approving the internal control procedures and arrangements for all interested person transactions;
- commissioning, reviewing and discussing with the external and internal auditors, if necessary, any suspected fraud or irregularity, or suspected failure of internal controls, or suspected infringement of any relevant laws, rules or regulations;
- reviewing and ratifying transactions falling within the scope of the Catalist Rules, in particular, matters pertaining to Interested Person Transactions, and Acquisitions and Realisations as laid down in Chapters 9 and 10 respectively;
- reviewing the independence of the external auditors annually, and recommending to the Board the appointment, re-appointment or removal of the external auditors and approving the remuneration and terms of engagement of the external auditors; and
- assessing the need to obtain independent legal advice in relation to any sanctions-related risks applicable to the Group and reviewing the relevance of information in respect of sanctions-related risks, subject or activity provided to shareholders and SGX.

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

Summary of the AC's activities

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

The AC met once with the external auditors and once with the internal auditors, without the presence of the Management in FY2022.

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

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

KAM	**AC commentary on the KAM, how the matters were reviewed and what decisions were taken**
Revenue Recognition on Engineering Contracts	The Group's revenue from engineering contracts were mainly contributed by M-Tech Air-Con and Security Engineering Pte Ltd ("**M-Tech**"). The AC acknowledges that the revenue recognition method on engineering contracts based on the Input Method requires significant judgement by the respective management teams. The judgement and estimation involved in establishing the budgeted cost, being the key estimate or judgement of the Input Method relies on the management's experience as well as negotiation with various stakeholders. The Management has made significant improvements in its internal controls and implemented financial and operational policies to reduce its risks exposure. The Management is in the final stage of implementing an ERP software to further reduce the risk of error in manual tracking and improve operational efficiencies. The AC is satisfied that the Management has deployed sufficient time and resources to track the actual costs incurred on the respective projects against budgets to ensure that the revenue for engineering contracts is fairly recognised for the financials to represent a true and fair view.
Expected Credit Losses on Trade Receivables and Contract Assets	The AC regularly reviews the aging of trade receivables and the allowance for expected credit losses ("**ECL**") on a quarterly basis with the Management. During such reviews, the Management presents justifications to support any proposed allowance. Judgement and estimation, dependent on historical data and analysis is the key estimation involved in estimating the forward-looking rate of the ECL. The increase in the allowance for ECL is in line with the higher contract assets primarily relating to M-Tech. With a system in place for regular periodic review of any long outstanding debts, including quarterly updates at Board meetings, market intelligence, close monitoring and follow up, the AC is satisfied that there are adequate measures in place to minimize significant allowances made for ECL on trade receivables and contract assets. The AC is satisfied that the assumptions and estimates applied by the Management to assess the ECL is regularly reviewed and reasonable.
Fair Value Measurement of Equity Instrument at Fair Value through Other Comprehensive Income	The AC has reviewed the valuation report performed by the independent external valuation specialist and agrees with the approach and methodology adopted, which has not changed from the previous year. The AC also consults the external auditors on the reasonableness of the assumptions made by the valuation specialist in arriving at the valuation. The AC is satisfied with the fair value of the unquoted entity.
Impairment of Investments in Subsidiaries	The AC considered the approach and methodology applied to performing the impairment assessment for those investments in subsidiaries with indicators of impairment. The AC works with the Management on the future cashflow projection of the subsidiaries. The AC is satisfied with the Management's assumptions and estimates on the impairment of investments in subsidiaries in FY2022.

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

<u>Whistle-blowing policy</u>

The Company has put in place a whistle-blowing policy, which provides for the mechanisms by which employees and stakeholders may, in confidence, raise concerns about possible improprieties in matters of financial reporting, misconduct or wrongdoing relating to the Company and its officers, or other matters, with the objective of ensuring that arrangements are in place for the independent investigation of such matters for appropriate follow-up action. The AC exercises the overseeing function over the administration of the whistle-blowing policy. It has a well-defined process which ensures independent investigation of issues/concerns raised and appropriate follow-up action, and provides assurance that the identity of the whistle-blower will be kept confidential and the whistle-blower will be protected from reprisal within the limits of the law for whistle

blowing in good faith. The employees can email to the Chairman of Audit Committee on all matters. Details of the whistle-blowing policy and arrangements have been made available to all employees of the Group and is also made available to the public on the Company's website at www.fareastgroup.com.sg. The whistle blowing policy and procedures are reviewed by the Audit Committee from time to time to ensure that they remain relevant.

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

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

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

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

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

The Board recognises the importance of maintaining a system of internal controls to safeguard shareholders' investments and the Company's assets. The AC approves the appointment, removal, evaluation and compensation of the internal auditors. For FY2022, the Company has outsourced its internal audit function to a qualified public accounting firm, PwC, who has unfettered access to all the Company's documents, records, properties and personnel, including access to the AC, when carrying out the internal audit reviews.

The internal audit team is headed by a Partner with significant experience of leading internal audit review services for Singapore listed companies. The team supporting the Partner constitutes dedicated internal controls specialists with requisite knowledge and experience. The AC reviews the adequacy, effectiveness, scope and independence of the internal audit function annually. For FY2022, the AC is satisfied that the Company has maintained an effective internal audit function that is adequately staffed and independent of the audited activities, and that the internal auditor has appropriate standing within the Company to perform its function effectively.

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

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

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

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

SHAREHOLDER RIGHTS AND ENGAGEMENT

Shareholder Rights and Conduct of General Meetings

Principle 11: The company treats all shareholders fairly and equitably in order to enable them to exercise shareholders' rights and have the opportunity to communicate their views on matters affecting the company. The company gives shareholders a balanced and understandable assessment of its performance, position and prospects.

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

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

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

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

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

– Other announcements on the SGXNet; and

– Press releases on major developments of the Group.

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

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

In line with the transition back to normalcy and the resumption of general meetings in the physical face-to-face format, the forthcoming AGM for FY2022 will continue to be held via electronic means pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 ("**Alternative Arrangements Order**").

For the forthcoming AGM, the notice of AGM and the accompanying Annual Report and proxy form are made available to shareholders solely by electronic means via publication on the Company's website and the SGXNet, pursuant to the Alternative Arrangements Order. The AGM will be conducted by electronic means, with real-time electronic voting and real-time electronic communication will be made available to shareholders. Shareholders may also submit their questions relating to the resolutions set out in the notice of the AGM in advance.

The Company has specified in the notice of AGM the detailed information on attending the AGM by electronic means, such as instructions to shareholders on how they may (i) participate in the AGM proceedings, (ii) access the Annual Report and proxy form, (iii) submit their questions in advance of the AGM electronically (e.g. via email) and (iv) vote at the AGM.

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

Resolutions are, as far as possible, structured separately and may be voted upon independently. Resolutions are passed at general meetings by poll. The voting results of all votes cast for, or against, each resolution and the respective percentages are then screened at the meeting and announced through SGXNet after the meeting. The Company will employ electronic polling if necessary.

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

General meetings are the main forum for communication with shareholders. The members of the Board and Board Committees are present at the general meetings, and the external auditors are also present to assist the Directors in addressing any relevant queries by shareholders about the conduct of audit as well as the preparation and content of the auditors' report. The Board welcomes the views of shareholders on matters affecting the Company. Please refer to Provision 1.5 above for further details on the Directors' attendance at general meeting held during FY2022.

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

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

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

The Company Secretary prepares minutes of the general meetings recording substantial and relevant comments or queries from shareholders relating to the agenda of the general meeting, and responses from the Board, Management and external auditors, if any.

In the light of the Alternative Arrangements Order, all minutes of general meetings that record substantial and relevant comments or queries from shareholders relating to the agenda and responses from the Board and the management will be prepared and made available via the Company's website and the SGXNet.

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

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

The Board is pleased to recommend a final (tax exempt one-tier) dividend of 0.20 cents per ordinary share in respect of FY2022 for the shareholders' approval at the forthcoming AGM.

Engagement with Shareholders

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

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

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

Pertinent information is communicated to shareholders through:

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

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

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

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

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

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

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

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

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

Shareholders of the Company receive the annual reports and notices of AGMs within the prescribed deadlines prior to the AGMs. The Board encourages shareholders' participation at the AGMs and periodically communicates with shareholders through SGXNet throughout the financial year. Similarly, shareholders receive the circulars and notices of Extraordinary General Meetings within the prescribed deadlines prior to the EGMs.

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

MANAGING STAKEHOLDERS RELATIONSHIPS

Engagement with Stakeholders

Principle 13: The Board adopts an inclusive approach by considering and balancing the needs and interests of material stakeholders,* as *part of its overall responsibility* to *ensure that the best interests of the company are served.

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

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

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

The Company has in place a process to identify its various stakeholders and understand their viewpoints as well as actively communicating with them to align the Company's expectation and goals. The Group engages with the key stakeholders through various platforms. Details of the stakeholders engaged by the Group, areas of focus, approaches to stakeholder, including frequency of engagement by type and by stakeholder group and key feedback or issues that have been raised though stakeholder engagement and can be found in the Company's Sustainability Report 2022.

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

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

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

OTHER CORPORATE GOVERNANCE MATTERS

Dealings in Securities

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

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

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

Auditors and Audit Fees

The aggregate amount of fees paid to the Company's external auditors, Ernst & Young LLP and member firms of Ernst & Young Global, in FY2022, were S$199,900 and S$186,500 respectively, comprising approximately S$347,200 audit fees and S$39,200 non-audit fees for acting as tax agent. The AC, having reviewed such non-audit services, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

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

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

Non-Sponsorship Fees

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees incurred in FY2022 paid/payable to the Company's sponsor, SAC Capital Private Limited.

Material Contracts

There were no material contracts entered into by the Company or its subsidiaries involving the interests of the CEO, any Director or controlling shareholder, either still subsisting at the end of FY2022, or if not then subsisting, entered into since the end of the previous financial year.

Interested Person Transactions

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

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

There were no interested person transactions entered into during FY2022 with a value of more than S$100,000 each.

CORPORATE
GOVERNANCE REPORT

INFORMATION ON DIRECTORS SEEKING RE-ELECTION

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

	LOH MUN YEW	HO BOON CHUAN WILSON
Date of appointment	2 May 1990	1 September 2020
Date of last re-appointment (if applicable)	28 April 2021	28 April 2021
Age	56	52
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board, having considered the recommendation of the NC and assessed Mr Loh Mun Yew's overall contributions and performance, is of the view that he is suitable for re-appointment as an Executive Director of the Company.	The Board, having considered the recommendation of the NC and assessed Mr Ho Boon Chuan's overall contributions and performance, is of the view that she is suitable for re-appointment as an Independent Non-Executive Director of the Company.
Whether appointment is executive, and if so, the area of responsibility	Executive. As set out in Mr Loh Mun Yew's profile write-up under the section entitled "Board of Directors" of this Annual Report.	Non-Executive.
Job title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Director and Chief Executive Officer	Lead Independent Director, Chairman of AC and Member of RC and NC
Professional qualifications	Bachelor of Science in Electrical Engineering – University of the Pacific, Stockton, California Master of Business Administration – University of South Australia	Bachelor of Accountancy (Honours) – Nanyang Technological University Chartered Financial Analyst (CFA) Chartered Accountant, Singapore (CA)
Working experience and occupation(s) during the past 10 years	As set out in Mr Loh Mun Yew's profile write-up under the section entitled "Board of Directors" of this Annual Report.	As set out in Mr Ho Boon Chuan's profile write-up under the section entitled "Board of Directors" of this Annual Report.
Shareholding interest in the listed issuer and its subsidiaries	Direct interest: 3,042,900 ordinary shares in the Company Deemed interest: 65,115,500 ordinary shares in the Company	Nil
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	Sibling of the Non-Executive Chairman, Ms Loh Pui Lai and brother-in-law of the substantial shareholder, Mr Cheung Wai Sum.	Nil
Conflict of interest (including any competing business)	Nil	Nil
Undertaking (in the format set out in Appendix 7H) under Rule 720(1) of the Catalist Rules has been submitted to the listed issuer	Yes	Yes

	LOH MUN YEW	HO BOON CHUAN WILSON
Other principal commitments including directorships	**<u>Past (for the last 5 years)</u>** <u>Directorships</u>: *Within the Group:* Far East Refrigeration (Kuching) Sdn. Bhd. <u>Other Principal Commitments</u>: Nil **<u>Present</u>** <u>Directorships</u>: *Within the Group:* Edenkool Pte. Ltd. GPS Compressor Services & Parts Pte. Ltd. M-Tech Air-Con & Security Engineering Pte. Ltd. RSP Systems Pte. Ltd. Far East Refrigeration (M) Sdn. Bhd. Far East Enterprises (Penang) Sdn. Bhd. FE&B Engineering (M) Sdn. Bhd. Far East Enterprises (K.L.) Sdn. Bhd. Far East Maju Engineering Works Sdn. Bhd. PT Far East Refrigeration Indonesia Coolwerkz Engineering Limited Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd. Elite Envirotech Co., Ltd. *Outside the Group:* Universal Pte. Ltd. Comfresh Group Holdings Pty Ltd. <u>Other Principal Commitments</u>: Legal Representative of: *Within the Group:* Far East Refrigeration Vietnam Company Limited	**<u>Past (for the last 5 years)</u>** <u>Directorships</u>: *Outside the Group:* Quan Academy Pte. Ltd. <u>Other Principal Commitments</u>: Legal Representative of: Westcon Group (Vietnam) Co., Ltd Westcon Solutions China Shenzhen Branch **<u>Present</u>** <u>Directorships</u>: *Within the Group:* Nil *Outside the Group:* Kim Heng Ltd. Westcon Solutions Pte. Limited Westcon Solutions IMH Pte. Limited Westcon Solutions (HK) Limited Westcon Solutions (M) Sdn. Bhd. PT. Westcon Solutions Westcon Group (Thailand) Co., Limited Westcon Solutions Philippines, Inc. WHOM Pte. Ltd. Westconcomstor International (India) Private Limited <u>Other Principal Commitments</u>: Legal Representative of: Westcon Solutions China Jing An Branch Westcon Solutions China Beijing Branch

	LOH MUN YEW	HO BOON CHUAN WILSON
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
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he/she was a director or an equivalent person or a key executive, at the time when he/she was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he/she ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgement against him/her?	No	No
(d) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such purpose?	No	No

	LOH MUN YEW	HO BOON CHUAN WILSON
(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
(f) Whether at any time during the last 10 years, judgement 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
(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
(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
(i) Whether he/she has ever been the subject of any order, judgement 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

		LOH MUN YEW	HO BOON CHUAN WILSON
(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
	(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
	(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
	(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,	No	No
	in connection with any matter occurring or arising during that period when he/she was so concerned with the entity or business trust?		
(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?	In 2006, Mr Loh Mun Yew was charged under Section 67(1)(b) of the Road Traffic Act for driving a motor vehicle whilst under the influence of alcohol. He pleaded guilty to this charge and was fined a total of S$2,500 and suspended from driving for one and a half years.	No

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Far East Group Limited (the "Company") and its subsidiaries (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2022.

Opinion of the directors

In the opinion of the directors,

(i) the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

Directors

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

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

In accordance with Regulation 104 of the Company's Constitution, Mr. Loh Mun Yew and Mr. Ho Boon Chuan Wilson retire and, being eligible, offer themselves for re-election.

Arrangements to enable directors to acquire shares and debentures

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

DIRECTORS' STATEMENT

Directors' interests in shares and debentures

The following directors, who held office at the end of the financial year, had, according to the register of directors' shareholdings required to be kept under Section 164 of the Companies Act 1967 (the "Act"), an interest in shares of the Company and related corporations (other than wholly-owned subsidiaries) as stated below:

	Direct interest		Deemed interest	
Name of director	**At 1 January 2022**	**At 31 December 2022**	**At 1 January 2022**	**At 31 December 2022**
Universal Pte. Ltd.[1]				
Ordinary shares				
Loh Mun Yew	21,144	21,144	–	–
Loh Pui Lai	9,108	9,108	–	–
Far East Group Limited				
Ordinary shares				
Loh Pui Lai	–	–	6,300,000	6,300,000
Loh Mun Yew	2,423,900	3,042,900	65,115,500	65,115,500
Leng Chee Keong	7,439,800	7,439,800	–	–

Note:

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

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

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

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

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2023.

Options

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

Options (cont'd)

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

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

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

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

Audit committee

The Audit Committee ("AC") carried out its functions in accordance with Section 201B(5) of the Act, including the following:

- Reviewed the audit plans of the internal and external auditors of the Group and the Company, and reviewed the internal auditor's evaluation of the adequacy of the Company's system of internal accounting controls and the assistance given by the Group and the Company's management to the external and internal auditors;
- Reviewed the half-year and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors;
- Met with the Company's internal and external auditors, other committees, and management in separate executive sessions to discuss any matters that these groups believe should be discussed privately with the AC;
- Reviewed legal and regulatory matters that may have a material impact on the financial statements, related compliance policies and programmes and any reports received from regulators;
- Reviewed the cost effectiveness and the independence and objectivity of the external auditor;
- Reviewed the nature and extent of non-audit services provided by the external auditor;
- Recommended to the board of directors the external auditor to be nominated for re-appointment, approved the compensation of the external auditor, and reviewed the scope and results of the audit;
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate; and
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual.

Audit committee (cont'd)

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

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

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

Auditor

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

On behalf of the Board of Directors,

Loh Mun Yew
Director

Leng Chee Keong
Director

Singapore
6 April 2023

INDEPENDENT AUDITOR'S REPORT

To the Members of Far East Group Limited

Report on the audit of the financial statements

Opinion

We have audited the financial statements of Far East Group Limited (the "Company") and its subsidiaries (collectively, the "Group"), which comprise the balance sheets of the Group and the Company as at 31 December 2022, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 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 changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

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

Key Audit Matters (cont'd)

Revenue recognition on engineering contracts

The Group recognised revenue from engineering contracts amounted to $44,165,000 for the financial year ended 31 December 2022, representing 42.4% of the Group's total revenue. The Group accounts for engineering contract revenue and contract costs over time by reference to the Group's progress toward completing the performance obligations of the contract. The measure of progress is based on costs incurred to date as a proportion of estimated total contract costs.

Significant judgement is required to estimate total contract costs and remaining costs to completion and this will in turn affect the measure of contract progress; and the revenue and profit margin recognised from engineering contracts. Accordingly, we have identified this as a key audit matter.

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

– Obtained an understanding of the Group's processes and tested the controls relating to the recognition of revenue from engineering contracts;

– For material engineering contracts at year end, reviewed contractual terms and conditions and assessed the reasonableness of the key assumptions used by management in estimating the total estimated costs and costs to complete and variation order claims, taking into consideration past performance with further consideration of the current market condition;

– Checked the application of input method in determining the stage of completion of the material engineering contracts by reviewing the total estimated contract costs, including any revisions made at year end and actual costs incurred up to the reporting date;

– Tested on a sampling basis the variation order claimed and actual costs incurred against underlying documents during the year; and

– Discussed with management on potential delays in fulfilling the contracts and the impact of this on the project budgets and margins.

We also assessed the adequacy of the relevant notes disclosure. The related disclosures are included in Note 2.25 and Note 25 to the financial statements. The key sources of estimation uncertainty in relation to revenue from engineering contracts are disclosed in Note 3.2 to the financial statements.

Key Audit Matters (cont'd)

Expected credit losses for trade receivables and contract assets

As at 31 December 2022, the Group has trade receivables and contract assets from third parties amounted to $16,853,000 and $10,798,000, representing 13.7% and 8.8% of the total assets respectively. The credit worthiness of customers may be impacted by specific and/or macro-economic conditions, resulting in overdue trade receivables or uncertainty in recoverability of contract assets. The Group applied the simplified approach and calculated expected credit losses ("ECL") based on lifetime expected losses on all trade receivables and contract assets.

This involves significant judgement as the ECL must reflect information about past events, current conditions and forecasts of future conditions. Given the significance of the trade receivables and contract assets and significant judgement and estimations involved in the impairment assessment, we have identified this as key audit matter.

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

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

– Evaluated management's assumptions used in establishing the ECL impairment model through analysis of receivables ageing, review of historical debtor-specific credit loss experiences and consideration of data and information used by management in determining the forward-looking adjustments analysed in accordance to debtors' ageing and grouping customers based on customer profiles, taking into consideration the current economic condition in determining the loss rates;

– Reviewed the collectability of material and long aged trade receivables by way of obtaining evidence of receipts subsequent to the balance sheet date from the customers. For long overdue debts without subsequent collection, we discussed with management on their assessment of the ECL for these trade receivables. Where applicable, we reviewed customers' payment history and correspondences between the Group and the customers on expected settlement; and

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

We also assessed the adequacy of the relevant notes disclosure. The related disclosures on the ECL for trade receivables, contract assets and credit risk management process are included in Note 2.16, Note 14, Note 25(c) and Note 35 to the financial statements. The key sources of estimation uncertainty in relation to expected credit losses for trade receivables and contract assets are disclosed in Note 3.2 to the financial statements.

Key Audit Matters (cont'd)

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

The Group has an investment in unquoted equity security amounting to $9,621,000 as at 31 December 2022, representing 7.8% of the Group's total assets. Management classified this equity instrument at fair value through other comprehensive income.

The measurement of fair value of this equity instrument entails significant estimation uncertainty and judgement given that the underlying entity is a private entity where no published trading price is available, therefore, management has engaged an external valuation specialist. The key assumptions adopted by the external valuation specialist are the discounted pricing multiples of comparable listed companies. This involves a higher degree of judgement and estimation uncertainty, we have identified this as a key audit matter.

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

– Reviewed the valuation report provided by management;

– Assessed the independence, objectivity and competence of management's external valuation specialist;

– Assessed the appropriateness of the comparable listed companies selected by the external valuation specialist by understanding the nature of business and principal activities of those selected companies and comparing it to the underlying company being valued, with the assistance from our internal valuation specialists; and

– Involved our internal valuation specialists to assist us in assessing the reasonableness of the discount for lack of marketability applied in the valuation.

We also assessed the adequacy of the relevant notes disclosure. The related disclosures on the fair value assessment are included in Note 2.15, Note 11 and Note 36 to the financial statements. The key sources of estimation uncertainty in relation to the fair value measurement of unquoted equity instrument are disclosed in Note 3.2 to the financial statements.

Key Audit Matters (cont'd)

Impairment of investments in subsidiaries

As at 31 December 2022, the Company has investments in subsidiaries with carrying values of $20,570,000, representing 23.1% of the Company's total assets. The carrying amount of the investment in subsidiaries are reviewed annually by management to assess whether there are indicators of impairment and if there are such indicators, an estimate is made for the recoverable amount of the asset concerned.

For those subsidiaries where there are indicators of impairment, management has prepared cash flow forecasts to assess the recoverable amounts of the respective subsidiaries. This assessment requires management to make judgements over certain key inputs for the forecasts in relation to annual revenue growth rate, terminal growth rate, forecasted gross margins and discount rate. Given the materiality of the investments in subsidiaries and significant judgement and estimation involved in the impairment assessment, we have identified the impairment of investments in subsidiaries as a key audit matter.

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

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

– Assessed the reasonableness of key assumptions such as annual revenue growth rate and forecasted gross margins used in the forecast by comparing to historical trend and the latest budget approved by management and other available information;

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

– Performed sensitivity analysis of the recoverable amount to changes in the key assumptions taking into consideration the general economic outlook.

We also assessed the adequacy of the relevant notes disclosure. The related disclosures are included in Note 2.11 and Note 9 to the financial statements. The key sources of estimation uncertainty in relation to impairment of non-financial assets are disclosed in Note 3.2 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

To the Members of Far East Group Limited

Other Information

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

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

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

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.

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

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

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

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

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

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

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

To the Members of Far East Group Limited

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company and by those subsidiary corporations incorporated in Singapore of which we are the auditors have been properly kept in accordance with the provisions of the Act.

The engagement partner on the audit resulting in this independent auditor's report is Yong Kok Keong.

Ernst & Young LLP
Public Accountants and
Chartered Accountants
Singapore
6 April 2023

BALANCE SHEETS

As at 31 December 2022

(Amounts expressed in Singapore dollars)

	Note	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Non-current assets					
Fixed assets	4	26,832	28,591	21,588	22,574
Investment property	5	49	53	–	–
Intangible assets	6	188	189	–	–
Right-of-use assets	7	13,560	13,296	12,749	12,260
Right-of-use assets - land use rights	8	1,691	1,802	–	–
Investments in subsidiaries	9	–	–	20,570	16,370
Investment in associates	10	8,547	8,454	7,281	7,281
Investment securities	11	9,621	9,853	–	–
Deferred tax assets	12	1,175	644	–	–
		61,663	62,882	62,188	58,485
Current assets					
Inventories	13	19,211	19,363	9,371	9,391
Investment securities	11	2,360	4,364	2,360	4,364
Trade receivables	14	16,853	16,240	1,867	3,386
Contract assets	25	10,798	4,867	108	303
Other receivables		1,351	1,692	729	735
Deposits		256	337	55	55
Prepayments		240	310	53	77
Advance payment to suppliers		3,361	4,102	2,614	2,369
Amounts due from subsidiaries (trade)	15	–	–	2,288	756
Amounts due from subsidiaries (non-trade)	15	–	–	5,688	4,498
Amounts due from associates (trade)	15	935	815	265	–
Amounts due from associates (non-trade)	15	138	152	–	–
Tax recoverable		70	212	–	–
Fixed asset held for sale	16	–	890	–	–
Fixed deposits	17	222	234	209	209
Cash and bank balances	17	5,947	6,781	1,410	814
		61,742	60,359	27,017	26,957
Total assets		123,405	123,241	89,205	85,442

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

BALANCE SHEETS

As at 31 December 2022

(Amounts expressed in Singapore dollars)

	Note	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Current liabilities					
Trade payables	18	13,890	9,213	2,926	2,503
Contract liabilities	25	1,892	3,647	304	764
Trust receipts and bills payable (secured)	19	12,531	11,901	7,755	7,581
Other payables		826	883	295	342
Accruals and other liabilities	20	6,811	9,312	3,611	3,533
Dividend payable		25	25	25	25
Amounts due to subsidiaries (trade)	15	–	–	4,305	2,715
Amounts due to subsidiaries (non-trade)	15	–	–	859	1,133
Amounts due to associates (non-trade)	15	–	158	–	–
Provision for income tax		768	626	–	–
Lease liabilities (current)	7	733	692	428	295
Term loans (current)	21	6,731	5,171	3,135	3,214
		44,207	41,628	23,643	22,105
Net current assets		17,535	18,731	3,374	4,852
Non-current liabilities					
Deferred tax liabilities	12	2,554	2,627	–	–
Amounts due to subsidiaries (non-trade)	15	–	–	485	904
Lease liabilities (non-current)	7	13,308	13,022	13,063	12,562
Term loans (non-current)	21	15,184	18,579	14,405	16,459
		31,046	34,228	27,953	29,925
Total liabilities		75,253	75,856	51,596	52,030
Net assets		48,152	47,385	37,609	33,412

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

BALANCE SHEETS

As at 31 December 2022

(Amounts expressed in Singapore dollars)

	Note	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Equity attributable to owners of the Company					
Share capital	22	19,680	19,680	19,680	19,680
Retained earnings		21,716	19,844	17,607	13,410
Fair value adjustment reserve	23	7,455	7,641	–	–
Capital reserve		230	230	322	322
Translation reserve	24	(3,406)	(2,526)	–	–
		45,675	44,869	37,609	33,412
Non-controlling interests		2,477	2,516	–	–
Total equity		48,152	47,385	37,609	33,412

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

CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2022

(Amounts expressed in Singapore dollars)

	Note	Group 2022 $'000	Group 2021 $'000
Revenue	25	104,184	83,085
Cost of sales		(83,230)	(66,229)
Gross profit		20,954	16,856
Other operating income	26	2,397	3,545
Distribution and selling expenses		(6,381)	(5,584)
Administrative expenses		(11,929)	(12,338)
Impairment losses on trade receivables and contract assets		(613)	(398)
Other operating expenses	27	(894)	(251)
Share of results of associates	10	168	241
Profit from operations	28	3,702	2,071
Finance expenses	30	(1,592)	(1,305)
Interest income		83	216
Profit before tax		2,193	982
Tax credit/(expense)	31	45	(703)
Profit for the year		2,238	279
Attributable to:			
Owners of the Company		2,073	(32)
Non-controlling interests		165	311
		2,238	279
Profit/(loss) per share			
Basic and diluted (cents)	32	1.86	(0.03)

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2022

(Amounts expressed in Singapore dollars)

	Group	
	2022	**2021**
	$'000	$'000
Profit for the year	2,238	279
Other comprehensive income:		
Items that will not be reclassified subsequently to profit or loss		
Net fair value (loss)/gain on equity instrument at fair value through other comprehensive income ("FVOCI")	(145)	1,665
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	(1,125)	417
Total comprehensive income for the year	968	2,361
Attributable to:		
Owners of the Company	1,007	1,959
Non-controlling interests	(39)	402
	968	2,361

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2022

(Amounts expressed in Singapore dollars)

Group	Equity, total	Equity attributable to owners of the Company, total	Share capital	Retained earnings	Fair value adjustment reserve	Capital reserve	Translation reserve	Non-controlling interests
		Attributable to owners of the Company						
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 January 2021	45,385	43,203	19,680	20,077	5,883	322	(2,759)	2,182
Profit/(loss) for the year	279	(32)	–	(32)	–	–	–	311
Other comprehensive income								
Foreign currency translation	417	326	–	–	93	–	233	91
Net fair value gain on equity instrument at FVOCI	1,665	1,665	–	–	1,665	–	–	–
Total comprehensive income for the year	2,361	1,959	–	(32)	1,758	–	233	402
Contributions by and distribution to owners								
Dividends on ordinary shares (Note 39)	(201)	(201)	–	(201)	–	–	–	–
Changes in ownership interest in subsidiaries								
Acquisition of non-controlling interest without change in control (Note 9)	(160)	(92)	–	–	–	(92)	–	(68)
As at 31 December 2021	47,385	44,869	19,680	19,844	7,641	230	(2,526)	2,516

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

(Amounts expressed in Singapore dollars)

Group	Equity, total	Equity attributable to owners of the Company, total	Share capital	Retained earnings	Fair value adjustment reserve	Capital reserve	Translation reserve	Non-controlling interests
		Attributable to owners of the Company						
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
As at 1 January 2022	47,385	44,869	19,680	19,844	7,641	230	(2,526)	2,516
Profit for the year	2,238	2,073	–	2,073	–	–	–	165
Other comprehensive income								
Foreign currency translation	(1,125)	(921)	–	–	(41)	–	(880)	(204)
Net fair value loss on equity instrument at FVOCI	(145)	(145)	–	–	(145)	–	–	–
Total comprehensive income for the year	968	1,007	–	2,073	(186)	–	(880)	(39)
Contributions by and distribution to owners								
Dividends on ordinary shares (Note 39)	(201)	(201)	–	(201)	–	–	–	–
As at 31 December 2022	48,152	45,675	19,680	21,716	7,455	230	(3,406)	2,477

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

STATEMENTS OF CHANGES IN EQUITY

For the year ended 31 December 2022

(Amounts expressed in Singapore dollars)

Company	Equity, total $'000	Share capital $'000	Retained earnings $'000	Capital reserve $'000
As at 1 January 2021	34,393	19,680	14,391	322
Loss for the year, representing total comprehensive income for the year	(780)	–	(780)	–
<u>Contributions by and distribution to owners</u>				
Dividends on ordinary shares (Note 39)	(201)	–	(201)	–
As at 31 December 2021 and 1 January 2022	33,412	19,680	13,410	322
Profit for the year, representing total comprehensive income for the year	4,398	–	4,398	–
<u>Contributions by and distribution to owners</u>				
Dividends on ordinary shares (Note 39)	(201)	–	(201)	–
As at 31 December 2022	37,609	19,680	17,607	322

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

CONSOLIDATED
CASH FLOW STATEMENT

For the year ended 31 December 2022

(Amounts expressed in Singapore dollars)

	Note	Group 2022 $'000	Group 2021 $'000
Operating activities			
Profit before tax		2,193	982
Adjustments:			
Impairment losses on trade receivables and contract assets		613	398
(Written back)/Allowance for obsolete and slow-moving inventories, net	28	(583)	418
Fixed assets written off	28	6	6
Gains on disposal of fixed assets, net	26	(14)	(63)
Gains on disposal of fixed assets held for sale	26	(7)	–
Depreciation of investment property	28	2	2
Depreciation of fixed assets	28	1,793	2,113
Depreciation of right-of-use assets	28	915	856
Dividend income from investment securities	26	(350)	(317)
Amortisation of intangible assets	28	–	54
Depreciation of right-of-use assets - land use rights	28	45	46
Net fair value loss on held for trading investment securities	27	241	165
Unclaimed dividend	26	–	(112)
Finance expenses	30	1,592	1,305
Interest income		(83)	(216)
Share of results of associates	10	(168)	(241)
Translation differences		(405)	(220)
Operating cash flows before working capital changes		5,790	5,176
(Increase)/decrease in:			
Inventories		735	(5,203)
Trade receivables		(797)	(4,572)
Other receivables		227	(188)
Contract assets		(6,360)	204
Deposits, prepayments and advance payment to suppliers		892	(2,916)
Amounts due from associates (trade)		(120)	17
Increase/(decrease) in:			
Trade payables		17,209	14,834
Contract liabilities		(1,755)	2,556
Other payables		(57)	(141)
Accruals and other liabilities		(2,470)	4,105
Amount due to associates (non-trade)		(158)	–
Cash flows generated from operations		13,136	13,872
Interest paid		(1,004)	(764)
Income taxes paid		(391)	(447)
Income taxes refunded		177	2
Interest income		83	216
Net cash flows generated from operating activities		12,001	12,879

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

CONSOLIDATED
CASH FLOW STATEMENT

For the year ended 31 December 2022

(Amounts expressed in Singapore dollars)

	Note	Group 2022 $'000	Group 2021 $'000
Investing activities			
Proceeds from disposal of fixed assets		14	893
Proceeds from disposal of fixed assets held for sale		897	–
Proceeds from disposal of investment securities		1,763	4,383
Purchase of fixed assets	4	(486)	(1,112)
Purchase of investment securities		–	(636)
Dividends received		465	201
Additions of investment in associates	10	–	(7,281)
Net cash flows generated from/(used in) investing activities		2,653	(3,552)
Financing activities			
Acquisition of non-controlling interests		–	(160)
Dividends paid on ordinary shares		(201)	(201)
Repayment of trust receipts and bills payable		(63,362)	(44,591)
Proceeds from trust receipts and bills payable		51,355	35,532
Payment of principal portion of lease liabilities		(855)	(812)
Interest paid on lease liabilities		(588)	(541)
Proceeds from term loans		16,016	5,069
Repayment from term loans		(17,794)	(4,410)
Net cash flows used in financing activities		(15,429)	(10,114)
Net decrease in cash and cash equivalents		(775)	(787)
Effect of exchange rate changes on cash and cash equivalents		(71)	15
Cash and cash equivalents at beginning of year		6,815	7,587
Cash and cash equivalents at end of year	17	5,969	6,815

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

1. Corporate information

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

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

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

The principal activities of its subsidiaries are disclosed in Note 9 to the financial statements.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

The financial statements are presented in Singapore Dollars (SGD or $) and all values are rounded to the nearest thousand ($'000), except when otherwise indicated.

2.2 Adoption of new and amended standards and interpretations

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and amended standards which are relevant to the Group and are effective for annual financial periods beginning on or after 1 January 2022. The adoption of these standards and interpretations did not have material effect on the financial performance or position of the Group and the Company.

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

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 1 *Presentation of Financial Statements*: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to FRS 1 *Presentation of Financial Statements*: and FRS Practice Statement 2: Disclosure of Accounting Policies	1 January 2023
Amendments to FRS 8 *Accounting Policies, Changes in Accounting Estimates and Errors*: Definition of Accounting Estimates	1 January 2023
Amendments to FRS 12 *Income Taxes*: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023
Amendments to FRS 1 *Presentation of Financial Statements:* Non-current Liabilities with Covenants	1 January 2024
Amendments to FRS 110 *Consolidated Financial Statements and* FRS 28 *Investments in Associates and Joint Ventures*: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Date to be determined

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

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

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

(a) Basis of consolidation (cont'd)

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

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

(b) Business combinations and goodwill

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

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

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

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

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

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

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

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

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

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

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

2.5 Transactions with non-controlling interests

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

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

2.6 Functional and foreign currency

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

(a) Transactions and balances

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

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

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

2.6 Functional and foreign currency (cont'd)

(b) Consolidated financial statements

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

In the case of a partial disposal without loss of control of a subsidiary that includes a foreign operation, the proportionate share of the cumulative amount of the exchange differences are re-attributed to non-controlling interest and are not recognised in profit or loss.

2.7 Fixed assets

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

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

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

Freehold buildings	50 years
Leasehold buildings	20 to 32 years
Plant and machinery	5 to 10 years
Motor vehicles	5 to 10 years
Renovation and leasehold improvements	3 to 30 years
Office equipment, furniture and fittings	3 to 10 years
Computers	1 to 3 years
Software	10 years

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

The carrying values of fixed assets are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

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

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

2.8 Investment properties

Investment properties are properties that are either owned by the Group or leased under a finance lease that are held to earn rentals or for capital appreciation, or both, rather than for use in the production or supply of goods or services, or for administrative purposes, or in the ordinary course of business.

Investment properties are initially measured at cost, including transaction costs and subsequently carried at cost less accumulated depreciation and any accumulated impairment losses. Depreciation is calculated using the straight-line method to allocate the depreciable amounts over the estimated useful lives of 50 years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted if appropriate, at the end of each reporting period. The effects of any revision are included in the profit or loss when the changes arise.

The carrying value of investment properties are reviewed for impairment when events or changes in circumstances indicate that the carrying value may not be recoverable.

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

Transfers are made to investment property when, and only when, there is a change in use, evidenced by ending of owner-occupation or commencement of an operating lease to another party. Transfers are made from investment property when and only when, there is a change in use, evidenced by the commencement of owner-occupation or commencement of development with a view to sell.

2.9 Intangible assets

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

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

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

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

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

Customer list

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

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

2.10 Right-of-use assets - land use rights

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

2.11 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increase cannot exceed the carrying amount that would have been determined, net of depreciation, had no impairment loss been recognised previously. Such reversal is recognised in profit or loss.

2.12 Subsidiaries

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

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

2.13 Associates

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

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

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

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

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

2.13 Associates (cont'd)

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

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

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

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

2.14 Affiliated companies

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

2.15 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

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

Subsequent measurement

Investments in debt instruments

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

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

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

2.15 Financial instruments (cont'd)

(a) Financial assets (cont'd)

Investments in equity instruments

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

De-recognition

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

2.16 Impairment of financial assets

The Group recognises an allowance for expected credit losses ("ECLs") for all debt instruments not held at fair value through profit or loss and financial guarantee contracts. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive, discounted at an approximation of the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

ECLs are recognised in two stages. For credit exposures for which there has not been a significant increase in credit risk since initial recognition, ECLs are provided for credit losses that result from default events that are possible within the next 12-months ("a 12-month ECL"). For those credit exposures for which there has been a significant increase in credit risk since initial recognition, a loss allowance is recognised for credit losses expected over the remaining life of the exposure, irrespective of timing of the default ("a lifetime ECL").

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

2.16 Impairment of financial assets (cont'd)

For trade receivables and contract assets, the Group applies a simplified approach in calculating ECLs. Therefore, the group does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date. The Group has established a provision matrix that is based on its historical credit loss experience, adjusted for forward-looking factors specific to the debtors and the economic environment.

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

2.17 Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These also include bank overdrafts that form an integral part of the Group's cash management.

2.18 Inventories

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

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

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

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

2.19 Provisions

General

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

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

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

2.20 Government grants

Government grants are recognised as a receivable when there is reasonable assurance that the grant will be received and all attached conditions will be complied with.

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

2.21 Financial guarantee

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are measured at the higher of the amount of expected credit loss determined in accordance with the policy set out in Note 2.16 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised over the period of the guarantee.

2.22 Borrowing costs

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

2.23 Employee benefits

(a) Defined contribution plans

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

(b) Employee leave entitlement

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

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

2.24 Leases

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

(a) As lessee

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

Right-of-use assets

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

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

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

If ownership of the leased asset transfers to the Group at the end of the lease term or the cost reflects the exercise of a purchase option, depreciation is calculated using the estimated useful life of the asset. The right-of-use assets are also subject to impairment. The accounting policy for impairment is disclosed in Note 2.11.

Lease liabilities

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

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

2.24 Leases (cont'd)

(a) As lessee (cont'd)

Lease liabilities (cont'd)

In calculating the present value of lease payments, the Group uses its incremental borrowing rate at the lease commencement date because the interest rate implicit in the lease is not readily determinable. After the commencement date, the amount of lease liabilities is increased to reflect the accretion of interest and reduced for the lease payments made. In addition, the carrying amount of lease liabilities is remeasured if there is a modification, a change in the lease term, a change in the lease payments (e.g. changes to future payments resulting from a change in an index or rate used to determine such lease payments) or a change in the assessment of an option to purchase the underlying asset.

Short-term leases and leases of low-value assets

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

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income.

2.25 Revenue

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

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

(a) Sale of goods

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

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

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

2.25 Revenue (cont'd)

(a) Sale of goods (cont'd)

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

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

Bill-and-hold arrangements

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

(b) Project installation and maintenance services

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

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

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

(c) Engineering contracts revenue

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

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

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

2.25 Revenue (cont'd)

(c) Engineering contracts revenue (cont'd)

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

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

Contract modifications

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

(d) Interest income

Interest income is recognised using the effective interest method.

(e) Dividend income

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

(f) Rental income

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

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

2.26 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

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

– In respect of deductible temporary differences associated with investments in subsidiaries, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

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

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

2.26 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

(c) Sales tax

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

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

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

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

2.27 Share capital and share issuance expenses

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

2.28 Contingencies

A contingent liability is:

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

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

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

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

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

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

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

2.29 Non-current assets held for sale

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

Fixed assets once classified as held for sale are not depreciated.

3. Significant accounting judgements and estimates

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

3.1 Judgements made in applying accounting policies

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

(i) Income taxes

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

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

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

As at 31 December 2022, the carrying amounts of the Group's tax recoverable, provision for income tax, deferred tax assets and deferred tax liabilities amounted to $70,000 (2021: $212,000), $768,000 (2021: $626,000), $1,175,000 (2021: $644,000) and $2,554,000 (2021: $2,627,000) respectively.

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

3.1 Judgements made in applying accounting policies (cont'd)

(ii) Assessment of classification of unquoted investment security

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

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

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

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

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

3.2 Key sources of estimation uncertainty

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

(i) Impairment of non-financial assets

An impairment exists when the carrying value of an asset or cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs to sell and its value in use. The value in use calculation is based on a discounted cash flow model. The cash flows are derived from the forecast for the next five years. The recoverable amount is most sensitive to the discount rate used for the discounted cash flow model as well as the expected future cash inflows and the growth rate used for extrapolation purposes.

As at 31 December 2022, the carrying amounts of the Company's investments in subsidiaries were $20,570,000 (2021: $16,370,000).

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

3.2 Key sources of estimation uncertainty (cont'd)

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

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

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

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

As at 31 December 2022, the carrying amounts of the Group's and the Company's trade receivables and contract assets, including balances with subsidiaries and associates amounted to $28,586,000 (2021: $21,922,000) and $4,528,000 (2021: $4,445,000) respectively.

(iii) Fair value measurement of unquoted equity security

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

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

As at 31 December 2022, the carrying amount of the unquoted equity security amounted to $9,621,000 (2021: $9,853,000).

(iv) Revenue from engineering contracts

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

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

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

As at 31 December 2022, the carrying amounts of the Group's and the Company's contract assets arising from engineering contracts amounted to $10,798,000 (2021: $4,867,000) and $108,000 (2021: $303,000).

4. Fixed assets

Group	Freehold land	Freehold buildings	Leasehold buildings	Plant and machinery	Motor vehicles	Renovation and leasehold improvements	Office equipment, furniture and fittings	Computers	Software	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Cost										
At 1 January 2021	20	97	32,416	5,452	297	1,776	718	484	1,426	42,686
Additions	–	–	–	560	12	391	37	112	–	1,112
Disposals	–	–	(1,213)	(116)	(73)	–	(3)	–	(16)	(1,421)
Write off	–	–	–	–	–	–	(16)	(129)	–	(145)
Transfer to investment property (Note 5)	(20)	(95)	–	–	–	–	–	–	–	(115)
Transfer to fixed asset held for sale (Note 16)	–	–	(1,184)	–	–	–	–	–	–	(1,184)
Translation differences	–	(2)	348	185	2	(2)	4	(1)	1	535
At 31 December 2021 and 1 January 2022	–	–	30,367	6,081	238	2,165	740	466	1,411	41,468
Additions	–	–	–	247	–	–	7	62	170	486
Disposals	–	–	–	(103)	(24)	–	–	(5)	–	(132)
Write off	–	–	–	(5)	–	(57)	(9)	(190)	–	(261)
Translation differences	–	–	(712)	(409)	(14)	(36)	(35)	(11)	–	(1,217)
At 31 December 2022	–	–	29,655	5,811	200	2,072	703	322	1,581	40,344

4. Fixed assets (cont'd)

Group (cont'd)	Freehold land $'000	Freehold buildings $'000	Leasehold buildings $'000	Plant and machinery $'000	Motor vehicles $'000	Renovation and leasehold improvements $'000	Office equipment, furniture and fittings $'000	Computers $'000	Software $'000	Total $'000
Accumulated depreciation										
At 1 January 2021	–	61	5,072	4,192	194	381	381	343	916	11,540
Charge for the year	–	2	1,164	424	34	134	77	139	139	2,113
Disposals	–	–	(398)	(104)	(73)	–	–	–	(16)	(591)
Write off	–	–	–	–	–	–	(10)	(129)	–	(139)
Transfer to investment property (Note 5)	–	(62)	–	–	–	–	–	–	–	(62)
Transfer to fixed asset held for sale (Note 16)	–	–	(294)	–	–	–	–	–	–	(294)
Translation differences	–	(1)	156	151	1	(1)	4	(1)	1	310
At 31 December 2021 and 1 January 2022	–	–	5,700	4,663	156	514	452	352	1,040	12,877
Charge for the year	–	–	1,082	298	32	86	60	96	139	1,793
Disposals	–	–	–	(103)	(24)	–	–	(5)	–	(132)
Write off	–	–	–	(5)	–	(52)	(8)	(190)	–	(255)
Translation differences	–	–	(366)	(322)	(10)	(30)	(29)	(12)	(2)	(771)
At 31 December 2022	–	–	6,416	4,531	154	518	475	241	1,177	13,512
Net carrying amount										
At 31 December 2021	–	–	24,667	1,418	82	1,651	288	114	371	28,591
At 31 December 2022	–	–	23,239	1,280	46	1,554	228	81	404	26,832

4. Fixed assets (cont'd)

Company	Leasehold buildings $'000	Plant and machinery $'000	Motor vehicles $'000	Renovation and leasehold improvements $'000	Office equipment, furniture and fittings $'000	Computers $'000	Software $'000	Total $'000
Cost								
At 1 January 2021	23,370	333	87	1,374	428	498	1,387	27,477
Additions	–	6	–	–	22	19	–	47
Write off	–	–	–	–	(16)	(112)	–	(128)
At 31 December 2021 and 1 January 2022	23,370	339	87	1,374	434	405	1,387	27,396
Additions	–	20	–	–	3	20	–	43
Write off	–	(1)	–	–	(1)	(148)	–	(150)
At 31 December 2022	23,370	358	87	1,374	436	277	1,387	27,289
Accumulated depreciation								
At 1 January 2021	2,194	80	79	117	123	424	880	3,897
Charge for the year	730	37	3	47	42	48	140	1,047
Write off	–	–	–	–	(10)	(112)	–	(122)
At 31 December 2021 and 1 January 2022	2,924	117	82	164	155	360	1,020	4,822
Charge for the year	730	33	4	49	41	34	137	1,028
Write off	–	(1)	–	–	–	(148)	–	(149)
At 31 December 2022	3,654	149	86	213	196	246	1,157	5,701
Net carrying amount								
At 31 December 2021	20,446	222	5	1,210	279	45	367	22,574
At 31 December 2022	19,716	209	1	1,161	240	31	230	21,588

4. Fixed assets (cont'd)

Assets pledged as security

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

(a) Leasehold buildings of the Company with net carrying amount of $19,716,000 (2021: $20,446,000); and

(b) Leasehold buildings of subsidiaries with net carrying amount of $3,457,000 (2021: $4,150,000).

Changes in estimates

For the financial year ended 31 December 2022, the Group re-evaluated its leasehold improvements and had revised the estimated useful lives of the assets.

The revision in estimate has been applied on a prospective basis from 1 January 2022. The effect of the above revision on depreciation charge in current and future periods are as follows:

	2022 $'000	2023 $'000	2024 $'000	Later $'000
Increase/(decrease) in depreciation expense	(59)	(59)	(59)	177

5. Investment property

	Group $'000
Cost:	
At 1 January 2021	–
Transfer from fixed assets	115
At 31 December 2021, 1 January 2022 and 31 December 2022	115
Accumulated amortisation:	
At 1 January 2021	–
Transfer from fixed assets	62
Depreciation	2
Translation differences	(2)
At 31 December 2021 and 1 January 2022	62
Depreciation	2
Translation differences	2
At 31 December 2022	66
Net carrying amount:	
At 31 December 2021	53
At 31 December 2022	49

5. Investment property (cont'd)

In 2021, the Group transferred a property, which includes a freehold land and freehold building, from fixed assets that was held as owner-occupied property to investment property as the Group has commenced leasing of the property to an external party.

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

Rental income amounting to $12,000 (2021: $13,000) were recognised in the income statement in respect of the investment property. The Group did not incur any direct operating expenses during the financial year (2021: Nil).

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

	Group	
	2022	**2021**
	$'000	$'000
Not later than one year	7	13
Two to five years	–	7
	7	20

The investment property held by the Group is as follows:

Description and location	**Existing use**	**Tenure**	**Fair value**	
			2022	**2021**
			$'000	$'000
Shophouse located at No. 60, Lebuh Noordin, 10300 Pulau Pinang, Malaysia	Commercial	Freehold	724	712

Valuation of investment property

The Group engages an external, independent and qualified valuer, Knight Frank Malaysia Sdn. Bhd., to determine the fair value of the Group's investment property. The fair value of the Group's investment property is derived using the market approach, under which the valuer considers the sales of similar or substitute properties and related market data and establishes a value estimate by adjustments made for differences in factors that affect value.

6. Intangible assets

Group	Goodwill	Customer list	Total
	$'000	$'000	$'000
Cost:			
At 1 January 2021	408	704	1,112
Translation differences	–	38	38
At 31 December 2021 and 1 January 2022	408	742	1,150
Translation differences	–	(75)	(75)
At 31 December 2022	408	667	1,075
Accumulated amortisation:			
At 1 January 2021	219	656	875
Amortisation for the year	–	54	54
Translation differences	–	32	32
At 31 December 2021 and 1 January 2022	219	742	961
Translation differences	1	(75)	(74)
At 31 December 2022	220	667	887
Net carrying amount:			
At 31 December 2021	189	–	189
At 31 December 2022	188	–	188

Amortisation expense

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

Impairment testing of goodwill

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

		Group	
		2022	**2021**
		$'000	$'000
CGU A	Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd	182	182
CGU B	Green Point Compressor Services & Parts Sdn. Bhd.	6	7
		188	189

6. Intangible assets (cont'd)

Impairment testing of goodwill (cont'd)

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

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

	Terminal growth rates (%)		Pre-tax discount rates (%)	
	2022	**2021**	**2022**	**2021**
CGU A	2.3	2.5	13.0	14.0

Key assumptions used in the value in use calculations

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

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

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

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

Sensitivity to changes in assumptions

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

7. Right-of-use assets/Lease liabilities

As a lessee

In addition to the land use rights disclosed in Note 8, the Group and the Company have lease contracts for land, office and warehouse premises, office equipment and motor vehicles. These obligations under these leases are secured by the lessor's title to the leased assets. There are several lease contracts that include extension options which are further discussed below.

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

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

As a lessee (cont'd)

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

	Group				
	Leasehold land	Office and warehouse premises	Motor vehicles	Office equipment	Total
	$'000	$'000	$'000	$'000	$'000
At 1 January 2021	12,636	459	697	58	13,850
Additions	–	256	45	–	301
Depreciation	(436)	(313)	(82)	(25)	(856)
Translation differences	–	1	–	–	1
At 31 December 2021 and 1 January 2022	12,200	403	660	33	13,296
Additions	384	207	66	544	1,201
Depreciation	(449)	(304)	(114)	(48)	(915)
Translation differences	–	(20)	–	(2)	(22)
At 31 December 2022	12,135	286	612	527	13,560

	Company				
	Leasehold land	Office and warehouse premises	Motor Vehicles	Office equipment	Total
	$'000	$'000	$'000	$'000	$'000
At 1 January 2021	12,636	41	59	17	12,753
Depreciation	(435)	(33)	(20)	(5)	(493)
At 31 December 2021 and 1 January 2022	12,201	8	39	12	12,260
Additions	384	110	–	531	1,025
Depreciation	(450)	(35)	(17)	(34)	(536)
At 31 December 2022	12,135	83	22	509	12,749

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

As a lessee (cont'd)

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
At 1 January	13,714	14,229	12,857	13,167
Additions	1,201	301	1,025	–
Payments	(1,443)	(1,353)	(915)	(809)
Interest expense	588	541	524	499
Foreign exchange movement	(19)	(4)	–	–
At 31 December	14,041	13,714	13,491	12,857
Current	733	692	428	295
Non-current	13,308	13,022	13,063	12,562
At 31 December	14,041	13,714	13,491	12,857

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

The following are the amounts recognised in profit or loss:

	Group	
	2022	**2021**
	$'000	$'000
Depreciation of right-of-use assets	915	856
Interest expense on lease liabilities	588	541
Lease expense not capitalised in lease liabilities (Note 28):		
- Expense relating to short-term leases (included in cost of sales and administrative expenses)	664	426
- Expense relating to leases of low-value assets (included in administrative expenses)	4	4
	668	430
Total amount recognised in profit or loss	2,171	1,827

The Group had total cash outflows for leases of $2,111,000 (2021: $1,783,000). The Group also had non-cash additions to right-of-use assets and lease liabilities of $1,201,000 (2021: $301,000). The Group has not entered into any lease contracts which have not yet commenced as at 31 December 2022.

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

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

As a lessor

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

Rental income recognised by the Group during the financial year ended 31 December 2022 is $725,000 (2021: $700,000).

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
Not later than one year	812	649	804	648
Two to five years	808	5	804	–
Later than five years	15	17	–	–
	1,635	671	1,608	648

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

	Group	
	2022	**2021**
	$'000	$'000
Cost		
At 1 January	2,193	2,152
Translation differences	(81)	41
At 31 December	2,112	2,193
Accumulated amortisation		
At 1 January	391	338
Depreciation	45	46
Translation differences	(15)	7
At 31 December	421	391
Net carrying amount	1,691	1,802
Amount to be amortised:		
- Not later than one year	45	46
- Later than one year but not later than five years	181	183
- Later than five years	1,465	1,573

8. Right-of-use assets - land use rights (cont'd)

The Group has land use rights over a plot of state-owned land in People's Republic of China (PRC) where the Group's PRC manufacturing and storage facilities reside. The land use rights are not transferrable and have a remaining tenure of 38 years (2021: 39 years) up to 2061.

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

9. Investments in subsidiaries

	Company	
	2022	**2021**
	$'000	$'000
Shares, at cost		
At 1 January	21,513	21,353
Additions	–	160
At 31 December	21,513	21,513
Less: Impairment losses	(943)	(5,143)
	20,570	16,370

a. Composition of the Group

The Group has the following significant investments in subsidiaries:

Name	**Principal activities**	**Principal places of business**	**Proportion (%) of ownership interest 2022**	**2021**
Held by the Company				
Far East Refrigeration (M) Sdn. Bhd. #	Trading of refrigeration and air-conditioning parts and investment holding	Malaysia	100	100
Far East Refrigeration Limited #	Trading of refrigeration and air-conditioning parts	Hong Kong	100	100
RSP Systems Pte Ltd @ ("RSP")	Supply and solutions provider of refrigeration and air-conditioning monitoring and energy management systems	Singapore	80.0	80.0
Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd #	Manufacturing and trading of electrical, refrigeration and air-conditioning equipment and parts	People's Republic of China	84.25	84.25

9. Investments in subsidiaries (cont'd)

a. Composition of the Group (cont'd)

Name	Principal activities	Principal places of business	Proportion (%) of ownership interest 2022	Proportion (%) of ownership interest 2021
Held by the Company				
M-Tech Air-Con & Security Engineering Pte Ltd [@] ("M-Tech")	Plumbing, heating (non-electrical) and air-conditioning engineering solutions in the heating, ventilation, air-conditioning and refrigeration industry	Singapore	100	100
Held through Far East Refrigeration (M) Sdn. Bhd.				
Far East Enterprises (K.L.) Sdn. Bhd. [#]	Trading of electrical, refrigeration and air-conditioning equipment and parts (Inactive)	Malaysia	100	100
Far East Enterprises (Penang) Sdn. Bhd.[#]	Trading of electrical, refrigeration and air-conditioning equipment and parts (Inactive)	Malaysia	93.88	93.88
Green Point Compressor Services & Parts Sdn. Bhd. [#]	Repair and maintenance for air-conditioning compressors	Malaysia	100	100
Held through Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd				
Elite Envirotech Co., Ltd [>]	Manufacturing and trading of electrical, refrigeration and air-conditioning equipment and parts	People's Republic of China	51	51

@ Audited by Ernst & Young LLP, Singapore
\# Audited by member firms of EY Global in the respective countries
> Audited by Shanghai Huiyong Certified Public Accountants in People's Republic of China

9. Investments in subsidiaries (cont'd)

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

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

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by NCI	Profit allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period
		%	$'000	$'000
31 December 2022:				
Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd and its subsidiary	People's Republic of China	15.75	36	1,442
31 December 2021:				
Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd and its subsidiary	People's Republic of China	15.75	93	1,557

Significant restrictions

The nature and extent of significant restrictions on the Group's ability to use or access assets and settle liabilities of subsidiaries with material non-controlling interests are cash and cash equivalents of $1,681,000 (2021: $2,358,000) held in People's Republic of China are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends.

9. Investments in subsidiaries (cont'd)

c. Summarised financial information about subsidiary with material NCI

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

Summarised balance sheet

	Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd and its subsidiary	
	2022	**2021**
	$'000	$'000
Current		
Assets	16,512	15,703
Liabilities	(12,809)	(12,425)
Net current assets	3,703	3,278
Non-current		
Assets	5,749	6,885
Liabilities	(419)	(494)
Net non-current assets	5,330	6,391
Net assets	9,033	9,669

Summarised statement of comprehensive income

	2022	**2021**
	$'000	$'000
Revenue	23,301	26,044
Profit before tax	585	1,069
Income tax expense	(355)	(476)
Profit after tax	230	593
Other comprehensive income	(866)	462
	(636)	1,055

Other summarised information

	2022	**2021**
	$'000	$'000
Net cash flows (used in)/generated from operations	(1,095)	311
Acquisition of significant fixed assets	(203)	(528)

9. Investments in subsidiaries (cont'd)

d. Impairment of investment in subsidiaries

M-Tech Air-Con & Security Engineering Pte Ltd ("M-Tech")

During the financial year ended 31 December 2022, the Company carried out a review of the recoverable amounts of its investment in M-Tech. A reversal of impairment loss of $4,200,000, representing the write-back of previously recognised impairment of this investment was recognised in the financial year. The recoverable amount has been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The key assumptions used are as follows:

	Terminal growth rates (%)		**Pre-tax discount rates (%)**	
	2022	**2021**	**2022**	**2021**
M-Tech	1.7	1.7	12.0	12.0

e. Acquisition of ownership interest in subsidiary, without change in control

In 2021, the Company acquired additional 22.9% equity interest in RSP for a cash consideration of $160,000. As a result of this acquisition, the Company owned 80% equity interest in RSP. The carrying value of the net assets of RSP at the date of acquisition was $297,000 and the carrying value of the additional interest acquired was $68,000. The difference of $92,000 between the consideration and the carrying value of additional interest acquired has been recognised as "Capital Reserve" within equity.

The following summarises the effect of the change in the Group's ownership interest in RSP on the equity attributable to owners of the Company:

	$'000
Consideration paid for acquisition of non-controlling interests	160
Decrease in equity attributable to non-controlling interests	(68)
Decrease in equity attributable to the owners of the Company	92

10. Investment in associates

The Group's and the Company's carrying value of the investment in associates are summarised as below:

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
Fayi Technology Inc. ("Fayi Taiwan")	1,164	823	–	–
Comfresh Group Holdings Pty Ltd ("Comfresh")	6,910	7,222	7,281	7,281
Other associate	473	409	–	–
	8,547	8,454	7,281	7,281

Name of associates	Principal activities	Country of incorporation/ Principal places of business	Proportion (%) of ownership interest	
			2022	**2021**
Fayi Technology Inc. > ("Fayi Taiwan")	Trading of electrical, refrigeration and air-conditioning equipment and parts	Republic of China (Taiwan)	27	27
Comfresh Group Holdings Pty Ltd # ("Comfresh")	Growing, wholesaling and distribution of fresh produce such as fruits and vegetables	Australia	20	20

Not required to be audited under the laws of Australia
> Audited by Hon Ching & Co., Certified Public Accountants in People's Republic of China

Included in the carrying amount of the investment in associates is an amount of $60,000 (2021: Nil) which relates to dividend income from Fayi Taiwan during the financial year. The activities of the associates are strategic to the Group activities.

Aggregate information about the Group's investment in associates that are not individually material is as follows:

	2022	**2021**
	S$'000	S$'000
Profit after tax, representing total comprehensive income	565	805

10. Investment in associates (cont'd)

Acquisition of associate

On 27 September 2021, the Company acquired 20% equity interest in Comfresh Group Holdings Pty Ltd ("Comfresh") at a cash consideration of $7,281,000.

The fair value of identifiable assets and liabilities of Comfresh as at the acquisition date following a Purchase Price Allocation exercise were as follows:

	20% fair values recognised on acquisition
	$'000
Fixed assets	4,474
Right-of-use assets	280
Intangible asset – Customer relationship	1,725
Cash and cash equivalents	367
Inventories	131
Trade and other receivables	1,795
Amounts due from directors and associates	395
Goodwill on consolidation	389
Investment in associates	9
	9,565
Trade and other payables	(1,540)
Loans from shareholders	(122)
Term loans	(1,113)
Lease liabilities	(284)
Deferred tax liability	(9)
Provision for income tax	(11)
	(3,079)
Total identifiable net assets at fair value acquired	6,486
Goodwill on acquisition	795
Total consideration transferred	7,281

10. Investment in associates (cont'd)

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

Summarised balance sheets

	Fayi Taiwan		Comfresh	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
Current				
Assets	4,238	3,773	8,441	7,684
Liabilities	(1,619)	(4,948)	(9,844)	(5,235)
Net current assets/(liabilities)	2,619	(1,175)	(1,403)	2,449
Non-current				
Assets	3,954	4,380	61,742	44,004
Liabilities	(2,506)	–	(32,214)	(13,961)
Net non-current assets	1,448	4,380	29,528	30,043
Net assets	4,067	3,205	28,125	32,492
Proportion of the Group's ownership	27%	27%	20%	20%
Group's share of net assets	1,098	865	5,625	6,498
Goodwill on acquisition	–	–	795	795
Other adjustments	66	(42)	490	(71)
Carrying amount of the investment	1,164	823	6,910	7,222

Summarised statements of comprehensive income

	Fayi Taiwan		Comfresh	
	2022	**2021**	**1.1.2022 to 31.12.2022**	**27.9.2021 to 31.12.2021**
	$'000	$'000	$'000	$'000
Revenue	9,690	8,031	63,426	16,904
Profit/(loss) after tax	1,484	693	(1,560)	(295)
Proportion of the Group's ownership	27%	27%	20%	20%
Share of results of associates	401	187	(312)	(59)

11. Investment securities

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
At fair value through other comprehensive income ("FVOCI")				
Unquoted equity security				
- Guangzhou Fayi Trading Co., Ltd. ("Fayi Guangzhou")	9,621	9,853	–	–
At fair value through profit or loss ("FVPL")				
Held for trading investment securities (quoted) on:				
- Bonds	2,360	4,364	2,360	4,364
	11,981	14,217	2,360	4,364
Classified as:				
Current	2,360	4,364	2,360	4,364
Non-current	9,621	9,853	–	–
	11,981	14,217	2,360	4,364

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

During the financial year, the Group recognised a dividend income of $350,000 (2021: $317,000) from Fayi Guangzhou.

12. Deferred taxation

	Group			
	Consolidated balance sheet		Consolidated income statement	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Deferred tax assets:				
Provisions	436	466	30	6
Unutilised tax losses	485	–	(485)	–
Excess of tax written down value over net carrying amount of fixed assets	254	178	(76)	(9)
	1,175	644		
Deferred tax liabilities				
Fair value adjustments on unquoted investment securities	1,924	1,969	–	–
Fair value adjustments on acquisition of subsidiaries	5	114	(109)	(109)
Excess of net carrying amount over tax written down value of fixed assets	5	6	(1)	2
Undistributed earnings of an associate	149	105	44	49
Unremitted foreign sourced income	471	433	38	58
	2,554	2,627		
Deferred tax credit			(559)	(3)

<u>Tax consequences of proposed dividends</u>

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

13. Inventories

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Balance sheet				
Raw materials (at cost or at net realisable value)	2,573	2,803	–	–
Work-in-progress (at cost)	235	353	–	–
Finished goods-in-transit (at cost)	2,156	3,389	2,046	2,038
Finished goods (at cost or at net realisable value)	14,247	12,818	7,325	7,353
	19,211	19,363	9,371	9,391
Income statement				
Inventories recognised as an expense in cost of sales	56,286	44,699		
Inclusive of the following charge:				
- (Written back)/allowance for obsolete and slow-moving inventories, net	(583)	418		

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

14. Trade receivables

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Third party trade receivables	18,090	17,347	2,322	3,627
Allowance for expected credit losses	(1,237)	(1,107)	(455)	(241)
	16,853	16,240	1,867	3,386

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

14. Trade receivables (cont'd)

Transfer of trade receivables

The Group sold with recourse trade receivables to a bank for cash proceeds. These trade receivables have not been derecognised from the balance sheet because the Group retains substantially all of the risks and rewards – primarily credit risk. The amount received on transfer has been recognised as loans and borrowings (Note 21). The arrangement with the bank is such that the customers remit cash directly to the Group and the Group transfers the collected amounts to the bank.

The receivables are considered to be held within a held-to-collect business model consistent with the Group's continuing recognition of the receivables.

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
United States Dollar	701	1,204	219	772
Euro	417	969	417	969

Expected credit losses

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
Trade receivables				
Movement in allowance accounts:				
At 1 January	1,107	1,501	241	296
Allowance for the year	346	192	246	96
Written back	(162)	(523)	(32)	(151)
Written off against allowance	(31)	(42)	–	–
Exchange differences	(23)	(21)	–	–
At 31 December	1,237	1,107	455	241
Contract assets				
Movement in allowance accounts:				
At 1 January	139	838	–	–
Allowance for the year	447	1,032	–	–
Written back	(18)	(303)	–	–
Written off against allowance	–	(1,428)	–	–
At 31 December	568	139	–	–

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

These balances are unsecured, non-interest bearing and repayable on demand in cash within twelve months from the end of the financial year, except for the Company's amounts due to subsidiaries (non-trade) of $1,185,000 (2021: $1,891,000) which bear interests at rates ranging from 1.94% to 5.24% (2021: 1.92% to 1.95%) per annum.

Expected credit losses

The Group does not recognise any allowance for ECL on amounts due from associates as the amount of the allowance on these balances is insignificant.

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

	Company	
	2022	**2021**
	$'000	$'000
At 1 January	3,594	2,896
Allowance for the year	353	698
At 31 December	3,947	3,594

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
United States Dollar	–	–	3,647	2,145
RMB	–	–	812	–
Euro	–	–	642	599

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
United States Dollar	–	–	3,716	7
Euro	–	–	257	–
RMB	–	–	94	–

16. Fixed assets held for sale

	Group	
	2022	2021
	$'000	$'000
Leasehold building	–	890

On 22 December 2021, the Group granted an option to purchase to an unrelated third party, in respect of its leasehold building (the "Property") owned by M-Tech, a wholly owned subsidiary of the Company. The Property has been reclassified from fixed assets to fixed assets held for sale amounting to $890,000.

The disposal was completed on 23 February 2022.

17. Cash and bank balances
Fixed deposits

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Cash and bank balances	5,947	6,781	1,410	814
Fixed deposits	222	234	209	209
	6,169	7,015	1,619	1,023

Cash at banks earns interest at floating rates based on daily bank deposit rates.

The Group and the Company have bank deposits amounting to $200,000 (2021: $200,000) pledged for performance guarantee. Fixed deposits are made for varying periods between one day and twelve months, depending on the immediate cash requirements of the Group and the Company, and earn interest at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2022 for the Group and the Company were 0.5% (2021: 0.1%) and 0.5% (2021: 0.1%) per annum respectively.

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

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
United States Dollar	113	274	79	168
Euro	28	71	3	41

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

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

	Group	
	2022	**2021**
	$'000	$'000
Cash and bank balances	5,947	6,781
Fixed deposits	222	234
	6,169	7,015
Less: bank deposit pledged	(200)	(200)
Cash and cash equivalents	5,969	6,815

18. Trade payables

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

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
United States Dollar	906	840	906	840
Euro	1,455	908	1,394	883

19. Trust receipts and bills payable (secured)

Trust receipts and bills payable of the Company are secured by way of legal mortgage on the Company's leasehold buildings with net carrying amount of $19,716,000 (2021: $20,446,000).

Trust receipts and bills payable of a subsidiary are secured by corporate guarantee from the Company.

The trust receipts and bills payable bear interest at 1.00% to 6.87% (2021: 1.40% to 2.40%) per annum above the bank's cost of funds. As at 31 December 2022, the effective interest rate was 2.96% (2021: 1.81%) per annum.

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

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
Euro	4,195	5,154	4,195	5,154
United States Dollar	3,105	1,989	3,105	1,989
Australian Dollar	–	384	–	384

20. Accruals and other liabilities

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Accrued operating expenses	6,466	8,936	3,269	3,161
Deposits received	345	376	342	372
	6,811	9,312	3,611	3,533

21. Term loans

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Secured term loans				
(a) Invoice discounting and factoring loan bears interest at 1.75% per annum with effect from 07 June 2022 to 01 July 2023	1,754	–	–	–
(b) Term loan bears average interest at 3.36% (2021: 2.19%) per annum. The term loan is repayable in 180 monthly instalments commencing January 2018	12,892	13,956	12,892	13,956
(c) Term loan bears interest at 2.25% per annum. The term loan is repayable in 60 monthly instalments commencing October 2020	1,453	1,944	1,453	1,944
(d) Term loan bears average interest at 1.78% per annum with effect from 4 January 2021 to 10 January 2022	–	501	–	501
(e) Term loan bears average interest at 1.78% per annum with effect from 4 January 2021 to 10 January 2022	–	500	–	500
(f) Term loan bears interest at 2.25% per annum. The term loan is repayable in 60 monthly instalments commencing July 2021	2,192	2,772	2,192	2,772

21. Term loans (cont'd)

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
Secured term loans (cont'd)				
(g) Term loan bears average interest at 5.30% per annum with effect from 15 December 2022 to 15 January 2023	1,003	–	1,003	–
(h) Term loan bears average interest at Nil (2021: 1.94%) per annum starting from 16 January 2020. The term loan is repayable in 52 monthly instalments commencing January 2020. The term loan was settled on 1 November 2022	–	1,545	–	–
(i) Term loan bears average interest 7.00% per annum. The term loan is repayable in 240 monthly instalments commencing April 2007	–	115	–	–
(j) Term loan bears interest at 2.25% per annum. The term loan is repayable in 60 monthly instalments commencing June 2020	1,285	1,780	–	–
(k) Term loan bears interest at 4.35% per annum with effect from 30 June 2021 to 29 June 2022	–	637	–	–
(l) Term loan bears interest at 4.70% per annum with effect from 26 October 2022 to 25 April 2023	757	–	–	–
(m) Term loan bears interest at 4.20% per annum with effect from 30 June 2022 to 29 June 2023	579	–	–	–
	21,915	23,750	17,540	19,673
Repayable within 12 months	6,731	5,171	3,135	3,214
Repayable after 12 months	15,184	18,579	14,405	16,459
	21,915	23,750	17,540	19,673

(a) The invoice discounting and factoring loan is secured by corporate guarantee from the Company. The balance is denominated in SGD.

(b)-(g) The term loans are secured by legal mortgages over the Company's leasehold buildings with net carrying amount of $19,716,000 (2021: $20,446,000). These loans include a financial covenant which requires the total carrying amount of these loans to not exceed 80% of the market value of the total pledged fixed assets. These balances are denominated in SGD.

(h)-(j) The term loans are secured by corporate guarantee from the Company. These balances are denominated in SGD.

(k)-(m) The term loans are secured by a legal mortgage over a subsidiary's land use rights and leasehold buildings with net carrying amount of $1,691,000 (2021: $1,802,000) and $3,457,000 (2021: $4,150,000) respectively and guarantee by the Company. These balances are denominated in RMB.

During the financial year ended 31 December 2022, the effective interest rates are 2.90% and 3.30% (2021: 2.35% and 2.09%) per annum for the Group and the Company respectively.

21. Term loans (cont'd)

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

	Group							
			Non-cash changes					
	1 January 2022	Net cash flows from financing activities	New leases	Settlement of trade payables	Accretion of interest for lease liabilities	Foreign exchange movement	Other	31 December 2022
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trust receipts and bills payable	11,901	(12,007)	–	12,531	–	106	–	12,531
Term loans								
- Current	5,171	(5,171)	–	–	–	(57)	6,788	6,731
- Non-current	18,579	3,393	–	–	–	–	(6,788)	15,184
Lease liabilities								
- Current	692	(1,443)	–	–	588	(19)	915	733
- Non-current	13,022	–	1,201	–	–	–	(915)	13,308
Total	49,365	(15,228)	1,201	12,531	588	30	–	48,487

21. Term loans (cont'd)

	Group							
			Non-cash changes					
	1 January 2021	Net cash flows from financing activities	New leases	Settlement of trade payables	Accretion of interest for lease liabilities	Foreign exchange movement	Other	31 December 2021
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Trust receipts and bills payable	9,269	(9,059)	–	11,901	–	(210)	–	11,901
Term loans								
- Current	2,915	(2,915)	–	–	–	–	5,171	5,171
- Non-current	20,176	3,574	–	–	–	–	(5,171)	18,579
Lease liabilities								
- Current	772	(1,353)	–	–	541	(4)	736	692
- Non-current	13,457	–	301	–	–	–	(736)	13,022
Total	46,589	(9,753)	301	11,901	541	(214)	–	49,365

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

22. 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	111,462	19,680	111,462	19,680

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

23. Fair value adjustment reserve

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

24. Translation reserve

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

25. Revenue

(a) Disaggregation of revenue

Segment	Wholesale and Distribution		Manufacturing		Engineering Solutions		Elimination		Total	
	2022	2021	2022	2021	2022	2021	2022	2021	2022	2021
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Primary geographical markets										
Singapore	14,720	12,023	2,251	4,410	42,916	25,267	(3,146)	(5,768)	56,741	35,932
Malaysia	20,814	17,586	1,412	1,162	–	–	(8,471)	(7,786)	13,755	10,962
Indonesia	8,506	9,942	–	–	–	–	(984)	(774)	7,522	9,168
Hong Kong/Macau/ People's Republic of China	4,216	2,556	19,594	22,849	–	–	(3,174)	(2,299)	20,636	23,106
Indo-China*	4,979	3,678	–	–	583	373	(1,818)	(1,371)	3,744	2,680
Others	1,741	1,086	45	151	–	–	–	–	1,786	1,237
	54,976	46,871	23,302	28,572	43,499	25,640			104,184	83,085
Major revenue stream										
Sale of goods	52,615	44,091	23,302	28,572	247	566	(17,593)	(17,998)	58,571	55,231
Project installation and maintenance services	257	436	–	–	1,191	1,561	–	–	1,448	1,997
Engineering contracts revenue	2,104	2,344	–	–	42,061	23,513	–	–	44,165	25,857
	54,976	46,871	23,302	28,572	43,499	25,640			104,184	83,085
Timing of transfer of goods or services										
At a point in time	52,872	44,527	23,302	28,572	1,438	2,127	(17,593)	(17,998)	60,019	57,228
Over time	2,104	2,344	–	–	42,061	23,513	–	–	44,165	25,857
	54,976	46,871	23,302	28,572	43,499	25,640			104,184	83,085

* Refers to Vietnam, Myanmar and Cambodia

25. Revenue (cont'd)

(b) Judgement and methods used in estimating revenue

Recognition of revenue from engineering contracts over time

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

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

(c) Contract assets and liabilities

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

	Group			Company		
	31 December 2022	**31 December 2021**	**1 January 2021**	**31 December 2022**	**31 December 2021**	**1 January 2021**
	$'000	$'000	$'000	$'000	$'000	$'000
Receivables from contracts with customers (Note 14)	16,853	16,240	11,316	1,867	3,386	2,035
Contract assets	10,798	4,867	5,800	108	303	–
Contract liabilities	1,892	3,647	1,091	304	764	72

During the financial year ended 31 December 2022, the Group and the Company recognised impairment losses on receivables from contracts with customers amounting to $184,000 and $214,000 (2021: reversal of impairment losses of $331,000 and $55,000) respectively.

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

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

25. Revenue (cont'd)

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

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

	Group	
	2022	**2021**
	$'000	$'000
Contract assets reclassified to receivables	(4,000)	(5,029)
Impairment losses on contract assets, net	429	729

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

	Group	
	2022	**2021**
	$'000	$'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year	3,524	1,087

(d) Transaction price allocated to remaining performance obligations

The aggregate amount of transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2022 is $11,233,000 (31 December 2021: $34,890,000). This amount has not included the variable consideration that is constrained and therefore is not included in the transaction price.

The Group expects to recognise $9,634,000 as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2022 in financial year ending 31 December 2023 and $1,599,000 after the financial year ending 31 December 2023.

The Group expects to recognise $31,689,000 as revenue relating to the transaction price allocated to the unsatisfied (or partially unsatisfied) performance obligations as at 31 December 2021 in financial year ending 31 December 2022 and $3,201,000 after the financial year ending 31 December 2022.

26. Other operating income

	Group	
	2022	**2021**
	$'000	$'000
Dividend income from investment securities	350	317
Gain on disposal of fixed assets, net	14	63
Gain on disposal of fixed asset held for sale	7	–
Rental income	725	700
Management fee earned from third party	544	492
Scrap sales	148	203
Government grants	294	1,005
Sponsorships and incentives	70	15
Unclaimed dividend	–	112
Consultancy income	–	29
Others	245	609
	2,397	3,545

27. Other operating expenses

	Group	
	2022	**2021**
	$'000	$'000
Donations	24	34
Net fair value loss on held for trading investment securities	241	165
Foreign currency loss, net	629	52
	894	251

28. Profit from operations

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

	Group	
	2022	2021
	$'000	$'000
Amortisation of intangible assets	–	54
Depreciation of right-of-use assets - land use rights	45	46
Depreciation of fixed assets	1,793	2,113
Depreciation of right-of-use assets	915	856
Depreciation of investment property	2	2
Personnel expenses (Note 29)	16,820	15,924
Director's fees		
- Directors of the Company	192	190
- Directors of subsidiaries	–	3
Director's remuneration		
- Directors of the Company	1,030	874
- Directors of subsidiaries	426	373
Fixed assets written off	6	6
Inventories recognised as an expense in cost of sales (Note 13), inclusive of the following charge:	56,286	44,699
- (Written back)/allowance for obsolete and slow-moving inventories, net	(583)	418
Lease expenses relating to short-term leases and leases of low-value assets (Note 7)	668	430

29. Personnel expenses

	Group	
	2022	2021
	$'000	$'000
Wages and salaries *	13,628	12,791
Defined contribution plans *	2,155	1,941
Other social expenses, net	1,037	1,192
	16,820	15,924

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

30. Finance expenses

	Group	
	2022	**2021**
	$'000	$'000
Interest expense on:		
- Term loans	637	552
- Trust receipts	367	212
- Lease liabilities	588	541
	1,592	1,305

31. Tax (credit)/expense

<u>Major components of income tax (credit)/expense</u>

The major components of income tax (credit)/expense for the years ended 31 December 2022 and 2021 are:

	Group	
	2022	**2021**
	$'000	$'000
Consolidated income statement		
Current income tax		
- Current income taxation	520	555
- (Over)/under provision in respect of prior years	(6)	151
Deferred income tax		
- Origination and reversal of temporary differences	26	(24)
- Recognition of previously unrecognised tax losses and temporary differences	(585)	–
- Under provision in respect of prior years	–	21
	(45)	703
Statement of comprehensive income:		
Deferred tax credit related to other comprehensive income:		
- Net fair value changes on equity instrument at fair value through OCI	(45)	420

As at 31 December 2022, the Group had unrecognised tax losses and capital allowances of approximately $7,768,000 (2021: $14,029,000) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these losses and allowances is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate. The tax losses and capital allowances have no expiry date.

31. Tax expense (cont'd)

Relationship between tax (credit)/expense and accounting profit

A reconciliation between tax (credit)/expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2022 and 2021 is as follows:

	Group	
	2022	**2021**
	$'000	$'000
Profit before tax	2,193	982
Tax at applicable rate of 17% (2021: 17%)	373	167
Tax effect of non-taxable income	(114)	(358)
Tax effect of non-deductible expenses	634	401
Tax effect arising from differences in tax rates	130	100
(Over)/under provision in respect of prior years	(6)	172
Deferred tax asset not recognised	27	227
Withholding tax on unremitted income	82	90
Recognition of previously unrecognised tax losses and temporary differences	(585)	–
Benefits from previously unrecognised tax losses and temporary differences	(506)	(7)
Effect of partial tax exemption and tax relief	(47)	(92)
Share of results of associates	(29)	(41)
Others	(4)	44
Tax (credit)/expense	(45)	703

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

32. Profit/(loss) per share

	Group	
	2022	**2021**
	$'000	$'000
Profit/(loss) for the year attributable to owners of the Company	2,073	(32)
	No. of shares	**No. of shares**
	'000	'000
Weighted average number of ordinary shares	111,462	111,462

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

32. Profit/(loss) per share (cont'd)

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

33. Related party information

(a) Sale and purchase of goods and services

In addition to the related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Income				
Sale of goods to subsidiaries	–	–	13,472	11,255
Sale of goods to associates	1,768	3,727	282	–
Sale of goods to affiliated companies	365	–	–	–
Management fee income from subsidiaries	–	–	1,698	1,540
Interest income from a subsidiary	–	–	–	7
Royalty fee income from a subsidiary	–	–	159	193
Dividend income from subsidiaries	–	–	470	434

	Group		Company	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Expenses				
Purchases from subsidiaries	–	–	3,968	4,150
Rental paid to an affiliated company	27	26	–	–
Loan interest paid to subsidiaries	–	–	50	46

33. Related party information (cont'd)

(b) Compensation of key management personnel

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
Executive Directors:				
- Short-term employee benefits	1,027	907	1,000	860
- Central Provident Fund contributions	24	28	24	28
Executive Officers:				
- Short-term employee benefits	883	1,063	883	1,022
- Central Provident Fund contributions	55	65	55	65
Total compensation paid to key management personnel	1,989	2,063	1,962	1,975

Compensation paid to Directors relates to Director's remuneration in Note 28.

34. Contingent liabilities

	Company	
	2022	**2021**
	$'000	$'000
Financial guarantees given to financial institutions in connection with facilities given to its subsidiaries	20,332	16,438

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

35. Financial risk management objectives and policies

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

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

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

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings.

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

Sensitivity analysis for interest rate risk

At the end of the reporting period, if interest rate had been 50 (2021: 50) basis points lower/higher with all other variables held constant, the Group's profit before tax would have been $176,000 (2021: $181,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The assumed movement in basis points for interest rate sensitivity analysis is based on the currently observable market environment.

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

Liquidity risk

Liquidity risk is the risk that the Group or the Company will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

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

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

Analysis of financial liabilities by remaining contractual maturities

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

Group	**1 year or less**	**1 to 5 years**	**More than 5 years**	**Total**
	$'000	$'000	$'000	$'000
2022				
Trade payables	13,890	–	–	13,890
Trust receipts and bills payable (secured)	12,531	–	–	12,531
Other payables	826	–	–	826
Accruals and other liabilities	6,811	–	–	6,811
Dividend payable	25	–	–	25
Lease liabilities	1,278	4,564	16,098	21,940
Term loans	7,443	9,924	8,146	25,513
Total undiscounted financial liabilities	42,804	14,488	24,244	81,536
2021				
Trade payables	9,213	–	–	9,213
Trust receipts and bills payable (secured)	11,901	–	–	11,901
Other payables	883	–	–	883
Accruals and other liabilities	9,312	–	–	9,312
Dividend payable	25	–	–	25
Amounts due to associates	158	–	–	158
Lease liabilities	1,219	4,245	16,380	21,844
Term loans	5,617	11,667	8,586	25,870
Total undiscounted financial liabilities	38,328	15,912	24,966	79,206

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

Liquidity risk (cont'd)

Company	**1 year or less** $'000	**1 to 5 years** $'000	**More than 5 years** $'000	**Total** $'000
2022				
Trade payables	2,926	–	–	2,926
Trust receipts and bills payable (secured)	7,755	–	–	7,755
Other payables	295	–	–	295
Accruals and other liabilities	3,611	–	–	3,611
Dividend payable	25	–	–	25
Amounts due to subsidiaries	5,916	490	–	6,406
Lease liabilities	946	4,319	16,097	21,362
Term loans	3,799	9,130	8,146	21,075
Total undiscounted financial liabilities	25,273	13,939	24,243	63,455
2021				
Trade payables	2,503	–	–	2,503
Trust receipts and bills payable (secured)	7,581	–	–	7,581
Other payables	342	–	–	342
Accruals and other liabilities	3,533	–	–	3,533
Dividend payable	25	–	–	25
Amounts due to subsidiaries	3,875	913	–	4,788
Lease liabilities	782	3,765	16,371	20,918
Term loans	3,596	9,497	8,575	21,668
Total undiscounted financial liabilities	22,237	14,175	24,946	61,358

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

Liquidity risk (cont'd)

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

	1 year or less
	$'000
Company	
31 December 2022	
Financial guarantees provided to subsidiaries	20,332
31 December 2021	
Financial guarantees provided to subsidiaries	16,438

Foreign currency risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar (USD) and Euro (EUR). Foreign exchange risk arises when future commercial transactions, recognised assets or liabilities, investments in foreign operations whose net assets are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD, Australian Dollar (AUD), Hong Kong Dollar (HKD), Ringgit Malaysia (RM) and Chinese Renminbi (RMB).

The Group is exposed to currency translation risk arising from its net investments in foreign operations, including Australia, Malaysia, Hong Kong and China. The Group's net investments in foreign operations are not hedged as currency positions in AUD, RM, HKD and RMB are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's profit before tax to a reasonably possible change in the USD and EUR exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

		Increase/(Decrease) in profit before tax 2022	**Increase/(Decrease) In profit before tax 2021**
		$'000	$'000
USD/SGD	- strengthened 5% (2021: 5%)	(171)	(89)
	- weakened 5% (2021: 5%)	171	89
EUR/SGD	- strengthened 5% (2021: 5%)	(262)	(281)
	- weakened 5% (2021: 5%)	262	281

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

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade receivables. For other financial assets (including cash and bank balances and fixed deposits), the Group and the Company minimises credit risk by dealing with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result of minimising the Group's exposure to bad debts.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and other receivables (including related party balances), the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period.

The Group has determined the default event on financial asset to be when the counterparty fails to make contractual payments, within 90 days when they fall due, which are derived based on the Group's historical information.

To assess whether there is a significant increase in credit risk, the Group compares the risk of a default occurring on the asset as at reporting date with the risk of default as at the date of initial recognition. The Group considers available reasonable and supportive forwarding-looking information which includes the following indicators:

– Internal credit rating;

– Actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations; and

– Actual or expected significant changes in the operating results of the borrower.

Regardless of the analysis above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making contractual payment.

The Group determined that its financial assets are credit-impaired when:

– There is significant difficulty of the debtor or the borrower;

– A breach of contract, such as a default or past due event; or

– It is becoming probable that the debtor or the borrower will enter bankruptcy or other financial reorganisation.

The Group categorises a loan or receivable for potential write-off when a debtor fails to make contractual payments more than 180 days past due. Financial assets are written off when there is no reasonable expectation of recovery, such as a debtor failing to engage in a repayment plan with the Group. Where recoveries are made, these are recognised in profit or loss. The Group's historical information shows low defaulted accounts which were also substantially recovered subsequently, resulting in insignificant write-offs.

The following are credit risk management practices and quantitative and qualitative information about amounts arising from expected credit losses for each class of financial assets.

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

Credit risk (cont'd)

(i) Trade receivables and contract assets

The Group provides lifetime expected credit losses for all trade receivables and contract assets using a provision matrix. The provision rates are determined based on the Group's historical observed default rates analysed in accordance with days past due by grouping of customers based on geographical region.

The expected credit losses below also incorporate forward-looking information such as forecast of economic conditions which show the probability of defaults in the relevant industry.

Summarised below is the information about the credit risk exposure on the Group's trade receivables and contract assets using provision matrix, grouped by geographical region:

	Contract assets*	Singapore	Hong Kong/ Macau/ People's Republic of China	Malaysia	Others	Total
	$'000	$'000	$'000	$'000	$'000	$'000
31 December 2022						
Gross carrying amount	11,366	8,094	5,209	2,751	2,036	29,456
Loss allowance provision	568	668	51	160	358	1,805
31 December 2021						
Gross carrying amount	5,006	8,327	3,766	2,131	3,123	22,353
Loss allowance provision	139	581	36	129	361	1,246

* Contract assets are primarily from Singapore.

Information regarding loss allowance movement of trade receivables and contract assets are disclosed in Note 14.

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

Credit risk (cont'd)

Exposure to credit risk

At the end of the reporting period, the Group's and the Company's maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the balance sheets.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country profile of its trade receivables on an ongoing basis. The credit risk concentration profile of the Group's trade receivables at the end of the reporting period is as follows:

	Group			
	31 December 2022		**31 December 2021**	
	$'000	**% of total**	**$'000**	**% of total**
Singapore	7,426	44%	7,746	48%
Malaysia	2,591	15%	2,002	12%
Hong Kong/Macau/People's Republic of China	5,158	31%	3,730	23%
Indo-China*	999	6%	917	6%
Indonesia	679	4%	1,610	10%
Other countries	–	–	235	1%
	16,853	100%	16,240	100%

* Refers to Vietnam, Myanmar and Cambodia.

At the end of the reporting period, approximately 32% (2021: 37%) of the Group's trade receivables were due from 5 (2021: 5) major customers.

As at 31 December 2022, the Company has significant concentration of credit in the amounts due from subsidiaries and associates amounting to $8,241,000 (2021: $5,254,000).

36. Fair value of assets and liabilities

	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Financial assets				
Financial assets at FVOCI				
Unquoted equity security	9,621	9,853	–	–
Financial assets at FVPL				
Held for trading investment securities	2,360	4,364	2,360	4,364
Financial assets carried at amortised cost				
Trade receivables	16,853	16,240	1,867	3,386
Other receivables	1,351	1,692	729	735
Deposits	256	337	55	55
Amounts due from subsidiaries (trade and non-trade)	–	–	7,976	5,254
Amounts due from associates (trade and non-trade)	1,073	967	265	–
Fixed deposits	222	234	209	209
Cash and bank balances	5,947	6,781	1,410	814
	25,702	26,251	12,511	10,453

	Group 2022 $'000	Group 2021 $'000	Company 2022 $'000	Company 2021 $'000
Financial liabilities				
Financial liabilities carried at amortised cost				
Trade payables	13,890	9,213	2,926	2,503
Trust receipts and bills payable	12,531	11,901	7,755	7,581
Other payables	826	883	295	342
Accruals and other liabilities	6,811	9,312	3,611	3,533
Dividend payable	25	25	25	25
Amounts due to subsidiaries (trade and non-trade)	–	–	5,164	4,752
Amounts due to associates (non-trade)	–	158	–	–
Lease liabilities	14,041	13,714	13,491	12,857
Term loans	21,915	23,750	17,540	19,673
	70,039	68,956	50,807	51,266

36. Fair value of assets and liabilities (cont'd)

(a) Fair value hierarchy

The Group categorises fair value measurements using a fair value hierarchy that is dependent on the valuation inputs used as follows:

– Level 1 – Quoted prices (unadjusted) in active market for identical assets or liabilities that the Group can access at the measurement date,

– Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly, and

– Level 3 – Unobservable inputs for the asset or liability.

Fair value measurements that use inputs of different hierarchy levels are categorised in its entirety in the same level of the fair value hierarchy as the lowest level input that is significant to the entire measurement.

(b) Assets carried at fair value

	Group 2022 $'000			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
At FVOCI – unquoted equity security (Note 11)	–	–	9,621	9,621
At FVPL – held for trading investment securities (quoted) (Note 11)	2,360	–	–	2,360

36. Fair value of assets and liabilities (cont'd)

(b) Assets carried at fair value (cont'd)

	Group 2021 $'000			
	Fair value measurements at the end of the reporting period using			
	Quoted prices in active markets for identical instruments (Level 1)	Significant observable inputs other than quoted prices (Level 2)	Significant unobservable inputs (Level 3)	Total
Assets measured at fair value				
Financial assets:				
At FVOCI – unquoted equity security (Note 11)	–	–	9,853	9,853
At FVPL – held for trading investment securities (quoted) (Note 11)	4,364	–	–	4,364

(c) Level 3 fair value measurements

i. Information about significant unobservable inputs used in Level 3 fair value measurements

The following table shows the information about fair value measurements using significant unobservable inputs (Level 3):

Description	Fair value as at 31 December 2022 $'000	Valuation techniques	Unobservable inputs	Range (weighted average)
Recurring fair value measurements				
At FVOCI				
Unquoted equity security	9,621	Market comparable approach	Discount for lack of marketability ("DLOM")	30%

36. Fair value of assets and liabilities (cont'd)

(c) Level 3 fair value measurements (cont'd)

i. Information about significant unobservable inputs used in Level 3 fair value measurements (cont'd)

Description	Fair value as at 31 December 2021 $'000	Valuation techniques	Unobservable inputs	Range (weighted average)
Recurring fair value measurements				
At FVOCI				
Unquoted equity security	9,853	Market comparable approach	Discount for lack of marketability ("DLOM")	30%

A significant increase (decrease) in DLOM would result in a significantly lower (higher) fair value measurement. A change in assumption used for dividend yield may warrant a directionally opposite change in assumption for discount for lack of marketability.

The following table shows the impact on the Level 3 fair value measurement of assets that are sensitive to changes in unobservable inputs that reflect reasonably possible alternative assumptions. The positive and negative effects are approximately the same.

	Effect of reasonably possible alternative assumptions Decrease/(Increase) in other comprehensive income	
	2022 $'000	**2021** $'000
Recurring fair value measurements		
Financial assets at FVOCI		
Unquoted equity security		
– increase DLOM by 10%	(1,000)	(1,000)
– decrease DLOM by 10%	1,000	1,000

In order to determine the effect of the above reasonably possible alternative assumption, for the unquoted equity security, the Group adjusted the DLOM by increasing and decreasing the assumption by 10%.

36. Fair value of assets and liabilities (cont'd)

(c) Level 3 fair value measurements (cont'd)

ii. Movements in Level 3 assets measured at fair value

The following table presents the reconciliation for all assets measured at fair value based on significant unobservable inputs (Level 3):

	Group
	2022
	$'000
	Fair value measurements using significant unobservable inputs (Level 3)
	Financial assets at FVOCI
	Unquoted equity security
At 1 January 2022	9,853
Total loss for the period, included in other comprehensive income	(232)
At 31 December 2022	9,621

	Group
	2021
	$'000
	Fair value measurements using significant unobservable inputs (Level 3)
	Financial assets at FVOCI
	Unquoted equity security
At 1 January 2021	7,651
Total gain for the period, included in other comprehensive income	2,202
At 31 December 2021	9,853

36. Fair value of assets and liabilities (cont'd)

(c) Level 3 fair value measurements (cont'd)

iii. Valuation policies and procedures

The Group's Chief Financial Officer (CFO), who is assisted by the Group Financial Controller (GFC) (collectively referred to as the "CFO office"), oversees the Group's financial reporting valuation process and is responsible for setting and documenting the Group's valuation policies and procedures. In this regard, the CFO office reports to the Group's Audit Committee.

For all significant financial reporting valuations using valuation models and significant unobservable inputs, it is the Group's policy to engage external valuation experts who possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 *Fair Value Measurement* guidance to perform the valuation.

For valuations performed by external valuation experts, the appropriateness of the valuation methodologies and assumptions adopted are reviewed along with the appropriateness and reliability of the inputs (including those developed internally by the Group) used in the valuations.

In selecting the appropriate valuation models and inputs to be adopted for each valuation that uses significant non-observable inputs, external valuation experts are requested to calibrate the valuation models and inputs to actual market transactions (which may include transactions entered into by the Group with third parties as appropriate) that are relevant to the valuation if such information are reasonably available. For valuations that are sensitive to the unobservable inputs used, external valuation experts are required, to the extent practicable to consider a minimum of two valuation approaches to allow for cross-checks.

Significant changes in fair value measurements from period to period are evaluated for reasonableness. Key drivers of the changes are identified and assessed for reasonableness against relevant information from independent sources, or internal sources if necessary and appropriate.

The CFO office documents and reports its analysis and results of the external valuations to the Audit Committee as and when it is required. The Audit Committee performs a high-level independent review of the valuation process and results and recommends if any revisions need to be made before presenting the results to the Board of Directors for approval.

37. Capital management

Capital includes debt and equity items as disclosed in the table below.

The primary objective of the Group's capital structure is to maintain an efficient mix of debt and equity in order to achieve a low cost of capital, while taking into account the desirability of retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows.

The management regularly reviews the Group's capital structure and makes adequate adjustments to reflect economic conditions, business strategies and future commitments. No changes were made to the objectives, policies and processes during the years ended 31 December 2022 and 31 December 2021.

The Group and the Company are required to comply with certain financial covenants as imposed by certain financial institutions with respect to banking facilities that were granted. The Group and the Company continuously monitor its compliance with these covenants. As at 31 December 2022 and 2021, the Group and the Company have complied with these covenants.

The Group monitors capital using a gearing ratio, which is loans and borrowings divided by total capital plus loans and borrowings. The Group includes within total loans and borrowings, trust receipts and bills payable (secured), leases liabilities under hire purchase and term loans (secured). Capital includes equity attributable to the owners of the Company.

	Group		Company	
	2022	**2021**	**2022**	**2021**
	$'000	$'000	$'000	$'000
Trust receipts and bills payable (secured)	12,531	11,901	7,755	7,527
Leases liabilities under hire purchase	815	490	504	56
Term loans (Note 21)	21,915	23,750	17,540	19,673
Loans and borrowings	35,261	36,141	25,799	27,256
Equity attributable to owners of the Company	45,675	44,869	37,609	33,412
Capital and loans and borrowings	80,936	81,010	63,408	60,668
Gearing ratio percentage	44%	45%	41%	45%

38. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

– Wholesale and Distribution segment represents the sale of the Group's own manufactured products, multinational agency products and other distribution models of the Group;

– Manufacturing segment mainly comprises the manufacturing and sale of the Group's comprehensive range of energy-efficient heat-exchangers, compressor racks and condensing units; and

– Engineering Solutions segment represents the provision of system design and installation of various sustainable engineering solutions and applications for various industries.

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segment.

Management monitors the gross profit or loss of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on gross profit or loss only.

Assets and liabilities, as well as income and expenses (other than revenue and cost of sales) are managed on a group basis and are not allocated to operating segments.

Group	**Wholesale and Distribution**	**Manufacturing**	**Engineering Solutions**	**Elimination**	**Total**
	$'000	$'000	$'000	$'000	$'000
2022					
Revenue	54,976	23,302	43,499	(17,593)	104,184
Cost of sales	(44,016)	(19,096)	(37,711)	17,593	(83,230)
Gross profit	10,960	4,206	5,788		20,954
2021					
Revenue	46,871	28,572	25,640	(17,998)	83,085
Cost of sales	(39,493)	(24,036)	(20,698)	17,998	(66,229)
Gross profit	7,378	4,536	4,942		16,856

38. Segment information (cont'd)

Geographical information

Revenue information based on the geographical location of customers are disclosed in Note 25. Non-current assets information based on the geographical location assets are as follows:

	Group	
	2022	**2021**
	$'000	$'000
Non-current assets		
Singapore	35,463	35,891
Malaysia	308	376
Hong Kong	6,472	49
People's Republic of China	10	7,533
Indonesia	11	13
Indo-China*	7	16
	42,271	43,878

* Refers to Vietnam, Myanmar and Cambodia.

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

Information about a major customer

Revenue from one major customer amounted to $27,421,000 (2021: $10,278,000), arising from engineering contracts revenue in residential and commercial industrial (air-conditioning) segment.

39. Dividends

	Group and Company 2022 $'000	Group and Company 2021 $'000
Declared and paid during the financial year:		
Dividends on ordinary shares:		
- Final exempt (one-tier) dividend for 2021: 0.18 cents (2020: 0.18 cents) per share	201	201
Proposed but not recognised as a liability as at 31 December:		
Dividends on ordinary shares, subject to shareholders' approval at the Annual General Meeting:		
- Final exempt (one-tier) dividend for 2022: 0.20 cents (2021: 0.18 cents) per share	223	201

40. Authorisation of financial statements

The financial statements for the year ended 31 December 2022 were authorised for issue in accordance with a directors' resolution dated on 6 April 2023.

STATISTICS OF SHAREHOLDINGS

As at 23 March 2023

SHARE CAPITAL

Issued and fully paid-up capital	:	$19,679,831
Total number of issued shares	:	111,462,000
Number of treasury shares	:	Nil
Number of subsidiary holdings	:	Nil
Class of shares	:	Ordinary shares
Voting right	:	1 vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

(As recorded in the Register of Members and Depository Register)

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 99	56	21.05	691	0.00
100 - 1,000	40	15.04	27,739	0.03
1,001 - 10,000	52	19.55	293,220	0.26
10,001 - 1,000,000	107	40.23	14,183,300	12.72
1,000,001 AND ABOVE	11	4.13	96,957,050	86.99
TOTAL	**266**	**100.00**	**111,462,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

(As recorded in the Register of Members and Depository Register)

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PRIVATE LIMITED	64,829,800	58.16
2	LENG CHEE KEONG	7,439,800	6.67
3	CHEUNG WAI SUM	6,300,000	5.65
4	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	4,874,700	4.37
5	LOH MUN YEW	3,042,900	2.73
6	LIM BOON HOCK BERNARD	3,000,000	2.69
7	CHUA KENG LOY	1,689,100	1.52
8	PHILLIP SECURITIES PTE LTD	1,638,250	1.47
9	QUEK POH CHUAN	1,491,000	1.34
10	LEE SUI FOOK OR LEE YEN SIN	1,391,000	1.25
11	EST OF LOH AH PENG @ LOH EE MING, DEC'D	1,260,500	1.13
12	KUAH ANN SOON	897,400	0.81
13	YAP KOK KIONG	807,600	0.72
14	RAFFLES NOMINEES (PTE.) LIMITED	759,674	0.68
15	ESTATE OF NG TAT KEONG, DECEASED	711,600	0.64
16	WARD ALLAN	705,000	0.63
17	CITIBANK NOMINEES SINGAPORE PTE LTD	700,000	0.63
18	FUCO RUDYANTO CHANDRA	600,000	0.54
19	LEE WEN-CHANG	600,000	0.54
20	DBS NOMINEES (PRIVATE) LIMITED	577,310	0.52
	TOTAL	**103,315,634**	**92.69**

STATISTICS OF SHAREHOLDINGS

As at 23 March 2023

Substantial Shareholders

	Direct Interest		Deemed Interest	
	Number of Shares	**%**	**Number of Shares**	**%**
Loh Mun Yew [(1)(2)]	3,042,900	2.73	65,115,500	58.42
Universal Pte. Ltd. [(2)]	63,855,000	57.29	–	–
Cheung Wai Sum [(3)]	6,300,000	5.65	–	–
Loh Pui Lai [(3)]	–	–	6,300,000	5.65
Leng Chee Keong	7,439,800	6.67	–	–

Notes:

(1) Loh Mun Yew (the CEO and Executive Director of the Company) is deemed to have an interest in the 63,855,000 shares held by Universal Pte. Ltd. by virtue of Section 7 of the Companies Act 1967 and the 1,260,500 shares held by the Estate of Loh Ah Peng @ Loh Ee Ming arising from his capacity as executor of his late father's will, by virtue of Section 7 of the Companies Act 1967.

(2) Universal Pte. Ltd. is an investment holding company incorporated in Singapore and its 63,855,000 shares in the Company are held through a nominee, UOB Kay Hian Private Limited. The shareholders are Loh Mun Yew, Loh Pui Lai (Loh Mun Yew and Loh Pui Lai are siblings and Loh Pui Lai is the spouse of Cheung Wai Sum), Lum Soo Mooi (parent of Loh Mun Yew and Loh Pui Lai) and Loh Pui Pui (daughter of Lum Soo Mooi, and sibling of Loh Mun Yew and Loh Pui Lai) with shareholding interest of 43.69%, 18.82%, 18.47% and 19.02%, respectively. The directors of Universal Pte. Ltd. are Loh Mun Yew, Loh Pui Pui and Lum Soo Mooi.

(3) Loh Pui Lai (the Non-Executive Chairman of the Company) is deemed to have an interest in the 6,300,000 shares held by her spouse, Cheung Wai Sum, by virtue of Section 164(15)(a) of the Companies Act 1967.

SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as at 23 March 2023, approximately 24.22% of the issued ordinary shares of the Company are held by the public and therefore Rule 723 of the Listing Manual Section B: Rules of Catalist of the Singapore Exchange Securities Trading Limited is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting ("**AGM**") of FAR EAST GROUP LIMITED (the "**Company**") will be convened and held by electronic means on Tuesday, 25 April 2023 at 11.00 a.m. (of which there will be a live webcast), for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2022 together with the Independent Auditor's Report thereon. **(Resolution 1)**

2. To declare a final (tax exempt one-tier) dividend of 0.20 cents per ordinary share for the financial year ended 31 December 2022 (2021: Final (tax exempt one-tier) dividend of 0.18 cents per ordinary share). **(Resolution 2)**

3. To approve the payment of Directors' fees of $192,000 for the financial year ending 31 December 2023, payable half-yearly in arrears (2022: $192,000). **(Resolution 3)**

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

5. To re-elect Ho Boon Chuan Wilson, a Director retiring pursuant to Regulation 104 of the Company's Constitution. *(see explanatory note 2)* **(Resolution 5)**

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

AS SPECIAL BUSINESS

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

7. **Authority to allot and issue Shares**

   That pursuant to Section 161 of the Companies Act 1967 ("**Companies Act**") and Rule 806 of the Listing Manual Section B: Rules of Catalist ("**Catalist Rules**") of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors be authorised and empowered to: **(Resolution 7)**

   (a) (i) allot and issue shares in the capital of the Company ("**Shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require Shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into Shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may at their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue Shares in pursuance of any Instrument made or granted by the Directors while this Resolution was in force, provided that:

(1) the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued pursuant to this Resolution does not exceed 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of Shares (including Shares to be issued in pursuance of Instruments made or granted pursuant to this Resolution) to be issued other than on a *pro rata* basis to shareholders of the Company does not exceed 50% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of Shares that may be issued under sub-paragraph (1) above, the total number of issued Shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued Shares (excluding treasury shares and subsidiary holdings) at the time this Resolution is passed, after adjusting for:

(a) new Shares arising from the conversion or exercise of convertible securities;

(b) new Shares arising from exercising share options or vesting of share awards, provided the options or awards were granted in compliance with Part VIII of Chapter 8 of the Catalist Rules; and

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

Adjustments in accordance with sub-paragraphs (2)(a) and (2)(b) above are only to be made in respect of new Shares arising from convertible securities, share options or share awards which were issued and outstanding or subsisting at the time of the passing of this Resolution;

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST), the Companies Act 1967 and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in a general meeting) the authority conferred by this Resolution shall continue in force until the conclusion of the next AGM of the Company or the date by which the next AGM of the Company is required by law to be held, whichever is earlier.

(see explanatory note 3)

8. **Renewal of Share Buyback Mandate**

That for the purposes of Sections 76C and 76E of the Companies Act 1967, the Directors be authorised to buy back Shares from time to time (whether by way of market purchases or off-market purchases on an equal access scheme) of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) ascertained as at the time of passing of this Resolution, at the price of up to but not exceeding the Maximum Price as set out in the following Appendix to Shareholders and this mandate shall, unless revoked or varied by the Company in a general meeting, continue in force until the date that the next AGM of the Company is held or is required by law to be held or the date when purchases and acquisitions of Shares pursuant to the Share Buyback Mandate are carried out to the full extent mandated, whichever is the earlier. **(Resolution 8)**

In this Resolution:

"**Maximum Price**" in relation to a Share to be purchased, means an amount (excluding applicable brokerage, stamp duties, commission, goods and services tax and other related expenses) not exceeding:

(i) in the case of a market purchase, 105% of the Average Closing Price; and

(ii) in the case of an off-market purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price,

where:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) market days on which transactions in the Shares were recorded, immediately preceding the day of the market purchase and deemed to be adjusted for any corporate action that occurs during the relevant five (5) market days and the day of the market purchase;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the market day on which there were trades in the Shares, immediately preceding the day of the making of the offer pursuant to the off-market purchase and deemed to be adjusted for any corporate action that occurs after the relevant market day;

"**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from shareholders of the Company, stating the purchase price (which shall not be more than the Maximum Price for an off-market purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the off-market purchase; and

"**market day**" means a day on which the SGX-ST is open for trading in securities.

(see explanatory note 4)

9. To transact any other business that may be properly transacted at an AGM.

BY ORDER OF THE BOARD

Wee Woon Hong
Francis Lai Kum Wai
Company Secretaries

10 April 2023
Singapore

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Notes:

1. Mr Loh Mun Yew will, upon re-election, remain as the Executive Director and Chief Executive Officer of the Company. Detailed information on Mr Loh Mun Yew pursuant to Rule 720(5) of the Catalist Rules can be found under the section entitled "Corporate Governance Report – Information on Directors seeking Re-election" of the Company's Annual Report 2022.

2. Mr Ho Boon Chuan Wilson will, upon re-election, remain as the Lead Independent Director, the Chairman of the Audit Committee and member of the Nominating Committee and Remuneration Committee of the Company. He is considered independent for the purposes of Rule 704(7) of the Catalist Rules. Detailed information on Mr Ho Boon Chuan Wilson pursuant to Rule 720(5) of the Catalist Rules can be found under the section entitled "Corporate Governance Report – Information on Directors seeking Re-election" of the Company's Annual Report 2022.

3. Resolution 7 proposed in item 7 above, if passed, will empower the Directors, effective until the conclusion of the next AGM of the Company, or the date by which the next AGM of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is earliest, to issue Shares, make or grant Instruments convertible into Shares and to issue Shares pursuant to such Instruments, up to a number not exceeding, in total, 100% of the total number of issued Shares (excluding treasury shares and subsidiary holdings), of which up to 50% may be issued other than on a *pro rata* basis to shareholders of the Company.

4. Resolution 8 proposed in item 8 above, if passed, will empower the Directors of the Company, from the date of the AGM until the date on which the next AGM is to be held or is required by law to be held, the date on which the Share buyback is carried out to the full extent mandated, or the date on which the authority contained in the Share Buyback Mandate is varied or revoked by the Company in a general meeting, whichever is the earliest, to make purchases (whether by way of market purchases or off-market purchases on an equal access scheme) from time to time of up to 10% of the total number of issued Shares (excluding treasury shares and subsidiary holdings) at prices up to but not exceeding the Maximum Price. The rationale for, the authority and limitation on, the sources of funds to be used for the purchase or acquisition including the amount of financing and the financial effects of the purchase or acquisition of Shares by the Company pursuant to the Share Buyback Mandate are set out in greater detail in the Appendix accompanying this notice.

Notes:

The AGM is being convened, and will be held, by electronic means. The Company will not accept any physical attendance by members and any member seeking to attend the AGM physically in person will be turned away.

Printed copies of this notice and the accompanying annual report and proxy form will NOT be sent to members. These documents will be made available to members solely by electronic means via publication on the Company's website at the URL http://www.fareastgroup.com.sg/ and on the SGXNet at the URL https://www.sgx.com/securities/company-announcements.

Alternative arrangements relating to members' participation at the AGM are:

(a) observing and/or listening to the AGM proceedings contemporaneously via a live webcast and live audio feed of the AGM proceedings ("**Live AGM Webcast**" and "**Live AGM Audio Feed**", respectively);

(b) submitting questions in advance of, or "live" at, the AGM in relation of the resolutions set out in the Notice of AGM; and

(c) voting at the AGM (a) "live" by the members themselves or their duly appointed proxy/proxies (other than the Chairman of the AGM) via electronic means; or (b) by appointing the Chairman of the AGM as proxy to attend and vote on their behalf at the AGM.

Members will be able to participate in the AGM in the following manner as set out in the paragraphs below.

NOTICE OF
ANNUAL GENERAL MEETING

Pre-registration

The Live AGM Webcast and the Live AGM Audio Feed will take place on Tuesday, 25 April 2023 at 11.00 a.m. Members must pre-register to be able to observe and/or listen to the AGM proceedings through the Live AGM Webcast or the Live AGM Audio Feed via their mobile phones, tablets, computers or any such electronic device, submit questions in advance of, or "live" at, the AGM and vote at the AGM (i) "live" by the members themselves or their duly appointed proxies (other than the Chairman of the AGM) via electronic means; or (ii) by appointing the Chairman of the AGM as proxy to vote on their behalf at the AGM. To pre-register, they will need to complete the following steps:

1. Members, including investors under the Supplementary Retirement Scheme ("**SRS Investors**"), and where applicable, their appointed proxies must pre-register online the Company's website at https://www.fareastgroup.com.sg/ (the "**Registration Link**") **by 11.00 a.m. on 22 April 2023** (the "**Registration Deadline**"), being not less than 72 hours before the time appointed for holding the AGM, to enable the Company to verify their members' status. Following verification and upon closure of pre-registration, authenticated members will receive email instructions to access the Live AGM Webcast and the Live AGM Audio Feed of the AGM proceedings by 11.00 a.m. on 24 April 2023 (being 24 hours before the time appointed for the holding of the AGM). Members are reminded that the AGM proceedings are private. Accordingly, members must not forward the abovementioned email instructions to other persons who are not members and who are not entitled to attend the AGM. Only one person will be allowed to the Live AGM Webcast per registration.

2. Members (including SRS Investors) and where applicable, their appointed proxies who register by the Registration Deadline but do not receive the abovementioned email instructions by 11.00 a.m. on 24 April 2023 may contact the Company's technical support by email at FEGAGM@fareastref.com.sg for assistance, with the following details included:

   (i) Member's full name;

   (ii) his/her/its identification/company registration number; and

   (iii) the manner in which the Shares are held (e.g. via CDP or SRS).

3. Persons who hold shares of the Company through relevant intermediaries (as defined in Section 181 of the Companies Act 1967), including SRS Investors who wish to participate in the AGM should, in addition to pre-registering online, contact their respective relevant intermediaries (which would include SRS operators) through which they hold such Shares as soon as possible by 11.00 a.m. on 14 April 2023 in order for the necessary arrangements to be made for their participation in the AGM.

Submission of Questions

1. Please note that members will be able to submit their questions in advance of, and/or raise questions "live" at the AGM during the Live AGM Webcast or the Live AGM Audio Feed subject to having completed their pre-registration before the registration dateline in order to do so.

2. Members (including SRS members) may submit questions relating to the items on the resolutions set out in the Notice of AGM in advance of the AGM:

   (a) by post to the Company's appointed polling agent, Boardroom Corporate & Advisory Services Pte Ltd, at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or

   (b) via the Registration Link.

   All questions submitted in advance of the AGM must be received **by 11.00 a.m. on 17 April 2023**.

3. Members who wish to submit their questions by post or by email are required to indicate their full name (for individuals)/company name (for corporates), NRIC/passport number/company registration number, contact number, shareholding type and number of shares held together with their submission of questions, to the office address or email address provided.

4. Persons who hold Shares through relevant intermediaries (as defined in Section 181 of the Companies Act 1967), other than SRS Investors should contact their respective relevant intermediaries through which they hold such Shares to submit their questions related to the resolutions to be tabled for approval at the AGM based on the abovementioned instructions.

5. Members and, where applicable, their appointed proxies, can also ask the Chairman of the AGM substantial and relevant questions relating to the resolutions to be tabled for approval at the AGM, "live" at the AGM, by typing in and submitting their questions via the online platform hosting the Live AGM Webcast and the Live AGM Audio Feed subject to successful pre-registration.

6. The Company will endeavour to address all substantial and relevant questions received from members prior to the AGM by publishing their responses posted on the SGXNet and the Company's website by 19 April 2023. The Company will address those substantial and relevant questions which have not already been addressed, as well as those received "live" at the AGM itself, during the AGM through the Live AGM Webcast and the Live AGM Audio Feed. Where substantially similar questions are received, the Company will consolidate such questions and consequently not all questions may be individually addressed.

7. The minutes of the AGM will be published on the SGXNet and the Company's website within one (1) month after the date of the AGM, and the minutes of the AGM will include the responses to substantial and relevant questions from members which are addressed during the AGM.

Voting

1. Members who wish to exercise their voting rights at the AGM may:

   (a) (where such members are individuals) vote "live" via electronic means at the AGM or (where such members are individuals or corporates) appoint proxies (other than the Chairman of the AGM) to vote "live" via electronic means at the AGM on their behalf; or

   (b) (where such members are individuals or corporates) appoint the Chairman of the AGM as their proxy to vote on their behalf at the AGM.

   Members (including SRS Investors) and, where applicable, appointed proxies, who wish to vote "live" at the AGM must first pre-register via the Registration Link at the URL https://www.fareastgroup.com.sg/.

2. Members who wish to exercise their voting rights via proxy/proxies may submit a proxy form to cast their votes on their behalf, a copy of which can be downloaded from the SGXNet or the Company's website.

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

4. In appointing a proxy, if no specific directions as to voting is given by a member, the proxy/proxies (except where the Chairman of the AGM is appointed as the member's proxy) will vote or abstain from voting at his/her/their discretion on any matter arising at the AGM and at any adjournment thereof. In the absence of specific direction as to the voting is given by a member, the appointment of the Chairman of the AGM as the member's proxy for the relevant resolutions will be treated as invalid.

5. The proxy form must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised before submission:

   (a) by post to the Company's appointed polling agent, Boardroom Corporate & Advisory Services Pte Ltd, at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or

   (b) by email to proxyform@fareastref.com.sg,

   in each case, it must be received **by 11.00 a.m. on 22 April 2023** (being not less than 72 hours before the time appointed for holding the AGM).

6. Investors who hold Shares through relevant intermediaries (as defined in Section 181 of the Companies Act 1967), including SRS Investors who wish to exercise their voting rights:

   (a) may vote "live" via electronic means at the AGM if they are appointed as proxies by their respective relevant intermediaries (including SRS operators), and should contact their respective relevant intermediaries (including SRS operators) if they have any queries regarding their appointment as proxies; or

   (b) may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM, in which case they should approach their respective relevant intermediaries (including SRS operators) to submit their votes at least seven (7) working days before the AGM (i.e. by 11.00 a.m. on 14 April 2023), in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to vote on their behalf by 11.00 a.m. on 22 April 2023.

7. The Company shall be entitled to reject a proxy form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the proxy form (such as in the case where the appointor submits more than one proxy form). If no specific direction as to voting is given in respect of a resolution, the appointed proxy/proxies will vote or abstain from voting at his/her/their discretion.

In addition, in the case of Shares entered in the Depository Register maintained by The Central Depository (Pte) Limited ("**CDP**"), the Company may reject a Proxy Form if the Members, being the appointor, is not shown to have Shares entered against his/her/its name in the Depository Register as at 72 hours before the time appointed for holding the AGM as certified by CDP to the Company.

8. A Depositor's name must appear on the Depository Register maintained by The Central Depository (Pte) Limited as at 72 hours before the time appointed for holding the AGM in order for the Depositor to be entitled to attend and vote at the AGM.

IMPORTANT NOTICE: Due to the evolving COVID-19 situation in Singapore, the Company may change the AGM arrangements at short notice. The Company will announce any changes to the holding or conduct of the AGM via the SGXNet. Members are advised to check our Company website at https://www.fareastgroup.com.sg/ or the SGXNet at https://www.sgx.com/securities/company-announcements/ regularly for updates on the AGM.

Personal Data Privacy:

By (a) submitting a form appointing a proxy/proxies (including the Chairman of the AGM) to attend, speak and vote at the AGM and/or any adjournment thereof, or (b) submitting details for the registration to observe the proceedings of the AGM via the Live AGM Webcast or the Live AGM Audio Feed, or (c) submitting any question prior to the AGM in accordance with this notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the following purposes:

(i) processing and administration by the Company (or its agents or service providers) of the appointment of the proxy/proxies for the AGM (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the AGM (including any adjournment thereof);

(ii) processing of the registration for purpose of granting access to members (or their proxies or corporate representatives in the case of members which are legal entities) to observe the proceedings of the AGM and providing them with any technical assistance where necessary;

(iii) addressing relevant and substantial questions from members received before and during the AGM and if necessary, following up with the relevant members in relation to such questions; and

(iv) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, take-over rules, regulations and/or guidelines by the relevant authorities.

The member's personal data and its proxy's and/or representative's personal data may be disclosed or transferred by the Company to its subsidiaries, its share registrar and/or other agents or bodies for any of the abovementioned purposes, and retained for such period as may be necessary for the Company's verification and record purposes.

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*This announcement has been reviewed by the Company's sponsor, SAC Capital Private Limited (the "**Sponsor**"). It has not been examined or approved by the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this announcement, including the correctness of any of the statements or opinions made or reports contained in this announcement.*

The contact person for the Sponsor is Ms Lee Khai Yinn (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

APPENDIX DATED 10 APRIL 2023

THIS APPENDIX IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. PLEASE READ IT CAREFULLY.

If you are in any doubt as to the contents herein or as to any action you should take, you should consult your broker, bank manager, accountant, solicitor, tax adviser or other professional adviser immediately.

This Appendix is circulated to the Shareholders (as defined herein) of Far East Group Limited (the "**Company**") together with the Company's annual report for the financial year ended 31 December 2022 (the "**Annual Report**"). Its purpose is to explain to Shareholders the rationale and provide information relating to, and to seek Shareholders' approval for, the Proposed Renewal of the Share Buyback Mandate (as defined herein) to be tabled at the 2023 AGM (as defined herein) of the Company to be held by electronic means on Tuesday, 25 April 2023 at 11.00 a.m. (of which there will be a live webcast).

The Notice of AGM (as defined herein) and Proxy Form (as defined herein) are enclosed with the Annual Report.

If you have sold or transferred all your issued and fully paid ordinary shares in the capital of the Company held through The Central Depository (Pte) Limited (the "**CDP**"), you need not forward this Appendix to the purchaser or transferee as arrangements will be made by the CDP for a separate Appendix with the Notice of AGM and the accompanying Proxy Form to be sent to the purchaser or transferee. If you have sold or transferred all your issued and fully paid ordinary shares in the capital of the Company represented by physical share certificate(s), you should immediately forward this Appendix, together with the Annual Report, the Notice of AGM and the accompanying Proxy Form, to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

*This Appendix has been reviewed by the Company's sponsor, SAC Capital Private Limited ("**Sponsor**"). This Appendix has not been examined or approved by Singapore Exchange Securities Trading Limited ("**SGX-ST**") and the SGX-ST assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements or opinions made, or reports contained in this Appendix.*

The contact person for the Sponsor is Ms Lee Khai Yinn (Tel: (65) 6232 3210) at 1 Robinson Road, #21-00 AIA Tower, Singapore 048542.

Far East Group Limited
(Company Registration No.: 196400096C)
(Incorporated in the Republic of Singapore)

APPENDIX IN RELATION TO

THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

DEFINITIONS

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

"2022 Mandate"	:	Has the meaning ascribed to it in Section 2.1 of this Appendix
"2023 AGM"	:	The AGM to be held by electronic means on 25 April 2023 at 11.00 a.m., notice of which is set out in the Notice of AGM
"AGM"	:	The annual general meeting of the Company
"Annual Report"	:	The annual report of the Company for FY2022
"Appendix"	:	This Appendix to Shareholders dated 10 April 2023 in respect of the Proposed Renewal of the Share Buyback Mandate
"Approval Date"	:	Has the meaning ascribed to it in Section 3.1 of this Appendix
"Associate"	:	(a) In relation to any Director, chief executive officer, Substantial Shareholder or Controlling Shareholder (being an individual) means: (i) his Immediate Family; (ii) the trustee of any trust of which he or his Immediate Family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and (iii) any company in which he and his Immediate Family together (directly or indirectly) have an interest of 30% or more; and (b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more, or such other definition as the Catalist Rules may from time to time prescribe
"Average Closing Price"	:	Has the meaning ascribed to it in Section 3.4 of this Appendix
"Board"	:	The board of Directors of the Company for the time being
"Catalist"	:	The Catalist Board of the SGX-ST
"Catalist Rules"	:	The SGX-ST Listing Manual Section B: Rules of Catalist, as amended, modified or supplemented from time to time
"CDP"	:	The Central Depository (Pte) Limited
"Companies Act"	:	The Companies Act 1967 of Singapore, as may be amended, modified or supplemented from time to time

APPENDIX

"Company"	:	Far East Group Limited, a company incorporated in the Republic of Singapore on 18 March 1964
"Constitution"	:	The Constitution of the Company, as amended, modified or supplemented from time to time
"control"	:	The capacity to dominate decision-making, directly or indirectly, in relation to the financial and operating policies of the Company
"Controlling Shareholder"	:	A person who (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares (excluding treasury shares) in the Company (notwithstanding, the SGX-ST may determine that a person who satisfies this paragraph is not a Controlling Shareholder); or (b) in fact exercises control over the Company, or such other definition as the Catalist Rules may from time to time prescribe
"Directors"	:	The directors of the Company for the time being
"EPS"	:	Earnings per Share
"FY"	:	Financial year ended or ending, as the case may be, 31 December
"Group"	:	The Company and its subsidiaries, collectively
"Highest Last Dealt Price"	:	Has the meaning ascribed to it in Section 3.4 of this Appendix
"Immediate Family"	:	A person's spouse, child, adopted child, step-child, sibling and parent, or such other definition as the Catalist Rules may from time to time prescribe
"Latest Practicable Date"	:	23 March 2023, being the latest practicable date prior to the printing of this Appendix
"Market Day"	:	A day on which the SGX-ST is open for trading of securities
"Market Purchases"	:	Has the meaning ascribed to it in Section 3.3(a) of this Appendix
"Maximum Price"	:	Has the meaning ascribed to it in Section 3.4 of this Appendix
"NAV"	:	Net asset value
"**Notice of AGM**"	:	The notice of AGM as set out on pages 143 to 149 of the Annual Report
"Off-Market Purchases"	:	Has the meaning ascribed to it in Section 3.3(b) of this Appendix
"Proposed Renewal of the Share Buyback Mandate"	:	The proposed renewal of the Share Buyback Mandate at the 2023 AGM
"Proxy Form"	:	The proxy form in respect of the 2023 AGM as set out on the last 2 pages of the Annual Report
"Registrar"	:	The Registrar of Companies appointed under the Companies Act and includes any Deputy or Assistant Registrar of Companies

"Related Expenses"	:	Has the meaning ascribed to it in Section 3.4 of this Appendix
"Relevant Period"	:	The period commencing from the date on which the resolution relating to the Share Buyback Mandate is passed in a general meeting and expiring on the earliest of (a) the date the next AGM is or is required by law to be held, (b) the date on which the Share Buybacks are carried out to the full extent mandated, or (c) the date the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting
"Securities Account"	:	The securities account maintained by a Depositor with the CDP but does not include a securities sub-account maintained with a Depository Agent
"SFA"	:	The Securities and Futures Act 2001 of Singapore, as may be amended, modified or supplemented from time to time
"SGX-ST"	:	Singapore Exchange Securities Trading Limited
"**Share Buyback**"	:	The purchase or acquisition by the Company of its own Shares pursuant to the terms of the Share Buyback Mandate
"Share Buyback Mandate"	:	A general mandate given by Shareholders to authorise the Directors to purchase or otherwise acquire, on behalf of the Company, Shares in accordance with the terms set out in this Appendix as well as the rules and regulations set forth in the Companies Act and the Catalist Rules
"Shareholders"	:	Registered holders of Shares, except where the registered holder is the CDP, the term "**Shareholders**" shall, in relation to such Shares, mean the Depositors whose Securities Accounts maintained with CDP are credited with Shares
"Shares"	:	Ordinary shares in the share capital of the Company
"Sponsor"	:	SAC Capital Private Limited
"Substantial Shareholder"	:	A person who has an interest in one or more voting Shares (excluding treasury shares) of the Company and the total votes attached to that Share, or those Shares, is not less than 5% of the total votes attached to all the voting Shares (excluding treasury shares) in the Company
"Take-over Code"	:	The Singapore Code on Take-overs and Mergers, as may be amended, modified or supplemented from time to time
"treasury shares"	:	Has the meaning ascribed to it under Section 4 of the Companies Act
"S$" and "Cents"	:	Singapore dollars and cents respectively, the lawful currency of the Republic of Singapore
"%"	:	Per centum or percentage

The terms "**Depositor**", "**Depository Agent**" and "**Depository Register**" shall have the meanings ascribed to them, respectively, in Section 81SF of the SFA.

The term "**subsidiary**" shall have the meaning ascribed to it in Section 5 of the Companies Act. The term "**subsidiary holdings**" means shares referred to in Sections 21(4), 21(4B), 21(6A) and 21(6C) of the Companies Act.

APPENDIX

Words importing the singular shall, where applicable, include the plural and vice versa, and words importing the masculine shall, where applicable, include the feminine and neuter gender and vice versa. References to persons shall, where applicable, include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, the SFA, the Catalist Rules, the Take-over Code or any statutory modification thereof and used in this Appendix shall, where applicable, have the meaning assigned to it under the Companies Act, the SFA, the Catalist Rules, the Take-over Code or any statutory modification thereof, as the case may be, unless otherwise provided.

Any reference to a time of a day and date in this Appendix shall be a reference to Singapore time and date, respectively, unless otherwise stated.

Any discrepancy in the figures included in this Appendix between the listed amounts and the totals thereof are due to rounding. Accordingly, figures shown as totals in this Appendix may not be an arithmetic aggregation of the figures that precede them.

1. INTRODUCTION

The Directors propose to seek the approval of Shareholders at the 2023 AGM for the Proposed Renewal of the Share Buyback Mandate.

The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and to explain the rationale for, the Proposed Renewal of the Share Buyback Mandate.

Shareholders are advised that the SGX-ST assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements or opinions made or reports contained in this Appendix.

2. THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE

2.1. Background

Under the Companies Act, a company may purchase or otherwise acquire its own shares, stocks and/or preference shares if it is expressly permitted to do so by its Constitution. Regulation 15(1) of the Constitution expressly permits the Company to, *inter alia*, purchase or otherwise acquire any of its issued Shares. It is a requirement under the Companies Act that a company which wishes to purchase or otherwise acquire its own shares should obtain approval from its shareholders to do so at a general meeting of its shareholders. In this regard, Shareholders had approved the renewal of the Share Buyback Mandate at the AGM held on 27 April 2022 (the "**2022 Mandate**"). The 2022 Mandate will be expiring on 25 April 2023, being the date of the 2023 AGM.

Accordingly, approval is being sought from Shareholders for the Proposed Renewal of the Share Buyback Mandate. Upon Shareholders' approval, the Proposed Renewal of the Share Buyback Mandate, will authorise the Directors to exercise all powers of the Company to purchase or otherwise acquire its issued Shares under the Share Buyback Mandate from the Approval Date until the date when the next AGM is held, or is required by law to be held, whichever is the earlier, whereupon it will lapse, unless it is renewed at such meeting. The authority may be revoked or varied in any general meeting of the Company held prior to the date when the next AGM is held or is required by law to be held.

2.2. Rationale

The Directors constantly seek to increase Shareholder's value and to improve, *inter alia*, the return on equity of the Group. A Share Buyback at the appropriate price level is one of the ways through which the return on equity of the Group may be enhanced. Share Buybacks provide the Company with a mechanism to facilitate the return to Shareholders of surplus cash/funds over and above its ordinary capital requirements, and in excess of the financial and possible investment needs of the Company, in an expedient, effective and cost-efficient manner.

The Proposed Renewal of the Share Buyback Mandate will provide the Directors with greater flexibility over, *inter alia*, the Company's share capital structure with a view to enhancing the earnings and/or NAV per Share or to maintain a pool of Shares to be deployed for future purposes as deemed appropriate by the Directors. The Directors further believe that Share Buybacks by the Company will help mitigate short term market volatility, offset the effects of short-term speculation and bolster Shareholders' confidence.

While the Share Buyback Mandate would authorise a purchase or acquisition of Shares up to the 10% limit described in Section 3.1 below during the period referred to in Section 3.2 below, Shareholders should note that purchases or acquisitions of Shares pursuant to the Share Buyback Mandate may not be carried out to the full 10% limit as authorised and may be made only as and when the Directors consider it to be in the best interests of the Company and/or Shareholders and in circumstances which they believe will not result in any material adverse effect on the financial position of the Company or the Group, or result in the Company being delisted from the SGX-ST. The Directors will use their best endeavours to ensure that after a purchase or acquisition of Shares pursuant to the Share Buyback Mandate, the number of Shares remaining in the hands of the public will not fall to such a level as to cause market illiquidity or adversely affect the orderly trading and listing status of the Shares on the SGX-ST.

3. **AUTHORITY AND LIMITS OF THE PROPOSED RENEWAL OF THE SHARE BUYBACK MANDATE**

The authority and limitations placed on purchases or acquisitions of Shares by the Company under the Share Buyback Mandate are summarised below:

3.1. **Maximum Number of Shares**

Only Shares which are issued and fully paid-up may be purchased or acquired by the Company. The total number of Shares which may be purchased or acquired pursuant to the Share Buyback Mandate is limited to that number of Shares representing not more than 10% of the total number of issued Shares of the Company as at the date of the AGM at which the Proposed Renewal of the Share Buyback Mandate is approved (the "**Approval Date**"), unless the Company has, at any time during the Relevant Period, reduced its share capital by a special resolution under Section 78C of the Companies Act, or the court has, at any time during the Relevant Period, made an order under Section 78I of the Companies Act confirming the reduction of share capital of the Company, in which event the total number of Shares shall be taken to be the total number of Shares as altered by the special resolution of the Company or the order of the court, as the case may be. Any Shares which are held as treasury shares and subsidiary holdings will be disregarded for purposes of computing the 10% limit.

For illustrative purposes only, based on the existing 111,462,000 Shares in issue as at the Latest Practicable Date and assuming no further Shares are issued on or prior to the 2023 AGM, not more than 11,146,200 Shares (representing 10% of the issued ordinary share capital of the Company as at that date) may be purchased or acquired by the Company pursuant to the Share Buyback Mandate during the period referred to in Section 3.2 below. There are no treasury shares or subsidiary holdings as at the Latest Practicable Date.

3.2. **Duration of Authority**

Purchases or acquisitions of Shares may be made, at any time and from time to time, on and from the Approval Date, up to the earliest of:

(a) the date on which the next AGM is held or required by law to be held;

(b) the date on which the Share Buybacks are carried out to the full extent mandated; or

(c) the date on which the authority conferred by the Share Buyback Mandate is revoked or varied by the Shareholders in a general meeting.

The Share Buyback Mandate may be renewed at each AGM or other general meetings of the Company.

3.3. **Manner of Purchase or Acquisition of Shares**

Purchases or acquisitions of Shares may be made by way of, amongst others:

(a) on-market purchases ("**Market Purchases**"), transacted on the SGX-ST through the SGX-ST's trading system or through one or more duly licensed stockbrokers appointed by the Company for the purpose of the Share Buyback; and/or

(b) off-market purchases (if effected otherwise than on the SGX-ST) in accordance with an equal access scheme(s) as may be determined or formulated by the Directors as they may consider fit, which scheme(s) shall satisfy all the conditions of the Companies Act and the Catalist Rules ("**Off-Market Purchases**").

The Directors may impose such terms and conditions which are consistent with the Share Buyback Mandate, the Catalist Rules and the Companies Act, as they consider fit in the interests of the Company in connection with or in relation to any equal access scheme or schemes. An Off-Market Purchase must, however, satisfy all the following conditions:

(i) offers for the purchase or acquisition of Shares shall be made to every person who holds Shares to purchase or acquire the same percentage of their Shares;

(ii) all of the abovementioned persons shall be given a reasonable opportunity to accept the offers made to them; and

(iii) the terms of all the offers shall be the same, except that there shall be disregarded, where applicable: (1) differences in consideration attributable to the fact that offers may relate to Shares with different accrued dividend entitlements; (2) differences in consideration attributable to the fact that the offers relate to Shares with different amounts remaining unpaid (if applicable); and (3) differences in the offers introduced solely to ensure that each person is left with a whole number of Shares.

Pursuant to the Catalist Rules, if the Company wishes to make an Off-Market Purchase in accordance with an equal access scheme, it will issue an offer document to all Shareholders containing at least the following information:

(1) the terms and conditions of the offer;

(2) the period and procedures for acceptances;

(3) the reasons for the purchase or acquisition of Shares;

(4) the consequences, if any, of the purchases or acquisitions of Shares by the Company that will arise under the Take-over Code or other applicable take-over rules;

(5) whether the purchases or acquisitions of Shares, if made, would have any effect on the listing of the Shares on the SGX-ST;

(6) details of any purchases or acquisitions of Shares made by the Company in the previous twelve (12) months (whether by way of Market Purchases or Off-Market Purchases), giving the total number of Shares purchased or acquired, the purchase price per Share or the highest and lowest prices paid for the purchases or acquisitions of Shares, where relevant, and the total consideration paid for such purchases or acquisitions; and

(7) whether the Shares purchased or acquired by the Company will be cancelled or kept as treasury shares.

3.4. Maximum Purchase Price

The purchase price (excluding applicable brokerage, stamp duties, commission, goods and services tax and other related expenses ("**Related Expenses**")) to be paid for a Share will be determined by the Directors. However, the purchase price to be paid for the Shares pursuant to the purchases or acquisitions of the Shares must not exceed:

(i) in the case of a Market Purchase, 105% of the Average Closing Price (as defined hereinafter); and

(ii) in the case of an Off-Market Purchase pursuant to an equal access scheme, 120% of the Highest Last Dealt Price (as defined hereinafter),

(the "**Maximum Price**") in either case, excluding Related Expenses.

For the above purposes:

"**Average Closing Price**" means the average of the closing market prices of a Share over the last five (5) Market Days on which transactions in the Shares were recorded, immediately preceding the day of the Market Purchase and deemed to be adjusted for any corporate action that occurs during the relevant five (5) Market Days and the day of the Market Purchase;

"**Highest Last Dealt Price**" means the highest price transacted for a Share as recorded on the Market Day on which there were trades in the Shares, immediately preceding the day of the making of the offer pursuant to the Off-Market Purchase and deemed to be adjusted for any corporate action that occurs after the relevant Market Day; and "**day of the making of the offer**" means the day on which the Company announces its intention to make an offer for the purchase or acquisition of Shares from Shareholders, stating the purchase price (which shall not be more than the Maximum Price for an Off-Market Purchase calculated on the foregoing basis) for each Share and the relevant terms of the equal access scheme for effecting the Off-Market Purchase.

4. STATUS OF THE PURCHASED OR ACQUIRED SHARES

The Shares purchased or acquired by the Company may be cancelled or kept as treasury shares.

4.1. Cancellation

Any Share purchased or acquired by the Company is deemed cancelled immediately on purchase or acquisition (and all rights and privileges attached to the Share will expire on such cancellation) unless such Share is held by the Company as a treasury share. Accordingly, the total number of issued Shares will be diminished by the number of Shares purchased or acquired by the Company and which are not held as treasury shares.

Any Shares purchased or acquired by the Company and cancelled will be automatically delisted by the SGX-ST. Certificates in respect of purchased or acquired Shares that are cancelled by the Company will be cancelled by the Company as soon as reasonably practicable following settlement of any purchase or acquisition of such Shares.

At the time of each purchase or acquisition of Shares by the Company, the Directors will decide whether the Shares purchased or acquired will be cancelled or kept as treasury shares, or partly cancelled and partly kept as treasury shares, depending on the needs of the Company and as the Directors deem fit in the interests of the Company at that time.

4.2. Treasury Shares

Under the Companies Act, Shares purchased or acquired by the Company may be held or dealt with as treasury shares. Some of the provisions on treasury shares under the Companies Act are summarised below:

(a) Maximum Holdings

The number of Shares held as treasury shares cannot at any time exceed 10% of the total number of issued Shares. Any Shares in excess of the 10% limit shall be disposed of or cancelled in accordance with Section 76K of the Companies Act within six (6) months or such further periods as the Registrar may allow.

(b) Voting and Other Rights

The Company cannot exercise any right in respect of treasury shares and any purported exercise of such right is void. In particular, the Company cannot exercise any right to attend or vote at meetings and for the purposes of the Companies Act, the Company shall be treated as having no right to vote and the treasury shares shall be treated as having no voting rights.

In addition, no dividend may be paid, and no other distribution of the Company's assets may be made, to the Company in respect of treasury shares. However, the allotment of Shares as fully paid bonus Shares in respect of treasury shares is allowed. Also, a subdivision or consolidation of any treasury share into treasury shares of a smaller amount is allowed so long as the total value of the treasury shares after the subdivision or consolidation is the same as before.

(c) Disposal and Cancellation

Where Shares are held as treasury shares, the Company may at any time (but subject always to the Take-over Code):

(i) sell the treasury shares (or any of them) for cash;

(ii) transfer the treasury shares (or any of them) for the purposes of or pursuant to an employees' share scheme;

(iii) transfer the treasury shares (or any of them) as consideration for the acquisition of shares in or assets of another company or assets of a person;

(iv) cancel the treasury shares (or any of them); or

(v) sell, transfer or otherwise use the treasury shares for such other purposes as may be prescribed by the Minister for Finance.

Under the Catalist Rules, an immediate announcement must be made of any sale, transfer, cancellation and/or use of treasury shares (in each case, the "**usage**"). Such announcement must include details such as the date of the usage, the purpose of the usage, the number of treasury shares comprised in the usage, the number of treasury shares before and after the usage and the percentage of the number of treasury shares comprised in the usage against the total number of issued shares (of the same class as the treasury shares) which are listed on the SGX-ST before and after the usage and the value of the treasury shares comprised in the usage.

5. REPORTING REQUIREMENTS

Within thirty (30) days of the passing of a Shareholders' resolution to approve the Proposed Renewal of the Share Buyback Mandate by the Company, the Company shall lodge a copy of such resolution with the Registrar.

The Company shall notify the Registrar within thirty (30) days of a purchase or acquisition of Shares on the SGX-ST or otherwise. Such notification shall include, *inter alia*, the date of the purchase or acquisition, the number of Shares purchased or acquired by the Company, the number of Shares cancelled, the number of Shares held as treasury shares, the Company's issued ordinary share capital before and after the purchase or acquisition of Shares, and the amount of consideration paid by the Company for the purchase or acquisition, whether the Shares were purchased out of profits or capital of the Company and such other particulars as may be required in the prescribed form.

Within thirty (30) days of the cancellation or disposal of treasury shares in accordance with the provisions of the Companies Act, the Directors shall lodge with the Registrar the notice of cancellation or disposal of treasury shares in the prescribed form as required by the Registrar.

6. SOURCE OF FUNDS FOR THE SHARE BUYBACK

The Companies Act permits the Company to purchase or acquire its own Shares out of capital or profits so long as the Company is solvent. Payments could be made from capital or profits so long as the Company is solvent (as defined in Section 76F(4) of the Companies Act).

In the event the Shares which are purchased or acquired by the Company are cancelled immediately on purchase or acquisition (as opposed to being held as treasury shares to the extent permitted under the Companies Act), the Company shall:

(a) reduce the amount of its share capital where the Shares were purchased or acquired out of capital of the Company;

(b) reduce the amount of profits where the Shares were purchased or acquired out of the profits of the Company; or

(c) reduce the amount of its share capital and profits proportionately where the Shares were purchased or acquired out of both capital and profits of the Company,

by the total amount of the purchase price paid by the Company for the Shares cancelled.

The Company will use internal resources or external borrowings or a combination of both to fund purchases or acquisitions of Shares pursuant to the Proposed Renewal of the Share Buyback Mandate. In considering the use of external funding, the Company will take into consideration the availability of external financing and the resulting impact on the prevailing gearing level of the Company and the Group. The Company will only exercise the Share Buyback Mandate in the interest of the Company and the Group without causing adverse financial impact to the Company and the Group. In particular, the Company will have regard to any relevant financial covenants which are applicable to the Company and/or the Group under any agreements for banking and credit facilities which may be granted by a financial institution to the Company and/or the Group from time to time. The Company will not effect any Share Buyback if such purchases or acquisitions would result in any breaches of the relevant financial covenants. The Company will also not propose to exercise the Share Buyback Mandate in such a manner and to such an extent that the liquidity and capital adequacy position of the Company and the Group would be materially adversely affected.

7. FINANCIAL EFFECTS OF THE SHARE BUYBACK MANDATE

The actual impact on the financial effects on the Company and the Group arising from purchases or acquisitions of Shares which may be made pursuant to the Share Buyback Mandate will depend on, *inter alia*, the exact number of Shares purchased or acquired, the purchase price paid at the relevant time of purchase, how the purchase or acquisition is funded, whether the Shares are purchased or acquired out of profits and/or capital of the Company or the Group, whether the Shares purchased or acquired are held in treasury or immediately cancelled on purchase or acquisition as well as how the Shares held in treasury are subsequently dealt with by the Company in accordance with Section 76K of the Companies Act.

7.1. Purchase or Acquisition out of Capital or Profits

Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of profits, such consideration (after deducting the Related Expenses) will correspondingly reduce the amount available for the distribution of cash dividends by the Company. Where the consideration paid by the Company for the purchase or acquisition of Shares is made out of capital, the amount of distributable profits available for cash dividends by the Company will not be reduced.

7.2. Number of Shares Acquired or Purchased

Based on 111,462,000 Shares in issue as at the Latest Practicable Date, and assuming no further Shares are issued and no Shares are held by the Company as treasury shares on or prior to the 2023 AGM, the exercise in full of the Share Buyback Mandate will result in the purchase or acquisition of 11,146,200 Shares, representing 10% of the total issued share capital of the Company.

7.3. Maximum Price to be Paid for the Share Buybacks

For illustrative purposes only:

(a) In the case of a Market Purchase by the Company and assuming that the Company purchases or acquires the 11,146,200 Shares at the Maximum Price of S$0.111 (rounded to three (3) decimal places) for one (1) Share (being 105% of the Average Closing Price of a Share immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 11,146,200 Shares is approximately S$1,237,000 (excluding Related Expenses).

(b) In the case of an Off-Market Purchase by the Company and assuming that the Company purchases or acquires the 11,146,200 Shares at the Maximum Price of S$0.122 (rounded to three (3) decimal places) for one (1) Share (being 120% of the Highest Last Dealt Price of a Share immediately preceding the Latest Practicable Date), the maximum amount of funds required for the purchase or acquisition of the 11,146,200 Shares is approximately S$1,360,000 (excluding Related Expenses).

7.4. Illustrative Financial Effects

For illustrative purposes only, the financial effects of the Share Buyback Mandate on the Company and the Group, based on the audited financial statements of the Company and the Group for the financial year ended 31 December 2022 and are based on the following assumptions:

(a) the purchase or acquisition of Shares took place at the beginning of the financial year on 1 January 2022;

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

(c) the Relevant Expenses incurred for the purchase or acquisition of Shares pursuant to the Share Buyback Mandate were insignificant and have been ignored for the purpose of computing the financial effects.

Purchases or acquisitions made out of capital or profits and: (A) Cancelled; and (B) Held as treasury shares:

	GROUP				
		Market Purchase		**Off-Market Purchase**	
		(A)	(B)	(A)	(B)
	Audited before buyback	After buyback and cancelled	After buyback and held as treasury shares	After buyback and cancelled	After buyback and held as treasury shares
	S$'000	**S$'000**	**S$'000**	**S$'000**	**S$'000**
<u>As at 31 December 2022</u>					
Profit attributable to Shareholders	2,073	2,073	2,073	2,073	2,073
Total shareholders' equity [(1)]	45,675	44,438	44,438	44,315	44,315
Current assets	61,742	60,505	60,505	60,382	60,382
Current liabilities	44,207	44,207	44,207	44,207	44,207
Working capital	17,535	16,298	16,298	16,175	16,175
Total borrowings	35,261	35,261	35,261	35,261	35,261
Number of issued Shares (exclude treasury shares) ('000)	111,462	100,316	100,316	100,316	100,316
Number of treasury shares ('000)	–	–	11,146	–	11,146
Weighted average number of Shares ('000)	111,462	100,316	100,316	100,316	100,316
<u>Financial Ratios</u>					
EPS (cents) [(2)]	1.86	2.07	2.07	2.07	2.07
NAV per Share (cents) [(3)]	40.98	44.30	44.30	44.18	44.18
Gearing ratio (times) [(4)]	0.44	0.44	0.44	0.44	0.44
Current ratio (times) [(5)]	1.40	1.37	1.37	1.37	1.37

Notes:

(1) Total shareholders' equity does not include non-controlling interests.

(2) EPS represents the ratio of profit attributable to Shareholders to the weighted average number of Shares.

(3) NAV per Share represents the ratio of total shareholders' equity to the number of issued Shares (exclude treasury shares).

(4) Gearing ratio represents the ratio of total borrowings to total shareholders' equity plus total borrowings.

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

Shareholders should note that the financial effects set out above are based on the abovementioned assumptions and are purely for illustrative purposes only. In particular, it is important to note that it is not possible for the Company to realistically calculate or quantify the impact of purchases or acquisitions that may be made pursuant to the Share Buyback Mandate on the NAV per Share and EPS as the resultant effect would depend on the factors such as the aggregate number of Shares purchased, the purchase price paid at the relevant time, and the amount (if any) borrowed by the Company to fund the purchases or acquisitions. Although the Share Buyback Mandate would authorise the Company to purchase or acquire up to 10% of the issued Shares, the Company may not necessarily purchase or acquire or be able to purchase or acquire the entire 10% of the issued Shares. In addition, the Company may cancel all or part of the Shares purchased or hold all or part of the Shares purchased in treasury. The above analysis is based on historical figures for the financial year ended 31 December 2022 and is not necessary representative of the Company's or the Group's future financial performance.

The Directors would emphasise that they do not propose to carry out purchases or acquisitions of Shares to such an extent that would, or in circumstances that might, result in a material adverse effect on the financial position of the Company or the Group, or results in the Company being delisted from the SGX-ST. The Company will take into account both financial and non-financial factors (for example, share market conditions and the performance of the Shares) in assessing the relative impact of purchases or acquisitions of Shares before execution.

8. OBLIGATIONS UNDER THE TAKE-OVER CODE

Appendix 2 of the Take-over Code contains the Share Buyback Guidance Note applicable as at the Latest Practicable Date. The take-over implications arising from any purchase or acquisition by the Company of its Shares are set out below:

8.1. Obligation to Make a Take-Over Offer

Under Rule 14 of the Take-over Code, a Shareholder and persons acting in concert with the Shareholder will incur an obligation to make a mandatory takeover offer if, *inter alia*, he and persons acting in concert with him increase their voting rights in the Company to 30% or more or, if they, together holding between 30% and 50% of the Company's voting rights, increase their voting rights in the Company by more than 1% in any period of six (6) months.

If, as a result of any purchase or acquisition by the Company of its Shares, a Shareholder's proportionate interest in the voting capital of the Company increases, such increase will be treated as an acquisition for the purposes of Rule 14 of the Take-over Code. If such increase results in a change of effective control, or, as a result of such increase, a Shareholder or group of Shareholders acting in concert obtains or consolidates effective control of the Company, such Shareholder or group of Shareholders acting in concert could become obliged to make a mandatory take-over offer for the Company under Rule 14 of the Take-over Code.

8.2. Persons Acting in Concert

Under the Take-over Code, persons acting in concert comprise individuals or companies who, pursuant to an agreement or understanding (whether formal or informal), cooperate, through the acquisition by any of them of shares in a company, to obtain or consolidate effective control of that company.

Unless the contrary is established, the following persons will, *inter alia*, be presumed to be acting in concert:

(a) a company with any of its directors (together with their close relatives, related trusts as well as companies controlled by any of the directors, their close relatives and related trusts);

(b) a company with its parent company, subsidiaries, its fellow subsidiaries, any associated companies of the above companies, any company whose associated companies include any of the above companies, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above companies for the purchase of voting rights. For this purpose, a company is an associated company of another company if the second company owns or controls at least 20% but not more than 50% of the voting rights of the first-mentioned company;

(c) a company with any of its pension funds and employee share schemes;

(d) a person with any investment company, unit trust or other fund in respect of the investment account which such person manages on a discretionary basis;

(e) a financial or other professional adviser, including a stockbroker, with its clients in respect of the shareholdings of the adviser and the persons controlling, controlled by or under the same control as the adviser and all the funds which the adviser manages on a discretionary basis, where the shareholding of the adviser and any of those funds in the client total 10% or more of the client's equity share capital;

(f) directors of a company, together with their close relatives, related trusts and companies controlled by any of them, which is subject to an offer where they have reason to believe a *bona fide* offer for their company may be imminent;

(g) partners; and

(h) an individual with his close relatives, his related trusts, and any person who is accustomed to act according to his instructions and companies controlled by any of the above, and any person who has provided financial assistance (other than a bank in the ordinary course of business) to any of the above persons and/or entities for the purchase of voting rights.

The circumstances under which Shareholders of the Company (including Directors of the Company) and persons acting in concert with them respectively will incur an obligation to make a take-over offer under Rule 14 of the Take-over Code after a purchase or acquisition of Shares by the Company are set out in Appendix 2 of the Take-over Code.

8.3. Effect of Rule 14 and Appendix 2 of the Take-Over Code

In general terms, the effect of Rule 14 and Appendix 2 of the Take-over Code is that, unless exempted, Directors of the Company and persons acting in concert with them will incur an obligation to make a take-over offer for the Company under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Directors and their concert parties would increase to 30% or more, or if the voting rights of such Directors and their concert parties fall between 30% and 50% of the Company's voting rights, the voting rights of such Directors and their concert parties would increase by more than 1% in any period of six (6) months.

Under Appendix 2 of the Take-over Code, a Shareholder not acting in concert with the Directors of the Company will not be required to make a take-over offer under Rule 14 if, as a result of the Company purchasing or acquiring its Shares, the voting rights of such Shareholder in the Company would increase to 30% or more, or, if such Shareholder holds between 30% and 50% of the Company's voting rights, the voting rights of such Shareholder would increase by more than 1% in any period of six (6) months. Such Shareholder need not abstain from voting in respect of the resolution authorising the Proposed Renewal of the Share Buyback Mandate.

However, Shareholders will be subject to the provisions of Rule 14 of the Take-over Code if they acquire Shares after the purchase or acquisition of Shares by the Company. For this purpose, an increase in the percentage of voting rights as a result of the purchase or acquisition of Shares by the Company will be taken into account in determining whether a Shareholder and persons acting in concert with him have increased their voting rights by more than 1% in any period of six (6) months.

Shareholders (including Directors) and their concert parties who hold more than 50% of the Company's voting rights are under no obligation to make a take-over offer if the voting rights of such Shareholders and their concert parties were to increase as a result of the Company purchasing or acquiring Shares.

The statements in this Appendix do not purport to be a comprehensive or exhaustive description of all implications that may arise under the Take-over Code. Shareholders are advised to consult their professional advisers and/or the Securities Industry Council at the earliest opportunity as to whether an obligation to make a takeover offer under the Take-over Code would arise by reason of any purchases or acquisitions of Shares by the Company.

8.4. Applicability of Rule 14 and Appendix 2 of the Take-Over Code

Based on the interests of the Directors and the Substantial Shareholders in the Shares as at the Latest Practicable Date as recorded in the Register of Directors' Shareholding and the Register of Substantial Shareholding as set out in Section 12 below, none of the Substantial Shareholders would become obliged to make a take-over offer under Rule 14 of the Take-over Code as a result of the purchase or acquisition by the Company of the maximum limit of 10% of its issued Shares.

9. OBLIGATIONS UNDER THE CATALIST RULES

9.1. Catalist Rules

The Catalist Rules specifies that a listed company shall announce all purchases or acquisitions of its shares to the SGX-ST not later than 9.00 a.m., (a) in the case of a Market Purchase, on the Market Day following the day of purchase or acquisition of any of its shares and (b) in the case of an Off-Market Purchase under an equal access scheme, on the second Market Day after the close of acceptances of the offer. Such announcement (which must be in the form of Appendix 8D to the Catalist Rules) currently requires the inclusion of details of, *inter alia*, the total number of shares purchased or acquired, the purchase price per share or the highest and lowest prices paid for such shares, as applicable, the number of shares cancelled, the number of shares held as treasury shares, the number of shares purchased or acquired as at the date of announcement (on a cumulative basis), the number of issued shares excluding treasury shares and the number of treasury shares held after the purchase or acquisition.

9.2. Suspension of Share Buyback

While the Catalist Rules does not expressly prohibit any purchase or acquisition of shares by a listed company during any particular time or times, because the listed company would be regarded as an "insider" in relation to any purchase or acquisition of its issued shares, the Company will not undertake any purchase or acquisition of Shares pursuant to the Share Buyback Mandate at any time after a price sensitive development has occurred or has been the subject of a decision until the price sensitive information has been publicly announced. In particular, in line with the best practices on securities dealings stipulated in the Catalist Rules, the Company will not deal in the Shares during the period commencing one (1) month before the announcement of the Company's half-yearly and full year financial statements of its financial year, and ending on the date of announcement of the relevant results.

9.3. Listing Status on the SGX-ST

The Company does not have any individual shareholding limit or foreign shareholding limit. The Catalist Rules requires a listed company to ensure that at least 10% of the total number of issued shares (excluding preference shares, convertible equity securities, treasury shares and subsidiary holdings) in a class that is listed must be held by public Shareholders. Where such percentage falls below 10%, the SGX-ST may at any time suspend trading of the shares of the listed company. The term "**public**", as defined under the Catalist Rules, are persons other than (i) the Directors, chief executive officer, Substantial Shareholders or Controlling Shareholder of the Company and its subsidiaries; and (ii) Associates of the persons in (i).

As at the Latest Practicable Date, 26,990,800 issued Shares, representing approximately 24.22% of the issued Shares are held by public Shareholders. For illustrative purposes only, assuming the Company exercises the Share Buyback Mandate in full and purchases 10% of the issued ordinary share capital of the Company through Market Purchases from the public, the public float would be reduced to 15,844,600 issued Shares, representing approximately 15.79% of the issued ordinary share capital of the Company.

The Directors will use their best efforts to ensure that the Company does not effect a purchase or acquisition of Shares if the purchase or acquisition of Shares would result in the number of Shares remaining in the hands of the public falling to such a level as to cause market illiquidity or adversely affect the listing status of the Company. Before deciding to effect a purchase of Shares, the Directors will ensure that, notwithstanding such purchase, a sufficient float in the hands of the public will be maintained to provide for an orderly market for trading in the Shares.

10. TAX IMPLICATIONS

Shareholders who are in doubt as to their respective tax positions or the tax implications of a Share Buyback or who may be subject to tax, whether in or outside Singapore, should consult their own professional advisers.

11. PREVIOUS SHARE BUYBACKS

The Company has not made any Share Buybacks in the twelve (12) months preceding the Latest Practicable Date.

12. INTERESTS OF DIRECTORS AND SUBSTANTIAL SHAREHOLDERS

As at the Latest Practicable Date, the interests of the Directors and Substantial Shareholders in the Shares, based on the Register of Directors' Shareholding and the Register of Substantial Shareholding, respectively, are as follows:

	Direct Interest		**Deemed Interest**	
	Number of Shares	**%**	**Number of Shares**	**%**
Directors				
Loh Pui Lai [(a)(d)]	–	–	6,300,000	5.65
Loh Mun Yew [(a)(b)]	3,042,900	2.73	65,115,500	58.42
Leng Chee Keong	7,439,800	6.67	–	–
Ho Boon Chuan Wilson	–	–	–	–
Mak Yen-Chen Andrew	–	–	–	–
Tan Hwee Kiong	–	–	–	–
Substantial Shareholders (other than Directors)				
Universal Pte. Ltd. [(c)]	63,855,000	57.29	–	–
Cheung Wai Sum [(a)(d)]	6,300,000	5.65	–	–

Notes:

(a) Loh Mun Yew and Loh Pui Lai are siblings and Loh Pui Lai is the spouse of Cheung Wai Sum.

(b) Loh Mun Yew is deemed to have an interest in the 63,855,000 Shares, held by Universal Pte. Ltd. by virtue of Section 7 of the Companies Act, and the 1,260,500 Shares held by the Estate of Loh Ah Peng @ Loh Ee Ming arising from his capacity as executor of his late father's will, by virtue of Section 7 of the Companies Act.

(c) Universal Pte. Ltd. is an investment holding company incorporated in Singapore and its 63,855,000 Shares in the Company are held through a nominee, UOB Kay Hian Private Limited. The shareholders are Loh Mun Yew, Loh Pui Lai, Lum Soo Mooi (parent of Loh Mun Yew and Loh Pui Lai) and Loh Pui Pui (daughter of Lum Soo Mooi, and sibling of Loh Mun Yew and Loh Pui Lai) with shareholding interest of 43.69%, 18.82%, 18.47% and 19.02%, respectively. The directors of Universal Pte. Ltd. are Loh Mun Yew, Loh Pui Pui and Lum Soo Mooi.

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

13. DIRECTORS' RECOMMENDATIONS

Having fully considered the rationale, the benefit and the information relating to the Proposed Renewal of the Share Buyback Mandate, the Directors are of the opinion that the Proposed Renewal of the Share Buyback Mandate is in the best interests of the Company. Accordingly, they recommend that Shareholders vote in favour of ordinary resolution in respect of the Proposed Renewal of the Share Buyback Mandate at the 2023 AGM.

14. ACTION TO BE TAKEN BY SHAREHOLDERS

14.1. Alternative Arrangements of AGM

In line with the transition back to normalcy and the resumption of general meetings in the face-to-face format, the forthcoming AGM will continue to be held via electronic means pursuant to the Alternative Arrangements Order.

Alternative arrangements have been put in place to allow Shareholders to participate at the 2023 AGM by (a) watching or listening to the 2023 AGM proceedings via live webcast, (b) submitting questions in advance of or at the 2023 AGM, and/or (c) "live" voting or voting by proxy at the 2023 AGM. Shareholders should refer to the Notice of AGM for further information on the alternative arrangements.

14.2. When Depositor Regarded as Shareholder

A Depositor shall not be regarded as a Shareholder entitled to attend the 2023 AGM and to vote thereof unless his name appears on the Depository Register at least seventy-two (72) hours before the 2023 AGM.

15. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information contained in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the Proposed Renewal of the Share Buyback Mandate, and the Group, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in the Appendix has been extracted from published or otherwise publicly available sources or obtained from a named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in the Appendix in its proper form and context.

16. DOCUMENTS FOR INSPECTION

The following documents may be inspected at the registered office of the Company at 51 Ubi Avenue 3, Singapore 408858 during normal business hours from the date of this Appendix up to and including the date of the 2023 AGM:

(a) the Annual Report of the Company for FY2022; and

(b) the Constitution of the Company.

Yours faithfully,
For and on behalf of the Board of Directors of
Far East Group Limited

Loh Mun Yew
Chief Executive Officer and Executive Director

FAR EAST GROUP LIMITED

(Registration Number 196400096C)
(Incorporated in the Republic of Singapore)

IMPORTANT

(a) The AGM will be held by way of electronic means (the "**Live AGM Webcast**" and "**Live AGM Video Feed**", respectively).

(b) A member will not be able to attend the AGM in person. A member who wishes to exercise his/her/its voting rights at the AGM may (a) (where the member is an individual) vote "live" via electronic means at the AGM, or (whether the member is an individual or a corporate) appoint a proxy/proxies (other than the Chairman of the AGM) to vote "live" via electronic means at the AGM on his/her/its behalf; or (b) (whether the member is an individual or a corporate) appoint the Chairman of the AGM as his/her/its proxy to vote on his/her/its behalf at the AGM.

(c) SRS investors: (a) may vote live via electronic means at the AGM if they are appointed as proxies by their respective SRS operators, and should contact their respective SRS operators if they have any queries regarding their appointment as proxies; or (b) may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM, in which case they should approach their respective SRS operators to submit their votes by 11.00 a.m. on 14 April 2023 (being seven (7) working days before the AGM).

(d) Please read the notes overleaf which contain instructions on, *inter alia*, the appointment of a proxy/proxies to vote on his/her/their behalf at the AGM.

ANNUAL GENERAL MEETING

PROXY FORM

I/We*, ______________________________ (Name) __________________________ (NRIC/Passport/Registration Number*)

of ____ (Address)

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

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

and/or (delete as appropriate)

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

or if no proxy is named, the Chairman of the Annual General Meeting ("**AGM**") of the Company as my/our* proxy/proxies* to attend and vote for me/us* on my/our* behalf at the AGM of the Company to be held by electronic means on Tuesday, 25 April 2023 at 11.00 a.m. and at any adjournment thereof.

I/We* direct my/our* proxy/proxies* to vote for, vote against or abstain from voting on the resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies* (other than the Chairman of the AGM) will vote or abstain from voting at his/their* discretion, as he/they* will on any other matter arising at the AGM and at any adjournment thereof. In the absence of specific directions in respect of a resolution, the appointment of the Chairman of the AGM as my/our proxy for that resolution will be treated as invalid.

NO.	RESOLUTIONS	FOR***	AGAINST***	ABSTAIN***
	ORDINARY BUSINESS			
1.	To receive and adopt the Directors' Statement and Audited Financial Statements for the financial year ended 31 December 2022 together with the Independent Auditor's Report thereon			
2.	To declare a final (tax exempt one-tier) dividend of 0.20 cents per ordinary share for the financial year ended 31 December 2022			
3.	To approve the payment of Directors' fees of $192,000 for the financial year ending 31 December 2023, payable half-yearly in arrears			
4.	To re-elect Loh Mun Yew as a Director of the Company			
5.	To re-elect Ho Boon Chuan Wilson as a Director of the Company			
6.	To re-appoint Ernst & Young LLP as auditor of the Company and to authorise the Directors to fix its remuneration			
	SPECIAL BUSINESS			
7.	To authorise the Directors to allot and issue shares and convertible securities			
8.	To approve the renewal of Share Buyback Mandate			

* Delete accordingly

** Compulsory for registration purposes. Appointed proxy/proxies will have to pre-register at the pre-registration website at the URL https://www.fareastgroup.com.sg/ in order to access the Live AGM Webcast and the Live AGM Audio Feed.

*** If you wish to exercise all your votes "For", "Against" or "Abstain", please indicate with a tick [√] within the boxes provided. Alternatively, please indicate the number of votes as appropriate.

Dated this _______ day of __________________ 2023

Total number of Shares in	Number of Shares
(a) Depository Register	
(b) Register of Members	

____
Signature(s) or Common Seal of Member(s)

IMPORTANT: PLEASE READ NOTES OVERLEAF

Notes:

1. If the member has shares entered against his name in the Depository Register, he should insert that number of shares. If the member has shares registered in his name in the Register of Members, he should insert that number of shares. If the member has shares entered against his name in the Depository Register and registered in his name in the Register of Members, he should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by the member.

2. Members will not be able to attend the AGM in person. Members who wish to exercise their voting rights at the AGM may:

   (a) (where such members are individuals) vote "live" via electronic means at the AGM or (where such members are individuals or corporates) submit this Proxy Form to appoint proxies (other than the Chairman of the AGM)* to vote "live" via electronic means at the AGM on their behalf; or

   (b) (where such members are individuals or corporates) appoint the Chairman of the AGM as their proxy to vote on their behalf at the AGM.

   Members including investors under the Supplementary Retirement Scheme ("**SRS Investors**") and, where applicable, appointed proxies, who wish to vote "live" at the AGM must first pre-register at the pre-registration website at the URL https://www.fareastgroup.com.sg/.

   * For the avoidance of doubt, SRS investors will not be able to appoint third party proxy/proxies (i.e., persons other than the Chairman of the AGM) to vote "live" at the AGM on their behalf.

   This proxy form may be downloaded from the SGXNet at the URL https://www.sgx.com/securities/company-announcements/ or at the Company's website at the URL https://www.fareastgroup.com.sg/.

3. (a) A member who is not a relevant intermediary is entitled to appoint not more than two (2) proxies. Where such member's proxy form appoints more than one (1) proxy, the proportion of the shareholding concerned to be represented by each proxy shall be specified in the proxy form; and

   (b) A member who is a relevant intermediary is entitled to appoint more than two (2) proxies, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member's proxy form appoints more than two (2) proxies, the number of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

   "Relevant intermediary" shall have the meaning ascribed to it in Section 181 of the Companies Act 1967 of Singapore.

4. A proxy need not be a member of the Company.

5. This proxy form, duly executed, must be submitted to the Company in the following manner:

   (a) by post to the Company's appointed polling agent, Boardroom Corporate & Advisory Services Pte Ltd, at 1 Harbourfront Avenue, #14-07 Keppel Bay Tower, Singapore 098632; or

   (b) via email to proxyform@fareastref.com.sg,

   in each case, **by 11:00 a.m. on 22 April 2023** (being not less than 72 hours before the time appointed for holding the AGM).

6. The completion or return of this proxy form does not preclude a member from attending and voting at the AGM. A member who accesses the "live" webcast of the AGM proceedings may revoke the appointment of a proxy/proxies at any time before the AGM commences and in such an event, the Company reserves the right to terminate the proxy/proxies' access to the AGM proceedings.

7. This proxy form must be signed by the appointor or his attorney duly authorised in writing or, if the appointor is a corporation, it must be executed either under its common seal or signed by its attorney or officer duly authorised.

8. Where this proxy form is signed on behalf of the appointor by an attorney, the power of attorney or a notarially certified copy thereof (failing previous registration with the Company) must be lodged with this proxy form, failing which this proxy form may be treated as invalid.

9. A corporation which is a member may authorise by a resolution of its directors or other governing body such person as it thinks fit to act as its representative at the AGM in accordance with Section 179 of the Companies Act 1967 of Singapore.

10. Investors who hold shares through relevant intermediaries as defined in Section 181 of the Companies Act 1967 of Singapore, including SRS Investors, who wish to exercise their votes:

    (a) may vote "live" via electronic means at the AGM if they are appointed as proxies by their respective relevant intermediaries (including SRS operators), and should contact their respective relevant intermediaries (including SRS operators) if they have any queries regarding their appointment as proxies; or

    (b) may appoint the Chairman of the AGM as proxy to vote on their behalf at the AGM, in which case they should approach their respective relevant intermediaries (including SRS operators) to submit their votes at least seven (7) working days before the AGM (i.e. by 11.00 a.m. on 14 April 2023), in order to allow sufficient time for their respective relevant intermediaries to in turn submit a proxy form to vote on their behalf by 11.00 a.m. on 22 April 2023.

11. The Company shall be entitled to reject this proxy form if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in this proxy form (including any related attachment). In addition, in the case of a member whose shares are entered in the Depository Register, the Company may reject any proxy form lodged if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 72 hours before the time appointed for holding the AGM, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy:

By submitting this proxy form, the member is deemed to have accepted and agreed to the personal data privacy terms set out in the Notice of AGM of the Company dated 10 April 2023.

GENERAL **INFORMATION**

DIRECTORS

Karen Loh Pui Lai
(Non-Executive Chairman)

Steven Loh Mun Yew
(Chief Executive Officer and Executive Director)

David Leng Chee Keong
(Chief Operating Officer and Executive Director)

Ho Boon Chuan Wilson
(Lead Independent Director)

Mak Yen-Chen Andrew
(Independent Director)

Tan Hwee Kiong
(Independent Director)

COMPANY SECRETARIES

Wee Woon Hong
Francis Lai Kum Wai

REGISTERED OFFICE

51 Ubi Avenue 3
Singapore 408858
Tel: (65) 6293 9733
Fax: (65) 6296 5326

SHARE REGISTRAR

Boardroom Corporate & Advisory Services Pte Ltd
1 Harbourfront Avenue
#14-07 Keppel Bay Tower
Singapore 098632

AUDITOR

Ernst & Young LLP
One Raffles Quay
North Tower, Level 18
Singapore 048583

Partner-in-charge: Yong Kok Keong
(Since financial year ended 31 December 2018)

BANKERS

United Overseas Bank Limited
DBS Bank Ltd

SPONSOR

SAC Capital Private Limited
1 Robinson Road
#21-00 AIA Tower
Singapore 048542

AUDIT COMMITTEE

Ho Boon Chuan Wilson (Chairman)
Mak Yen-Chen Andrew
Tan Hwee Kiong

REMUNERATION COMMITTEE

Tan Hwee Kiong (Chairman)
Ho Boon Chuan Wilson
Mak Yen-Chen Andrew

NOMINATING COMMITTEE

Mak Yen-Chen Andrew (Chairman)
Ho Boon Chuan Wilson
Tan Hwee Kiong

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