Far East Group Limited

TOWARDS A SUSTAINABLE FUTURE

ANNUAL REPORT **2016**

OUR VISION

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

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CORPORATE PROFILE

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

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

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

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

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

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

CEO'S MESSAGE

Mr Steven Loh Mun Yew

DEAR SHAREHOLDERS,

On behalf of the Board of Directors ("Board" or "Directors"), I am pleased to present to you the annual report for Far East Group Limited ("Far East Group" or the "Group") for the financial year ended 31 December ("FY") 2016.

As first announced in our corporate and business update in July 2014, we have three broad strategies to take the Group to the next level: expanding manufacturing operations, moving up the Heating, Ventilation, Air-Conditioning and Refrigeration ("HVAC&R") value chain by strengthening our capabilities, and developing economies of scale and scalability through the distribution of "Eden" and agency products. These strategies are steering the Group in the right direction.

As announced on 7 December 2016, the Group conducted a significant corporate restructuring exercise to consolidate the production of heat exchangers in Malaysia with our manufacturing operations in China under Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd. ("ERM"). ERM manufactures heat-exchangers units under the "Eden" brand. The consolidation of our manufacturing operations allows the Group to improve internal and operational efficiencies. Following the consolidation, which is expected to be completed by second half of 2017, ERM's 220,000 square feet facility will be the Group's main manufacturing outfit.

Through ERM, we will also be able to scale up the value chain to target top-tier markets in China, where the HVAC&R industry is ripe for disruption given the strong emphasis on energy efficiency. To ensure Far East Group remains at the forefront of the industry, we have set up a research and development centre and test lab within ERM's premises in Changzhou, Jiangsu, which will focus on developing cutting-edge and cost-efficient products.

Progressively, the Group will be expanding and upgrading its product line to include the new "Eden G5" series and a range of heat exchangers that utilise carbon dioxide – a safe and non-ozone depleting gas – as refrigerants. The latter is in line with our efforts to promote sustainability and energy efficiency as part of the Group's Green Programme.

Far East Group has evolved from a pure heat-exchanger provider to a one-stop HVAC&R solutions provider through our newly established Elite Envirotech Co., Ltd. ("Elite") in China. Elite focuses on the manufacture of a comprehensive range of packaged units, condensing units and racks, and opens up avenues for us to increase value to customers. Elite was awarded the Certificate of Manufacturing by the General Administration of Quality Supervision, Inspection and Quarantine of the People's Republic of China in early 2017, which allows the Group to participate in larger projects in China.

Going forward, we seek to capture new opportunities in China and intend to extend our footprint to cities we are not yet present in. In Southeast Asia, we continue to focus on widening our distribution network and have plans to enhance our presence in Indochina and Indonesia in the near future. Subsequent to FY2016, we embarked on a series of roadshows and seminars in Malaysia and Indonesia to further engage our distributors and customers while raising the profile of the "Eden" brand.

With the various initiatives put in place, the Directors are cautiously optimistic that the Group's FY2017 operational performance will be better than the previous year's.

OPERATIONS AND FINANCIAL REVIEW

The Group's revenue increased 12.6% to S$39.2 million in FY2016 from S$34.8 million in FY2015 due to higher sales in Malaysia, Indonesia, Hong Kong and China markets. This was partially offset by lower sales in Singapore.

The commercial and light industrial segment remains our largest revenue contributor, accounting for 85.4% of our FY2016 top line. Residential and commercial (air-conditioning) accounted for 10.3% of total revenue while oil, marine and gas (refrigeration and air-conditioning) accounted for the remaining 4.3%.

Gross profit decreased by 3.6% to S$9.6 million in FY2016 from S$10.0 million in FY2015 while gross profit margin slipped to 24.6% from 28.7% over the same comparative periods. The decline was due in part to the consolidation exercise, which led to one-off expenses of S$0.3 million, as well as lower margins due to bulk sales to customers.

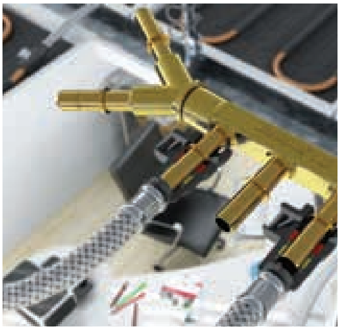
The Group turned cash flow positive in FY2016 with net cash from operating activities amounting to S$2.0 million. Cash and cash equivalents grew to S$6.3 million as at 31 December 2016 from S$5.0 million a year ago.

The Group's net loss attributable to shareholders narrowed marginally to S$1.2 million in FY2016 from S$1.3 million in FY2015. The net loss included one-off expenses of S$0.8 million relating to the consolidation exercise. Loss per share came to 1.09 cents in FY2016 compared to 1.18 cents in FY2015, while net asset value per share was 21.3 cents as at 31 December 2016 versus 22.8 cents a year ago.

BOARD CHANGES

Ms Karen Loh, previously our Non-Executive Director, was appointed as the Non-Executive Chairman of the Group on 24 February 2017 following the demise of Mr Loh Ah Peng @ Loh Ee Meng, the Group's founder, on 24 November 2016.

The late Mr Loh started Far East Group in 1964 and painstakingly built the Group into one of the leading HVAC&R companies in Southeast Asia. He served as Executive Chairman of the Group until 2011, when he was re-designated as Non-Executive Chairman of the Group. He will be deeply missed.



Mr Hew Koon Chan was re-designated as Lead Independent Director of the Group on 24 February 2017. Mr Hew has been an Independent Director of the Group since 2011 and serves as the Audit Committee Chairman and is a member of the Remuneration and Nomination Committees. We are grateful to Ms Loh and Mr Hew for agreeing to assume their new roles and responsibilities.

APPRECIATION

On behalf of my fellow Directors, I would like to thank all shareholders, customers and business partners for your continued support and trust. I would also like to extend my sincere appreciation to our management and staff.

STEVEN LOH MUN YEW
Chief Executive Officer and
Executive Director

BOARD OF DIRECTORS

L-R: Tan Hwee Kiong, David Leng Chee Keong, Steven Loh Mun Yew, Karen Loh Pui Lai, Hew Koon Chan, Mak Yen-Chen Andrew

KAREN LOH PUI LAI

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 at the Group in 1988. From 1992 to 1993, she was an accounts executive of the Group and was responsible for the accounts of the Group's subsidiaries. From 1993 to 1997, she pursued her studies in Australia. From 1997 and 2000, she became the director of Old FER HK and Far East HK, respectively.

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

STEVEN LOH MUN YEW

Chief Executive Officer and Executive Director

Mr Steven Loh was appointed to the Board of Far East Group in 1990. He has over 26 years of experience in the HVAC&R industry. He is responsible for the formulation and execution of the Group's business strategies, strategic directions and expansion plans, as well as managing the Group's overall business development and financial performance.

Mr Loh joined the Group in 1990 as a retail sales executive and has risen through the ranks to become the Group's assistant managing director in 2000, overseeing its operations and financial performance. In 2003, he was appointed as the Group Managing Director. He is an member of Singapore Chinese Chamber of Commerce & Industry.

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.

DAVID LENG CHEE KEONG

Chief Operating Officer (Sales and Marketing) and Executive Director

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

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

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

HEW KOON CHAN

Lead Independent Non-Executive Director

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

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

ANDREW MAK YEN-CHEN

Independent Non-Executive Director

Mr Andrew Mak was appointed to the Board on 28 June 2011. He is a practising lawyer with more than 21 years' experience in legal practice. He is currently a consultant with Fortis Law Corporation.

Mr Mak is an independent director of Falcon Energy Group Limited and Leader Environmental Technologies Limited, both listed on the Main Board of the SGX-ST. In addition, he also volunteers his time in community service. Amongst other appointments, Mr Mak is a member of the Telok Blangah Citizens' Consultative Committee. 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 Law (Second Class Honours Upper Division).

TAN HWEE KIONG

Independent Non-Executive Director

Mr Tan Hwee Kiong was appointed to the Board on 28 June 2011. He is a senior business leader with 26 years of industrial and commercial experience, 16 years of which were in the HVAC&R industry. Mr Tan spent most of his HVAC&R career in Carrier Refrigeration Corporation (a division of UTC Group), where he served in various capacities in the commercial and transportation refrigeration business, including positions as the regional managing director for South-Asia region, regional director for ASEAN, general manager of Qingdao Haier-Carrier Refrigeration, general sales manager of Carrier Refrigeration Shanghai Co., Ltd and country manager for Taiwan.

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

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

EXECUTIVE OFFICERS

FRANCIS LAI KUM WAI
Chief Financial Officer

Mr Francis Lai joined the Group in April 2011 as Senior Finance and Business Development Manager and was part of the team involved in the Group's listing on the SGX Catalist Board. He is responsible for the due diligence studies of the Group's business expansion plans, developing the Group's finance policies and procedures, and review of internal controls and managing the Group's insurance policies. He was promoted to the position of Chief Financial Officer of the Group in 2014. Prior to joining the Group, he spent 11 years in the semiconductor industry, taking on a wide spectrum of accounting roles in financial and management accounting, and was involved in the successful completion of several M&A deals that increased the Group's revenue.

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

ALLAN WARD
Chief Operating Officer (Engineering and Manufacturing)

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

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

He is a member of the American Society of Heating, Refrigerating and Air-Conditioning Engineers and the Australia Institute of Refrigeration Air-Conditioning and Heating Engineers. He was the president and chairman of the Commercial Refrigeration Manufacturers Association of Australia from 1991 to 1997 where he was responsible for developing the Australia Refrigeration Industries Codes of Practice. He was also awarded patents in the United States of America, Australia and New Zealand as the inventor of unique drop-in refrigeration systems.

Mr Ward was appointed an Australian Justice of the Peace in New South Wales. He obtained his Diploma in Mechanical Engineering (Major in Refrigeration) from the University of Technology, Sydney, in 1967 and the Advanced Heat Transfer Design Certificate from McQuay/Muller Private Institute in 1974.

RICHARD CHUNG KONG POH
Head of Systems and Projects

Mr Richard Chung is responsible for the management and planning of all systems and projects. He leads the Group's project teams, including general managers (projects) and project managers, to deliver the projects in accordance with commitments and ensure that the projects are properly managed and planned with sufficient staff and appropriate resources. He joined the Group as a sales and marketing executive in 1995 and served in various capacities, including sales and marketing manager and divisional director (systems and projects).

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

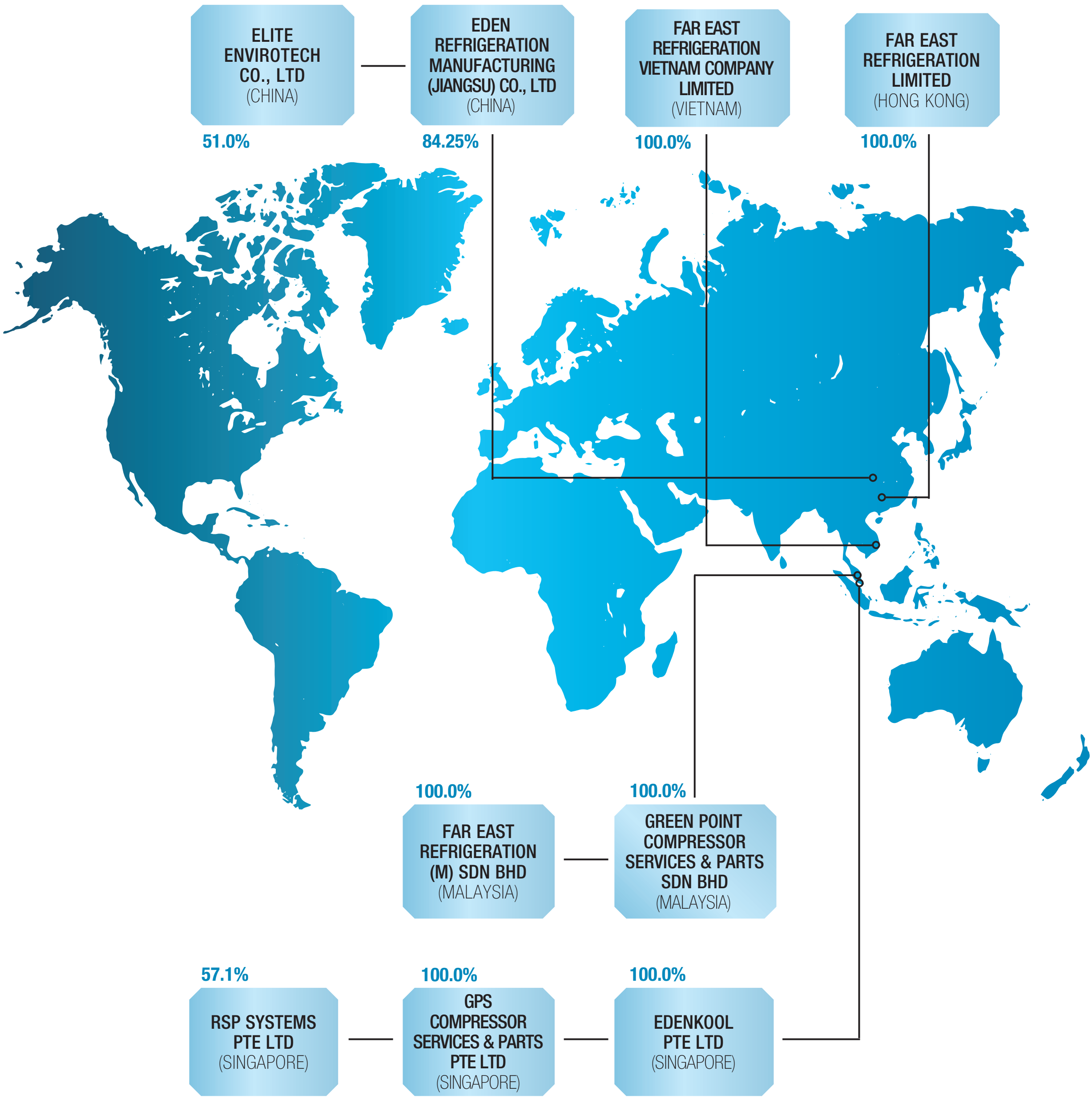
He obtained his degree in Bachelor of Science (Physics) from the National University of Singapore in 1993.

ROGER WONG THIAM HOCK
Sales Director

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

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

CORPORATE STRUCTURE



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

FINANCIAL CONTENTS

CORPORATE GOVERNANCE REPORT

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

This report outlines the Company's corporate governance practices and structures that were in place for the financial year ended 31 December 2016 ("**FY2016**"), with specific reference made to each of the principles of the Code of Corporate Governance 2012 (the "**Code**"). The Board confirms that, for FY2016, the Group has complied with the principles and guidelines of the Code where appropriate. Where there are deviations from the Code, appropriate explanations are provided.

BOARD MATTERS

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

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

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

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

The Board has delegated certain matters to specialised committees (the "**Board Committees**") of the Board. These committees include the Audit Committee ("**AC**"), the Nominating Committee ("**NC**") and the Remuneration Committee ("**RC**"), all of which operate within clearly defined and written terms of reference and functional procedures, which are reviewed on a regular basis. They assist the Board in carrying out and discharging its duties and responsibilities efficiently and effectively.

The Board meets regularly with at least two (2) scheduled meetings held within each financial year. Where necessary, additional meetings may be held to address significant transactions or issues. The constitution of the Company ("**Constitution**") also provides for telephonic and video-conference meetings.

The Board ensures that incoming newly-appointed Directors will be orientated on the Group's business strategies, operations and governance practices to facilitate the effective discharge of their duties. Newly-appointed Directors will also be provided with a formal letter setting out their duties and obligations. For newly-appointed Directors who do not have prior experience as a director of a public listed company in Singapore, they will attend training

CORPORATE GOVERNANCE REPORT

courses organised by the Singapore Institute of Directors or other training institutions in areas such as accounting, legal and industry-specific knowledge, where appropriate, in connection with their duties.

The Company is responsible for arranging and funding the training of Directors. Board members have been and will be encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. The Company will work closely with its professional advisors to provide its Directors with updates on changes to relevant laws, regulations and accounting standards. During the period under review, Directors are provided with briefings and updates (i) on the developments in financial reporting and governance standards by the external auditors, Ernst & Young LLP; and (ii) on changes in the relevant laws and regulations pertaining to the Group's business and changing commercial risks and business conditions of the Group by the Management during the Board Committee meetings. In addition, the Lead Independent Director attended the Sustainability Reporting and Corporate Governance workshop organized by KPMG LLP during the period under review.

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

The number of Board and Board Committee meetings held and attended by each Board member for FY2016 is set out as follows:

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

* *By Invitation*

Notes:

(1) Mr Loh Ah Peng @ Mr Loh Ee Ming held the position of Non-Executive Chairman of the Company until his passing away on 24 November 2016.

(2) Ms Loh Pui Lai was appointed as the Non-Executive Chairman of the Company with effect from 24 February 2017.

(3) Mr Hew Koon Chan was appointed as the Lead Independent Director of the Company with effect from 24 February 2017.

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

CORPORATE GOVERNANCE REPORT

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

After the passing of Mr Loh Ah Peng @ Loh Ee Ming, 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 and Executive Director
Mr Leng Chee Keong	Chief Operating Officer (Sales and Marketing) and Executive Director
Mr Hew Koon Chan	Lead Independent Director
Mr Mak Yen-Chen Andrew	Independent Director
Mr Tan Hwee Kiong	Independent Director

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

The Company endeavours to maintain a strong and independent element on the Board. As there are three (3) Independent Directors on the Board, the prevailing applicable requirement of the Code that at least one-third of the Board be comprised of Independent Directors is satisfied. Following the passing of Mr Loh Ah Peng @ Loh Ee Ming, the Independent Directors currently make up half of the Board. All of the Board Committees are chaired by Independent Directors and the NC is of the view that no individual or small group of individuals dominates the Board's decision-making process.

The Independent Directors have confirmed that they do not have any relationship with the Company or its related corporations or its officers or its shareholders with shareholdings of 10% or more in the voting shares of the Company that could interfere, or be reasonably perceived to interfere, with the exercise of their independent business judgment with a view to the best interests of the Company. The Board, taking into account the views of the NC, has determined that Mr Mak Yen-Chen Andrew, Mr Hew Koon Chan and Mr Tan Hwee Kiong are independent in character and judgement and that there are no relationships or circumstances which are likely to affect, or could affect, their judgement. The independence of each Director is reviewed annually and as and when circumstances require by the NC based on the guidelines set forth in the Code.

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

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

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

The NC is of the view that the current Board comprises persons who as a group provide capabilities required for the Board and the Board Committees to be effective. Details of the Board members' qualifications and experience are presented in the section entitled "Board of Directors" of this Annual Report.

CORPORATE GOVERNANCE REPORT

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

There is a clear division of responsibilities between the Non-Executive Chairman and the Chief Executive Officer to ensure that there was 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 Chairman and Chief Executive Officer be separated has therefore been met in the case of the Company.

Before the passing of Mr Loh Ah Peng @ Loh Ee Ming, he was the Non-Executive Chairman of the Company, who played a vital role in setting the Company's vision and objectives and providing guidance to the Group. With effect from 24 February 2017, Ms Loh Pui Lai has been appointed as the new Non-Executive Chairman of 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 action;

(b) approving the agendas for the Board meetings and ensures 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 Chief Executive Officer of the Company is Mr Loh Mun Yew, who is responsible for the formulation and execution of the Group's business strategies, strategic directions and expansion plans, as well as managing the Group's overall business development and financial performance.

Although the former Non-Executive Chairman was the father of, and the current Non-Executive Chairman is the sister of, the Chief Executive Officer, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision-making by the Board was independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence. All major decisions are made in consultation with the Board. For good corporate governance, the Board has appointed Mr Hew Koon Chan as the Lead Independent Director of the Company with effect from 24 February 2017 to address the concerns of the shareholders and employees in the event that interactions with the Non-Executive Chairman or Chief Executive Officer 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 non-Independent Directors, and the Lead Independent Director will provide feedback to the Chairman if it is necessary.

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

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

The NC is responsible for the following:

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

(b) to determine annually whether or not a Director is independent under the definition of the Code;

CORPORATE GOVERNANCE REPORT

(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/her duties as Director, having regard to the competing time commitments that are faced when serving on multiple boards;

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

(e) the review of board succession plans for Directors;

(f) regularly reviewing the Board structure, size and composition and making recommendations to the Board with regards to any adjustments that are deemed necessary;

(g) the review of 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.

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

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

The NC also determines, on an annual basis, the independence of Directors. For FY2016, the NC has assessed and affirmed that the Independent Directors are independent (as defined in the Code).

The NC is responsible for identifying candidates and reviewing all nominations for the appointments 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 new director. The NC then meets with the shortlisted potential candidates with the appropriate profile to assess suitability and to ensure that the candidates are aware of the expectation and the level of commitment required, before nominating the most suitable candidate to the Board for appointment as director.

For re-appointment of Directors to the Board, the Board will take into consideration, amongst others, the Director's integrity, competencies, independence, commitment, contribution and performance (such as attendance, participation, preparedness and candour).

In assessing the performance of each individual Director, the NC considers whether he 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 has been given by those Directors who have multiple board representations.

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

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

CORPORATE GOVERNANCE REPORT

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

The NC has recommended to the Board that Ms Loh Pui Lai and Mr Leng Chee Keong be nominated for re-election at the forthcoming AGM. In making the recommendation, the NC has considered each of the said Director's overall contributions and performance.

Ms Loh Pui Lai will, upon re-election as a Director, remain as the Non-Executive Chairman of the Company. Mr Leng Chee Keong will, upon re-election as a Director, remain as the Chief Operating Officer (Sales and Marketing) and Executive Director of the Company.

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

Name	Age	Appointment	Date of initial appointment	Date of last re-election	Directorship in other listed companies
Loh Pui Lai[(1)(2)]	45	Non-Executive Chairman	28 June 2011	28 April 2015	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None
Loh Mun Yew[(2)]	50	Chief Executive Officer and Executive Director	02 May 1990	26 April 2016	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None
Leng Chee Keong	60	Chief Operating Officer (Sales and Marketing) and Executive Director	18 February 2005	28 April 2015	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None

CORPORATE GOVERNANCE REPORT

Name	Age	Appointment	Date of initial appointment	Date of last re-election	Directorship in other listed companies
Hew Koon Chan[(3)]	55	Lead Independent Director	28 June 2011	26 April 2016	**Present Directorships** Nordic Group Limited Roxy-Pacific Holdings Limited DeClout Limited **Directorships (in the last three (3) preceding years)** None
Mak Yen-Chen Andrew	47	Independent Director	28 June 2011	28 April 2015	**Present Directorships** Leader Environmental Technologies Limited Falcon Energy Group Limited **Past Directorships (in the last three (3) preceding years)** None
Tan Hwee Kiong	51	Independent Director	28 June 2011	26 April 2016	**Present Directorships** None **Past Directorships (in the last three (3) preceding years)** None

Notes:

(1) Ms Loh Pui Lai has been appointed as the Non-Executive Chairman of the Company on 24 February 2017.

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

(3) Mr Hew Koon Chan has been appointed as the Lead Independent Director of the Company on 24 February 2017.

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

The NC had adopted processes for the evaluation and assessment of the Board's and Board Committees' 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.

CORPORATE GOVERNANCE REPORT

For the evaluation of the Board's performance, the criteria includes return on assets, return on equity and the Company's share price performance which allows the Company to make comparisons with its industry peers and are linked to long-term shareholders' value. The NC also takes into consideration the feedback from individual Directors on areas relating to the Board's competencies and effectiveness. The results of the overall evaluation of the Board by the NC including its recommendation, if any, for improvements 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 individual Board member; and (c) the NC's evaluation based on certain assessment parameters. The questionnaires and the assessment parameters were recommended by the NC and approved by the Board. The completed questionnaires are then reviewed by the NC before the NC completes its evaluation of the individual Directors. When deliberating on the performance of a particular Director who is also a member of the NC, that member abstains from the discussions in order to avoid any conflict of interests.

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

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

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

Each member of the Board has complete access to such information regarding the Group as may be required for the discharge of his duties and responsibilities. Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information in advance, including background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Group's business operations, in order for the Directors to be adequately prepared for the meetings and to comprehensively understand the issues to be deliberated upon and make informed decisions thereon. Management personnel, if required, will attend Board meetings to address queries from the Directors. The Directors also have unrestricted access to the Management. Requests for the Company's information by the Board are dealt with promptly.

The Directors have separate and independent access to the Company Secretary. The Company Secretary or his colleague attends all Board meetings and ensures that Board procedures and the provisions of applicable laws, the Companies Act (Chapter 50) of Singapore, the Constitution and the SGX-ST Listing Manual Section B: Rules of Catalist (the "**Catalist Rules**") are followed. The Company Secretary also ensures good information flows within the Board, its Board Committees and between the Management and Non-Executive Directors, and also assists 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 Secretary are subject to the Board's approval.

Each Director (whether as individual members 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.

CORPORATE GOVERNANCE REPORT

REMUNERATION MATTERS

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

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

The RC will recommend to the Board a framework of remuneration for the Directors and key management personnel and determine specific remuneration packages for each Executive Director. The recommendations of the RC will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to, Directors' fees, salaries, allowances, bonuses, options, share-based incentives, awards and benefits-in-kind shall be reviewed by the RC. In addition, the RC will perform an annual review of the remuneration of key management personnel, as well as employees related to the Directors and substantial shareholders of the Company to ensure that their remuneration packages are in line with the staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities. They will also review and approve any bonuses, pay increases and/or promotion for these employees. The RC will review the level and structure of remuneration to align with the long-term interest and risk policies of the Company in order to attract, retain and motivate the Directors and key management personnel.

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

During FY2016, the RC did not seek any external professional advice on fixing remuneration packages for the Directors and key management personnel. Where relevant, the NC will consider such engagement.

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

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

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

The remuneration packages for Executive Directors take into account the performance of the Group and the individual. Directors' fees for Non-Executive Directors are based on the effort, time spent and responsibilities of the Non-Executive Directors, and are subject to approval at AGMs.

The Company has entered into service agreements with Mr Loh Mun Yew, our Chief Executive Officer and Executive Director, and Mr Leng Chee Keong, our Chief Operating Officer (Sales and Marketing) and Executive Director, commencing from 1 January 2011 with a supplemental agreement entered into on 1 August 2012. They are valid for an initial period of three (3) years (the "**Initial Term**") each and upon the expiry of the Initial Term, the employment of the said appointees shall be automatically renewed on a year-to-year basis, on such terms and conditions as the parties may mutually agree.

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

CORPORATE GOVERNANCE REPORT

All revisions to the remuneration packages for the Directors and key management personnel are subject to the review by and approval of the Board. Directors' fees are further subject to the approval of shareholders of the Company at the AGM. Each member of the RC will abstain from deciding his or her own remuneration and the remuneration packages of persons related to him/her.

There are no termination or retirement benefits that are granted to the Directors. The RC is of the view that it is currently not necessary to use contractual provisions to allow the Company to reclaim incentive components of remuneration from the Executive Directors and key management personnel in exceptional circumstances of misstatement of financial statements, or of misconduct resulting in financial loss to the Company and the Group. Executive Directors owe a fiduciary duty to the Company. The Company should be able to avail itself to remedies against the Executive Directors in the event of such breach of fiduciary duties. The RC would review such contractual provisions as and when necessary.

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

Remuneration Band & Name of Director	Base/Fixed salary	Directors' fees[1]	Variable or performance benefits related income/Bonus	Other benefits
Between S$250,000 – S$499,999				
Mr Loh Mun Yew	79%	–	11%	10%
Mr Leng Chee Keong	79%	–	11%	10%
S$249,999 and below				
Mr Loh Ah Peng @ Loh Ee Ming[2]	–	100%	–	–
Ms Loh Pui Lai	–	100%	–	–
Mr Hew Koon Chan	–	100%	–	–
Mr Mak Yen-Chen Andrew	–	100%	–	–
Mr Tan Hwee Kiong	–	100%	–	–

Notes:

(1) Directors' fees had been approved by the shareholders of the Company at the last AGM held on 26 April 2016.

(2) Mr Loh Ah Peng @ Loh Ee Ming has passed away on 24 November 2016. His total remuneration from 1 January 2016 to 24 November 2016 was S$87,064.

The remuneration packages for the top five (5) key management personnel of the Company comprise a fixed component (in the form of a base/fixed salary) and a variable component (comprising short-term incentives in the form of year-end and variable bonuses).

CORPORATE GOVERNANCE REPORT

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

Remuneration Band & Name of Key Management Personnel	Base/Fixed salary	Variable or performance benefits related income/Bonus	Other benefits
Between S$250,000 – S$499,999			
Mr Allan Ward	94%	6%	–
Mr Francis Lai Kum Wai	71%	15%	14%
Mr Wong Thiam Hock	80%	7%	13%
S$249,999 and below			
Mr Chung Kong Poh	78%	6%	16%
Mr Lee Han Keong	82%	8%	10%

The annual aggregate remuneration accrued to the top five (5) key management personnel of the Company (who are not Directors or Chief Executive Officer) for FY2016 is S$1,376,812.

The Company has not disclosed the exact details of the remuneration of each individual Director and the top five (5) key management personnel of the Company as it is not in the best interests of the Company and Directors to disclose such details due to the sensitive nature of such information. The current management team have been serving the Company for a considerable period of time and it is a stable team. It is important for the Company to retain talent for the long-term interests of the Company and ensure stability and continuity of business operations with a competent management team in place. Such disclosure of remuneration of each Director and key management personnel in a highly competitive market for talents may potentially result in staff movement.

No employee who was an immediate family member of a Director or Chief Executive Officer was paid more than S$50,000 during FY2016. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister, and parent of such person.

Currently, the Company does not have any employee share option scheme or performance share plan. The Company will be seeking shareholders' approval for the proposed employee share option scheme at the forthcoming extraordinary general meeting to be convened.

ACCOUNTABILITY AND AUDIT

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

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

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

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

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

The Board acknowledges that risk is inherent in business and there are commercial risks to be taken in the course of generating a return on business activities. The Board's policy is that risks should be managed within the Group's overall risk tolerance. The Board further acknowledges that it is responsible for the overall internal controls framework, but recognises that no cost effective internal control system will preclude all errors and irregularities, as such a system is designed to manage (rather than eliminate the risk of failure) and achieve its business objectives. Such a system can only provide reasonable and not absolute assurance against material misstatement or loss.

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

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

The Management carries out regular reviews 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 AC reviewed the adequacy and effectiveness of the Group's key internal controls that address the Group's financial, operational, compliance and information technology controls, and risk management systems, with the assistance of the internal and external auditors and the Management, who provide regular reports during the year to the AC in addition to the briefings and updates provided at the AC meetings.

The Chief Executive Officer and the Chief Financial Officer have provided a letter of confirmation that as at the end of FY2016, (a) the financial records have been properly maintained and the financial statements give a true and fair view of the Company's operations and finances; and (b) the Company's risk management and internal control systems are effective.

Based on the findings of the internal and external auditors and the various adequate and effective management controls put in place, the Board with the concurrence of the AC, is of the opinion that there are adequate and effective controls in place within the Group addressing financial, operational, compliance, and information technology controls, and risk management policies and systems to meet the needs of the Group in their current business environment.

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

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

CORPORATE GOVERNANCE REPORT

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

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

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

– ensuring that the internal audit function is adequate;

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

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

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

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

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

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

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

Summary of the AC's activities

The AC met twice during the year under review. Details of members' attendance at the meetings are set out on page 11 of this Annual Report. The Chief Financial Officer, Company Secretary, internal auditors and external auditors are invited to these meetings. Other members of the Management are also invited to attend as appropriate to present reports.

The AC has met once with the external auditors and once with the internal auditors respectively, without the presence of the Management in FY2016.

The AC officially meets on a half-yearly basis, and on an as required basis. The AC reviews the half-year and full-year 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 briefing to the AC on changes or amendments to accounting standards to enable the members of the AC to keep abreast of such changes and its corresponding impact on the financial statements, if any.

CORPORATE GOVERNANCE REPORT

Key Audit Matters (KAM)	AC commentary of the KAMs, how the matters were reviewed and what decisions were taken
Impairment of Fixed Assets	The AC acknowledges that the annual impairment assessment of fixed assets involves significant judgement. Therefore, greater scrutiny will be focussed in this area.
Allowance for Doubtful Debts	The AC reviews the aging of trade receivables and the allowance for doubtful debts on a quarterly basis with the Management. During such reviews, the Management will present justifications to support any proposed allowance. The AC was satisfied that there is a system in place for regular periodic review of any long outstanding debts. The AC was satisfied that, together with the quarterly updates at Board meetings, there are adequate measures put in place to minimise significant allowances made for doubtful debts.
Allowance for Obsolete Inventories	The AC reviews, and is updated by the Management on a quarterly basis on, the status of allowance for obsolete inventories. The AC is satisfied that sufficient analysis of the allowance has been performed in this area and is confirmed by the external auditors. Due to higher levels of inventories in the preceding financial year, the Management has put in place additional measures to monitor inventory levels to bring the inventory levels down. The Management has also put in place a dedicated staff responsible for monitoring inventory movement.
Impairment of investment in subsidiaries and amount due from subsidiaries	The AC considered the approach and methodology applied to performing the annual impairment assessment as well as the indicators of impairment of investment in subsidiaries and amounts due from subsidiaries. The AC consults the external auditors on the reasonableness of any suggested impairment, and concurrently works with the Management on the future projection of the business of the subsidiaries. The AC was satisfied that the impairment of investments and amounts due from subsidiaries are adequately monitored and controlled. Further streamlining of these subsidiaries is ongoing to achieve greater efficiencies in order to improve their profitability and cashflow.

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

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

The AC has full access to and cooperation of the Management and has full discretion to invite any Director or key management personnel to attend its meetings, and has been given reasonable resources to enable it to discharge its functions. The AC also has explicit authority to investigate any matter within its terms of reference and is authorised to obtain independent professional advice.

CORPORATE GOVERNANCE REPORT

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

The Board recognises the importance of maintaining a system of internal controls to safeguard shareholders' investments and the Company's assets. The AC approves the appointment, removal, evaluation and compensation of the internal auditor. For the financial year under review, the Company has outsourced its internal audit function to a qualified public accounting firm, PricewaterhouseCoopers LLP, to strengthen the Company's internal audit functions and promote sound risk management, including financial, operational and compliance controls and good corporate governance. The AC has reviewed the adequacy and effectiveness of the internal auditors and is satisfied that the internal auditors are staffed by qualified and experienced personnel and that the Standards for the Professional Practice of Internal Auditing set by the Institute of Internal Auditors are used as a reference and guide by the Company's internal auditors. The AC will review annually the adequacy and effectiveness of the internal auditors.

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

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

Principle 14: Fair and equitable treatment of all shareholders.

Principle 15: Regular, effective and fair communication with shareholders.

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

All shareholders are entitled to attend and vote at general meetings in person or by proxy. The rules including the voting procedures are set out in the notice of general meetings. The Constitution allows all shareholders to appoint up to two (2) proxies to attend general meetings and vote on his/her/their behalf. Further, the Company allows corporations which provide nominee or custodial services to appoint more than two (2) proxies.

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 SGX website for the Company's annual reports;

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

– Other announcements on the SGXNET; and

– Press releases on major developments regarding the Group.

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

The Group has specifically entrusted an investor relations team comprising the Chief Executive Officer, the Chief Operating Officer (Sales and Marketing) and the Chief Financial Officer with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns.

CORPORATE GOVERNANCE REPORT

Pertinent information is communicated to shareholders through:

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

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

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

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

The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate. Notwithstanding the above, any declaration of dividends is clearly communicated to the shareholders via SGXNET. For FY2016, the Board has proposed that no dividend be declared due to the losses suffered in the financial year.

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

General meetings are the main forum for communication with shareholders. Notices of the general meetings as well as annual reports for AGMs are sent to all shareholders. The members of the Board and Board Committees will be present at the general meetings to answer queries from shareholders. During AGMs, the external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders about the conduct of audit as well as the preparation and content of the auditors' report. The Board welcomes the views of shareholders on matters affecting the Company, whether at general meetings or on an ad-hoc basis. All minutes of general meetings that include substantial and relevant comments or queries from shareholders and responses from the Board and the Management are made available to shareholders upon their request.

Shareholders are given the opportunity to vote at general meetings. However, as the authentication of shareholders' identity information and other related integrity issues still remain a concern, the Company has decided, for the time being, not to implement voting in absentia by mail or electronic means.

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

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, executive officers and any other persons as determined by the Management who may possess unpublished material price-sensitive information of the Group.

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

CORPORATE GOVERNANCE REPORT

AUDITOR 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 FY2016, was S$124,000 and S$107,000 respectively, comprising approximately S$207,000 audit fees and S$24,000 non-audit fees for acting as tax agent. The Group confirms that it has complied with Rule 712 and Rule 715 of the Catalist Rules in relation to its auditing firms. The AC, having reviewed such non-audit services, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

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

NON-SPONSOR FEES

With reference to Rule 1204(21) of the Catalist Rules, there were no non-sponsor fees paid to the Company's sponsor, SAC Advisors Private Limited, in FY2016.

MATERIAL CONTRACTS

There were no material contracts entered into by the Company or its subsidiaries involving the interests of the Chief Executive Officer, any Director or controlling shareholder, either still subsisting at the end of FY2016, 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 has obtained a renewal of general mandate from Shareholders for interested person transactions in FY2016.

There were no interested person transactions entered into during the financial year under review for interested person transactions with a value of more than S$100,000 each.

CORPORATE GOVERNANCE REPORT

Disclosure on Compliance with the Code of Corporate Governance 2012

Guideline	Questions	How the Company complied?
General	(a) Has the Company complied with all the principles and guidelines of the Code? If not, please state the specific deviations and the alternative corporate governance practices adopted by the Company in lieu of the recommendations in the Code.	(a) The Company has complied with all the principles and guidelines of the Code save for the following: • **Disclosure of the remuneration of directors and key management personnel** The Company has not disclosed the exact details of the remuneration of each individual Director and the top five (5) key management personnel due to the sensitive nature of such information and the highly competitive market for talents, and a disclosure of such would be prejudicial to the Company's interests.
	(b) In what respect do these alternative corporate governance practices achieve the objectives of the principles and conform to the guidelines in the Code?	(b) • **Disclosure of the remuneration of directors and key management personnel** The RC ensures that the remuneration of directors and key management personnel, although undisclosed, is appropriate, by recommending to the Board a framework of remuneration for the Board and key management personnel to ensure that the structure is competitive and sufficient to attract, retain and motivate key management personnel to run the Company successfully in order to maximise shareholders' value. The recommendations of the RC on the remuneration of Directors and key management personnel will be submitted for endorsement by the Board. The members of the RC do not participate in any decisions concerning their own remuneration.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
Board Responsibility		
Guideline 1.5	What are the types of material transactions which require approval from the Board?	(a) Please refer to Principle 1 of the Corporate Governance Report.
Members of the Board		
Guideline 2.6	(a) What is the Board's policy with regard to diversity in identifying director nominees?	(a) The Board comprises business leaders and professionals with financial, legal and business management backgrounds. The members of the Board with their combined business, management, professional and industry experience, knowledge and expertise, provide the core competencies to allow for diverse and objective perspectives on the Group's business and direction.
	(b) Please state whether the current composition of the Board provides diversity on each of the following – skills, experience, gender and knowledge of the Company, and elaborate with numerical data where appropriate.	(b) The Board periodically examines its size to ensure that it is of an appropriate number for effective decision-making, taking into account the scope and nature of the operations of the Group. The Board has considered the present Board size and is satisfied that the current size facilitates effective decision-making and is appropriate for the nature and scope of the Group's operations.
	(c) What steps has the Board taken to achieve the balance and diversity necessary to maximize its effectiveness?	(c) The NC has put in place a formal and transparent process for all appointments to the Board. It has adopted written terms of reference defining its membership, administration and duties. As part of the process for the selection, appointment and re-appointment of Directors, the NC takes into consideration the following issues: composition, diversity and progressive renewal of the Board and each Director's competencies, commitment, contribution and performance. The Board is of the view that the current composition provides an appropriate balance and diversity of skills, experience, gender and knowledge to the Company.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
Guideline 4.6	Please describe the board nomination process for the Company in the last financial year for (i) selecting and appointing new directors and (ii) re-electing incumbent directors.	No new Directors were appointed in FY2016. Please refer to Principle 4 of the Corporate Governance Report for details on the nomination process.
Guideline 1.6	(a) Are new directors given formal training? If not, please explain why. (b) What are the types of information and training provided to (i) new directors and (ii) existing directors to keep them up-to-date?	(a) No new Directors were appointed in FY2016. Please refer to paragraph 5 of Principle 1 of the Corporate Governance Report. (b) Please refer to paragraphs 5, 6 and 7 of Principle 1 of the Corporate Governance Report.
Guideline 4.4	(a) What is the maximum number of listed company board representations that the Company has prescribed for its directors? What are the reasons for this number? (b) If a maximum number has not been determined, what are the reasons? (c) What are the specific considerations in deciding on the capacity of directors?	(a) The Board has determined and set that as a general rule, the maximum number of listed company board appointments be not more than six (6) companies. However, any Director may hold more than six (6) listed company board representations should the NC be satisfied and is of the view that such Directors are able to devote sufficient time and attention to the affairs of the Company after taking into account their individual circumstances, contributions, responsibilities and other principal commitments. (b) Not applicable. (c) In assessing the performance of each individual Director, the NC considers whether he has multiple board representations and other principal commitments, and is able to and adequately carry out his duties as a Director notwithstanding such commitments.
Board Evaluation		
Guideline 5.1	(a) What was the process upon which the Board reached the conclusion on its performance for the financial year? (b) Has the Board met its performance objectives?	(a) Please refer to Principle 5 of the Corporate Governance Report. (b) Yes. The NC has assessed the current Board's performance to-date and is of the view that the performance of the Board as a whole was satisfactory.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
Independence of Directors		
Guideline 2.1 and 2.2	Does the Company comply with the guideline on the proportion of independent directors on the Board? If not, please state the reasons for the deviation and the remedial action taken by the Company.	Yes. Following the passing of Mr Loh Ah Peng @ Loh Ee Ming, the Independent Directors currently make up half of the Board. As the current Non-Executive Chairman and the Chief Executive Officer are siblings, for good corporate governance, the Board has appointed Mr Hew Koon Chan as the Lead Independent Director of the Company with effect from 24 February 2017 to address the concerns of the shareholders and employees in the event that interactions with the Non-Executive Chairman or Chief Executive Officer cannot satisfactorily resolve their concerns or where such channel of communications is considered inappropriate.
Guideline 2.3	(a) Is there any director who is deemed to be independent by the Board, notwithstanding the existence of a relationship as stated in the Code that would otherwise deem him not to be independent? If so, please identify the director and specify the nature of such relationship. (b) What are the Board's reasons for considering him independent? Please provide a detailed explanation.	(a) No. (b) Not applicable.
Guideline 2.4	Has any independent director served on the Board for more than nine years from the date of his first appointment? If so, please identify the director and set out the Board's reasons for considering him independent.	No.
Disclosure on Remuneration		
Guideline 9.2	Has the Company disclosed each director's and the Chief Executive Officer's remuneration as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so?	The Company has not disclosed exact details of the remuneration of each individual Director as it is not in the best interests of the Company and Directors to disclose such details due to the sensitive nature of such information and the highly competitive market for talents.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
Guideline 9.3	(a) Has the Company disclosed each key management personnel's remuneration, in bands of S$250,000 or in more detail, as well as a breakdown (in percentage or dollar terms) into base/fixed salary, variable or performance-related income/ bonuses, benefits in kind, stock options granted, share-based incentives and awards, and other long-term incentives? If not, what are the reasons for not disclosing so? (b) Please disclose the aggregate remuneration paid to the top five key management personnel (who are not directors or the Chief Executive Officer).	(a) Please refer to Principle 9 of the Corporate Governance Report. (b) The annual aggregate remuneration paid to the top five (5) key management personnel of the Company (who are not Directors or the Chief Executive Officer) for FY2016 is S$1,376,812.
Guideline 9.4	Is there any employee who is an immediate family member of a director or the Chief Executive Officer, and whose remuneration exceeds S$50,000 during the year? If so, please identify the employee and specify the relationship with the relevant director or the Chief Executive Officer.	No.
Guideline 9.6	(a) Please describe how the remuneration received by executive directors and key management personnel has been determined by the performance criteria. (b) What were the performance conditions used to determine their entitlement under the short-term and long-term incentive schemes? (c) Were all of these performance conditions met? If not, what were the reasons?	(a) Please refer to Principle 9 of the Corporate Governance Report. (b) Please refer to Principle 9 of the Corporate Governance Report. (c) Yes.
Risk Management and Internal Controls		
Guideline 6.1	What types of information does the Company provide to independent directors to enable them to understand its business, the business and financial environment as well as the risks faced by the Company? How frequently is the information provided?	Please refer to Principle 6 of the Corporate Governance Report.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
Guideline 13.1	Does the Company have an internal audit function? If not, please explain why.	For FY2016, the Company has outsourced its internal audit function to a qualified public accounting firm, PricewaterhouseCoopers LLP. Please refer to Principle 13 of the Corporate Governance Report for further information.
Guideline 11.3	(a) In relation to the major risks faced by the Company, including financial, operational, compliance, information technology and sustainability, please state the bases for the Board's view on the adequacy and effectiveness of the Company's internal controls and risk management systems.	(a) Please refer to Principle 11 of the Corporate Governance Report.
	(b) In respect of the past 12 months, has the Board received assurance from the Chief Executive Officer and the Chief Financial Officer as well as the internal auditor that: (i) the financial records have been properly maintained and the financial statements give true and fair view of the Company's operations and finances; and (ii) the Company's risk management and internal control systems are effective? If not, how does the Board assure itself of points (i) and (ii) above?	(b) Yes.
Guideline 12.6	(a) Please provide a breakdown of the fees paid in total to the external auditors for audit and non-audit services for the financial year.	(a) The aggregate amount of fees paid to the Company's external auditors, Ernst & Young LLP and member firms of Ernst & Young Global, in FY2016 was S$231,000 of which audit fees amounted to approximately S$207,000.
	(b) If the external auditors have supplied a substantial volume of non-audit services to the Company, please state the bases for the Audit Committee's view on the independence of the external auditors.	(b) Save for a fee of S$24,000 for tax-related services, no other non-audit fees were paid to the Group's external auditors, Ernst & Young LLP and member firms of Ernst & Young Global for FY2016. The AC, having reviewed such non-audit services, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

CORPORATE GOVERNANCE REPORT

Guideline	Questions	How the Company complied?
Communication with Shareholders		
Guideline 15.4	(a) Does the Company regularly communicate with shareholders and attend to their questions? How often does the Company meet with institutional and retail investors?	(a) Please refer to Principles 15 and 16 of the Corporate Governance Report.
	(b) Is this done by a dedicated investor relations team (or equivalent)? If not, who performs this role?	(b) The Group has specifically entrusted an investor relations team comprising the Chief Executive Officer, the Chief Operating Officer (Sales and Marketing) and the Chief Financial Officer with the responsibility of facilitating communications with shareholders and analysts and attending to their queries or concerns.
	(c) How does the Company keep shareholders informed of corporate developments, apart from SGXNET announcements and the annual report?	(c) Please refer to Principles 15 and 16 of the Corporate Governance Report.
Guideline 15.5	If the Company is not paying any dividends for the financial year, please explain why.	For FY2016, the Board has proposed that no dividends be declared due to the losses suffered in the financial year. The Company does not have a fixed dividend policy. The form, frequency and amount of dividends will depend on the Group's earnings, general financial condition, results of operations, capital requirements, cash flow, general business condition, development plans and other factors as the Directors may deem appropriate.

DIRECTORS' STATEMENT

The directors 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 2016.

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 2016 and the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the year ended on that date; and

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

Directors

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

Loh Pui Lai
Loh Mun Yew
Leng Chee Keong
Hew Koon Chan
Mak Yen-Chen Andrew
Tan Hwee Kiong

Arrangements to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

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

	Direct interest		Deemed interest	
Name of director	**At 1 January 2016**	**At 31 December 2016**	**At 1 January 2016**	**At 31 December 2016**
Universal Pte. Ltd.[1]				
Ordinary shares				
Estate of Loh Ah Peng @ Loh Ee Ming[2]	19,688	19,688	5,000	5,000
Loh Mun Yew	13,270	13,270	–	–

DIRECTORS' STATEMENT

Name of director	Direct interest At 1 January 2016	Direct interest At 31 December 2016	Deemed interest At 1 January 2016	Deemed interest At 31 December 2016
Far East Group Limited				
Ordinary shares				
Loh Pui Lai	–	–	6,300,000	6,300,000
Estate of Loh Ah Peng @ Loh Ee Ming[(2)]	1,260,500	1,260,500	63,855,000	63,855,000
Loh Mun Yew	981,900	981,900	63,855,000	63,855,000
Leng Chee Keong	6,589,800	7,339,800	–	–

Notes:

(1) Universal Pte. Ltd. is an investment holding company incorporated in Singapore with an issued and paid up share capital of $4,839,000. Universal Pte. Ltd. is a controlling shareholder of the Company.

(2) Demised on 24 November 2016.

By virtue of Section 7 of the Singapore Companies Act, Chapter 50, Messrs. Loh Ah Peng @ Loh Ee Ming[(2)] and Loh Mun Yew are deemed to have an interest in the shares held by the holding company, Universal Pte. Ltd., in the Company and in all its subsidiaries.

By virtue of Section 164(15)(a) of the Singapore Companies Act, Chapter 50, Messrs. Loh Ah Peng @ Loh Ee Ming[(2)] is deemed to have an interest in the 5,000 shares held by his spouse, Lum Soo Mooi, in Universal Pte. Ltd. and 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.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2017.

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 of the financial year, or date of appointment if later, or at the end of the financial year.

Options

No options were issued by the Company during the financial year. As at 31 December 2016, no options on the unissued shares of the Company or any other body corporate which were outstanding.

Audit committee

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

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

- Reviewed the quarterly and annual financial statements and the auditor's report on the annual financial statements of the Group and the Company before their submission to the board of directors

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

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

DIRECTORS' STATEMENT

- 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, approved the compensation of the external auditor, and reviewed the scope and results of the audit
- Reported actions and minutes of the AC to the board of directors with such recommendations as the AC considered appropriate
- Reviewed interested person transactions in accordance with the requirements of the Singapore Exchange Securities Trading Limited's Listing Manual

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

The AC convened two meetings during the year with full attendance from all members. The AC has also met with 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 Report on Corporate Governance.

Auditor

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

On behalf of the Board,

Loh Mun Yew
Director

Leng Chee Keong
Director

Singapore

3 April 2017

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 2016, the statements of changes in equity of the Group and the Company and the consolidated income statement, consolidated statement of comprehensive income and consolidated cash flow statement of the Group for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group, the balance sheet and the statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act, Chapter 50 (the Act) and Financial Reporting Standards in Singapore (FRSs) so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2016 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

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

Impairment of fixed assets

As at 31 December 2016, the carrying amount of the Group's fixed assets amounted to $15,753,467. The Group assesses at each reporting date whether there are indicators of impairment and if there are such indicators, an estimate is made of the recoverable amount of the asset concerned. An asset's recoverable amount is the higher of (i) the fair value less cost of disposal and (ii) value-in-use. Management has assessed the recoverable amount of the fixed assets based on its value in use by performing cash flow projection for those fixed assets over its remaining useful lives. This assessment required management to use significant judgment over the assumptions and estimations used in performing the forecast. The key assumptions and estimations used in performing the forecast are the annual growth rate of the business, forecasted gross margins and weighted average cost of capital used to discount the future cash flow to its present value. As such, we determined that this is a key audit matter.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

Key Audit Matters (Cont'd)

Impairment of fixed assets (Cont'd)

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

– Reviewed management's assessment of impairment of fixed assets, taking into consideration the financial performance over the past years, the future prospects and the cash generating potential of the fixed assets and available information;

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

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

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

– Assessed the reasonableness of the gross margins and weighted average cost of capital used by Management by comparing to market comparable rate and available information; and

– Performed sensitivity analysis on those key assumptions used.

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

Allowance for doubtful debts

The Group has receivables from third parties and related parties amounting to $8,113,392 and $916,430 as at 31 December 2016. The credit worthiness of customers may be impacted by specific and/or macro-economic conditions, resulting in overdue trade and non-trade receivables. The Group's policy in providing allowance for doubtful debts is specifically identifying those accounts that have higher risk of non-collectability. Impairment assessment for those outstanding receivables require significant management judgment, as such, we determined that this is a key audit matter.

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

– Obtained an understanding of the Group's credit policies and credit assessment procedures;

– Reviewed management's assessment of collectability of trade receivables;

– Discussed with management on the collectability of receivables and adequacy of doubtful receivables allowances, and inquired management if there are any known disputed receivables;

– Reviewed the collectability of the trade receivables by way of obtaining evidence of receipts subsequent to the balance sheet date from the customers. For long overdue debts without subsequent collection, we reviewed their past payment trend and discussed with management if there are any disputed receivables with these debtors; and

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

We also assessed the adequacy of the relevant notes disclosure. The related disclosures on the allowance for doubtful debts assessment are included in Note 2.15, Note 12 and Note 14 to the financial statements. The key sources of estimation uncertainty in relation to impairment of loans and receivables are disclosed in Note 3.2 to the financial statements.

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

Key Audit Matters (Cont'd)

Allowance for obsolete inventories

The Group holds significant inventories and records allowance for identified obsolete inventories. As at 31 December 2016, the Group's inventories amounted to $8,595,830. The Group categorised its inventories, which comprises mainly of finished goods, into different ageing brackets. Each ageing bracket is subject to different basis of allowance, which is estimated based on historical sale and allowance patterns. Given the significant judgment involved in management's assessment, the allowance for obsolete inventories is identified as a key audit matter.

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

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

- Checked that the Group has provided for allowance for obsolete inventories in accordance with the Group policy and selected samples to test the integrity of the inventory ageing report in order to conclude that the inventory ageing report can be relied upon for the assessment of allowance for obsolete inventories; and

- Inquired for any identified obsolete or slow-moving inventories during our stocktake observation and also performed net realisable value testing on selected inventory items to check that inventories are valued at the lower of cost and net realisable value.

We also assessed the adequacy of the relevant notes disclosure. The related disclosures on the allowance for obsolete inventories assessment are included in Note 2.17 and Note 11 to the financial statements. The key sources of estimation uncertainty in relation to impairment of loans and receivables are disclosed in Note 3.2 to the financial statements.

Impairment of investment in subsidiaries and amount due from subsidiaries

As at 31 December 2016, the Company has investment in subsidiaries and amount due from subsidiaries with carrying values of $15,001,621 and $5,701,405. The Company assesses at each reporting date whether there are indicators of impairment and if there are such indicators, an estimate is made of the recoverable amount of the asset concerned. For amount due from subsidiaries, the Company assesses the present value of the estimated future cash flows that the Company expects to recover. A cash flow forecast is performed to assess both the recoverable amount of subsidiaries with impairment indicators and the amount the Company expects to recover in respect of amounts due from the subsidiaries. Significant judgment over the assumptions and estimations used in performing the forecast is required. The key assumptions and estimations used in performing the forecast are the annual growth rate of the business, forecasted gross margins and weighted average cost of capital used to discount the future cash flow to its present value. As such, we determined that this is a key audit matter.

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

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

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

- Assessed the reasonableness of the gross margins and weighted average cost of capital used by Management by comparing to market comparable rate and available information;

- Performed sensitivity analysis on those key assumptions used;

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

Key Audit Matters (Cont'd)

Impairment of investment in subsidiaries and amount due from subsidiaries (Cont'd)

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

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

We also assessed the adequacy of the relevant notes disclosure. The related disclosures are included in Note 2.11, Note 8 and Note 14 to the financial statements. The key sources of estimation uncertainty in relation to impairment of non-financial assets are disclosed in Note 3.2 to the financial statements.

Other Information

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

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

INDEPENDENT AUDITOR'S REPORT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

- 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.

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Ho Shyan Yan.

Ernst & Young LLP

Public Accountants and
Chartered Accountants
Singapore

3 April 2017

BALANCE SHEETS
AS AT 31 DECEMBER 2016

(In Singapore dollars)

	Note	Group 2016	Group 2015	Company 2016	Company 2015
		$	$	$	$
Non-current assets					
Fixed assets	4	15,753,467	16,228,391	6,805,088	7,037,212
Investment property	5	–	–	–	–
Intangible assets	6	599,708	717,034	–	–
Land use rights	7	2,017,487	2,102,153	–	–
Investments in subsidiaries	8	–	–	15,001,621	15,201,621
Unquoted investment	9	237,680	91,351	–	–
Deferred tax assets	10	187,373	62,410	–	62,410
Deposits		10,208	10,925	–	–
Prepayments		–	12,903	–	–
		18,805,923	19,225,167	21,806,709	22,301,243
Current assets					
Inventories	11	8,595,830	12,832,023	3,034,802	5,532,615
Trade debtors	12	8,113,392	6,617,837	3,425,135	2,823,346
Other receivables	13	553,783	932,666	1,910	30,919
Deposits		185,800	180,510	7,634	10,111
Prepayments		113,346	73,871	34,309	40,768
Advance payment to suppliers		404,769	190,719	190,880	95,354
Amounts due from subsidiaries (trade)	14	–	–	3,551,375	3,729,344
Amounts due from subsidiaries (non-trade)	14	–	–	2,150,030	1,004,506
Amounts due from affiliated companies (trade)	14	916,430	9,240	–	–
Tax recoverable		314,538	234,822	–	46,046
Fixed deposits	32	498,694	490,490	6,275	6,259
Cash and bank balances	32	5,786,534	4,487,552	1,656,683	1,157,911
		25,483,116	26,049,730	14,059,033	14,477,179
Total assets		44,289,039	45,274,897	35,865,742	36,778,422

BALANCE SHEETS
AS AT 31 DECEMBER 2016

(In Singapore dollars)

		Group		Company	
	Note	2016	2015	2016	2015
		$	$	$	$
Current liabilities					
Trade payables	15	1,910,215	1,867,163	528,087	747,690
Advance payment from customers		815,027	463,385	298,180	82,371
Trust receipts and bills payable (secured)	16	4,061,835	5,112,891	3,938,962	4,894,499
Other creditors		502,512	712,623	155,776	329,840
Accruals and other liabilities	17	2,350,784	1,971,401	1,234,080	1,222,896
Provision for warranty	18	–	14,376	–	14,376
Dividend payable		114,830	114,839	114,419	114,419
Amounts due to subsidiaries (trade)	14	–	–	643,952	917,520
Amounts due to subsidiaries (non-trade)	14	–	–	103,695	103,000
Amounts due to affiliated companies (trade)	14	378,818	41,361	–	–
Amounts due to affiliated companies (non-trade)	14	170,019	166,192	–	–
Provision for income tax		7,191	15,285	–	–
Finance lease obligations (current)	19	78,270	389,728	74,557	382,449
Term loans (current)	20	7,758,687	5,255,620	5,424,066	3,860,197
		18,148,188	16,124,864	12,515,774	12,669,257
Net current assets		7,334,928	9,924,866	1,543,259	1,807,922
Non-current liabilities					
Deferred tax liabilities	10	8,660	104,339	–	–
Finance lease obligations (non-current)	19	82,445	65,506	59,445	64,888
Term loans (non-current)	20	863,954	2,253,782	671,441	2,253,782
		955,059	2,423,627	730,886	2,318,670
Total liabilities		19,103,247	18,548,491	13,246,660	14,987,927
Net assets		25,185,792	26,726,406	22,619,082	21,790,495
Equity attributable to owners of the Company					
Share capital	21	19,264,441	19,264,441	19,264,441	19,264,441
Retained earnings		6,228,249	7,407,519	3,032,248	2,203,661
Capital reserve		322,393	322,393	322,393	322,393
Translation reserve	22	(2,708,162)	(2,313,184)	–	–
		23,106,921	24,681,169	22,619,082	21,790,495
Non-controlling interests		2,078,871	2,045,237	–	–
Total equity		25,185,792	26,726,406	22,619,082	21,790,495

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

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

(In Singapore dollars)

	Note	Group 2016	Group 2015
		$	$
Revenue	23	39,162,364	34,811,408
Cost of sales		(29,522,870)	(24,811,321)
Gross profit		9,639,494	10,000,087
Other operating income	24	1,003,466	869,174
Distribution and selling expenses		(4,633,134)	(4,596,943)
Administrative expenses		(6,907,971)	(6,877,717)
Other operating expenses	25	(309,509)	(274,574)
Loss from operations	26	(1,207,654)	(879,973)
Finance expenses	28	(400,095)	(368,017)
Interest income		12,163	21,957
Loss before tax		(1,595,586)	(1,226,033)
Tax credit/(expense)	29	190,044	(407,995)
Loss for the year		(1,405,542)	(1,634,028)
Attributable to:			
Owners of the Company		(1,179,270)	(1,277,926)
Non-controlling interests		(226,272)	(356,102)
		(1,405,542)	(1,634,028)
Loss per share			
Basic and diluted (cents)	30	(1.09)	(1.18)

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 2016

(In Singapore dollars)

	Group	
	2016	2015
	$	$
Loss for the year	(1,405,542)	(1,634,028)
Other comprehensive income:		
Items that may be reclassified subsequently to profit or loss		
Foreign currency translation	(541,062)	(670,062)
Total comprehensive income for the year	(1,946,604)	(2,304,090)
Attributable to:		
Owners of the Company	(1,574,248)	(2,037,772)
Non-controlling interests	(372,356)	(266,318)
	(1,946,604)	(2,304,090)

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 2016

(In Singapore dollars)

		Attributable to owners of the Company					
	Equity, total	Equity attributable to owners of the Company, total	Share capital	Retained earnings	Capital reserve	Translation reserve	Non-controlling interests
Group	$	$	$	$	$	$	$
As at 1 January 2015	29,377,632	27,066,077	19,264,441	9,032,581	322,393	(1,553,338)	2,311,555
Loss for the year	(1,634,028)	(1,277,926)	–	(1,277,926)	–	–	(356,102)
Other comprehensive income	(670,062)	(759,846)	–	–	–	(759,846)	89,784
Total comprehensive income for the year	(2,304,090)	(2,037,772)	–	(1,277,926)	–	(759,846)	(266,318)
Distributions to owners							
Dividends (Note 31)	(347,136)	(347,136)	–	(347,136)	–	–	–
As at 31 December 2015 and 1 January 2016	26,726,406	24,681,169	19,264,441	7,407,519	322,393	(2,313,184)	2,045,237
Loss for the year	(1,405,542)	(1,179,270)	–	(1,179,270)	–	–	(226,272)
Other comprehensive income	(541,062)	(394,978)	–	–	–	(394,978)	(146,084)
Total comprehensive income for the year	(1,946,604)	(1,574,248)	–	(1,179,270)	–	(394,978)	(372,356)
Changes in ownership interests in subsidiaries							
Capital Contribution from non-controlling interest	405,990	–	–	–	–	–	405,990
As at 31 December 2016	25,185,792	23,106,921	19,264,441	6,228,249	322,393	(2,708,162)	2,078,871

STATEMENTS OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2016

(In Singapore dollars)

	Equity, total	Share capital	Retained earnings	Capital reserve
Company	**$**	**$**	**$**	**$**
As at 1 January 2015	21,783,844	19,264,441	2,197,010	322,393
Profit for the year, representing total comprehensive income for the year	353,787	–	353,787	–
Distributions to owners				
Dividends (Note 31)	(347,136)	–	(347,136)	–
As at 31 December 2015 and 1 January 2016	21,790,495	19,264,441	2,203,661	322,393
Profit for the year, representing total comprehensive income for the year	828,587	–	828,587	–
As at 31 December 2016	22,619,082	19,264,441	3,032,248	322,393

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

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

(In Singapore dollars)

	Note	Group 2016	2015
		$	$
Cash flows from operating activities			
Loss before tax		(1,595,586)	(1,226,033)
Adjustments:			
Allowance for doubtful trade debts	26	69,213	360,581
Allowance for doubtful non-trade debts	26	12,758	–
Write back of allowance for doubtful trade debts	26	(19,177)	–
Allowance for obsolete and slow-moving inventories, net	26	913,074	1,021,114
Fixed assets written off	26	–	550
Loss/(gain) on disposal of fixed assets, net	26	19,404	(37,372)
Depreciation of fixed assets	26	1,497,399	1,485,767
Dividend income from unquoted investment	24	(488,880)	(452,717)
Amortisation of intangible assets	26	89,763	94,098
Amortisation of land use rights	26	45,716	46,632
Warranty written back, net	26	(14,376)	(13,540)
Finance expenses	28	400,095	368,017
Interest income		(12,163)	(21,957)
Translation difference		(85,001)	(580,916)
Operating cash flows before working capital changes		832,239	1,044,224
(Increase)/decrease in:			
Inventories		3,323,119	(2,435,417)
Trade debtors		(1,545,591)	440,504
Other receivables		115,331	79,126
Deposits, prepayments and advance payment to suppliers		(245,195)	297,904
Increase/(decrease) in:			
Trade payables		43,052	(85,476)
Advance payment from customers		351,642	120,865
Other creditors		(210,111)	70,827
Accruals and other liabilities		379,383	(184,190)
Amounts due to affiliated companies, net		(565,906)	3,912
Cash flows generated from/(used in) operations		2,477,963	(647,721)
Interest paid		(400,095)	(368,017)
Income taxes paid		(220,209)	(565,361)
Income taxes refunded		101,801	131,578
Interest income		12,163	21,957
Net cash flows generated from/(used in) operating activities		1,971,623	(1,427,564)

CONSOLIDATED CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016	Group 2015
		$	$
Cash flows from investing activities			
Proceeds from disposal of fixed assets		43,501	38,695
Purchase of fixed assets	4	(1,372,258)	(536,023)
Dividends received		750,494	291,869
Capital Contribution from non-controlling interest		405,990	–
Purchase of unquoted investment	9	(145,740)	–
Net cash flows used in investing activities		(318,013)	(205,459)
Cash flows from financing activities			
Dividends paid		–	(375,081)
Trust receipts and bills payable		(1,051,056)	1,819,532
Repayment of finance lease obligations		(397,442)	(427,432)
Repayment of term loans		(5,327,808)	(4,156,220)
Proceeds from term loans		6,441,047	3,601,450
Net cash flows (used in)/generated from financing activities		(335,259)	462,249
Net increase/(decrease) in cash and cash equivalents		1,318,351	(1,170,774)
Effect of exchange rate changes on cash and cash equivalents		(11,165)	11,309
Cash and cash equivalents at beginning of year		4,978,042	6,137,507
Cash and cash equivalents at end of year	32	6,285,228	4,978,042

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

1. Corporate information

Far East Group Limited (the "Company") is a limited liability company incorporated and domiciled in Singapore and is listed on the Catalist of Singapore Exchange Securities Trading Limited (SGX-ST). The Company's registered office and principal place of business is located at 112 Lavender Street, #04-00 Far East Refrigeration Building, Singapore 338728.

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

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

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

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

The financial statements are presented in Singapore Dollars (SGD or $), except when otherwise indicated.

The Accounting Standards Council announced on 29 May 2014 that Singapore incorporated companies listed on the Singapore Exchange will apply a new financial reporting framework identical to the International Financial Reporting Standards. The Group will adopt the new financial reporting framework on 1 January 2018.

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards which are effective for annual periods beginning on or after 1 January 2016. The adoption of these standards did not have any effect on the financial performance or position of the Group and the Company.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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 7 *Disclosure Initiative*	1 January 2017
FRS 109 *Financial Instruments*	1 January 2018
FRS 115 *Revenue from Contracts with Customers*	1 January 2018
FRS 116 *Leases*	1 January 2019

Except for FRS 109, FRS 115 and FRS 116, the directors expect that the adoption of the other standards above will have no material impact on the financial statements in the period of initial application. The nature of the impending changes in accounting policy on adoption of FRS 109, FRS 115 and FRS 116 are described below.

FRS 115 *Revenue from Contracts with Customers*

FRS 115 establishes a five-step model that will apply to revenue arising from contracts with customers. Under FRS 115, revenue is recognised at an amount that reflects the consideration which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in FRS 115 provide a more structured approach to measuring and recognising revenue when the promised goods and services are transferred to the customer i.e. when performance obligations are satisfied.

The new revenue standard will supersede all current revenue recognition requirements under FRS. Either a full retrospective application or a modified retrospective application is required for annual periods beginning on or after 1 January 2018. Early adoption is permitted.

The Group performed a preliminary assessment of FRS 115 which is subject to changes arising from a more detailed ongoing analysis. The Group expects the impact upon adoption of this FRS 115 is not material.

FRS 109 *Financial Instruments*

FRS 109 introduces new requirements for classification and measurement of financial assets, impairment of financial assets and hedge accounting. Financial assets are classified according to their contractual cash flow characteristics and the business model under which they are held. The impairment requirements in FRS 109 are based on an expected credit loss model and replace the FRS 39 incurred loss model. Adopting the expected credit losses requirements will require the Group to make changes to its current systems and processes.

FRS 109 is effective for annual periods beginning on or after 1 January 2018 with early application permitted. Retrospective application is required, but comparative information is not compulsory. The Group is currently assessing the impact of FRS 109 and plans to adopt the standard on the required effective date.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

FRS 116 Leases

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

The Group is currently assessing the impact of the new standard and plans to adopt the new standard on the required effective date. The Group expects the adoption of the new standard will result in increase in total assets and total liabilities, EBITDA and gearing ratio.

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

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

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

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

– recognises the fair value of the consideration received;

– recognises the fair value of any investment retained;

– recognises any surplus or deficit in profit or loss;

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

(b) Business combinations and goodwill

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

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

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

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

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

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

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

2.5 Transactions with non-controlling interests

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.6 Foreign currency

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

(a) Transactions and balances

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

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

(b) Consolidated financial statements

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

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

2.7 Fixed assets

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

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

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

Freehold buildings	50 years
Leasehold land and buildings	20 to 60 years
Plant and machinery	5 to 10 years
Motor vehicles	5 years
Renovation	3 to 10 years
Office equipment, furniture and fittings	3 to 10 years
Computers	1 to 3 years
Software	10 years

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.7 Fixed assets (Cont'd)

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

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

The residual value, useful life and depreciation method are reviewed at each financial year-end, and adjusted prospectively, if appropriate.

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

2.8 Investment properties

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

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

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

Transfers are made to or from investment property only when there is a change in use. For both transfer from investment property to owner-occupied property or owner-occupied property to investment property, the deemed cost for subsequent accounting is the cost at the date of acquisition of property. For a transfer from owner-occupied property to investment property, the property is accounted for in accordance with the accounting policy for fixed assets set out in Note 2.7 up to the date of change of use.

2.9 Intangible assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.9 Intangible assets (Cont'd)

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

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

Customer list

The customer list was acquired in business combinations and is amortised on a straight-line basis over its useful life of 8 years.

2.10 Land use rights

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

2.11 Impairment of non-financial assets

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

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

Impairment losses are recognised in profit or loss.

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

2.12 Subsidiaries

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.13 Affiliated companies

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

2.14 Financial instruments

(a) Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

(i) Loans and receivables

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

(ii) Available-for-sale financial assets

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.14 Financial instruments (Cont'd)

(a) Financial assets (Cont'd)

De-recognition

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

Regular way purchase or sale of a financial asset

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

(b) Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

De-recognition

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.15 Impairment of financial assets

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

(a) Financial assets carried at amortised cost

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

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

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

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

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

(b) Financial assets carried at cost

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.15 Impairment of financial assets (Cont'd)

(c) Available-for-sale financial assets

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

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

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

2.16 Cash and cash equivalents

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

2.17 Inventories

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.18 Provisions

General

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

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

Warranty provisions

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

2.19 Government grants

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

2.20 Financial guarantee

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

Financial guarantees are recognised initially as a liability at fair value, adjusted for transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, financial guarantees are recognised as income in profit or loss over the period of the guarantee. If it is probable that the liability will be higher than the amount initially recognised less amortisation, the liability is recorded at the higher amount with the difference charged to profit or loss.

2.21 Borrowing costs

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.22 Employee benefits

(a) Defined contribution plans

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

(b) Employee leave entitlement

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

2.23 Leases

(a) As lessee

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

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

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

(b) As lessor

Leases in which the Group does not transfer substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.24(e). Contingent rents are recognised as revenue in the period in which they are earned.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.24 Revenue

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

(a) Sale of goods

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

(b) Project sales and installation work on projects, and project maintenance services

Project revenue is recognised by reference to the stage of completion at the end of the reporting period. Stage of completion is determined by reference to cost incurred as a percentage of total estimated cost of each contract. Where the contract outcome cannot be measured reliably, revenue is recognised to the extent of the expenses recognised that are recoverable.

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

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

(e) Rental income

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

(f) Royalty income

Royalty income is recognised on an accruals basis in accordance with the substance of the relevant agreement.

(g) Management fee income

Management fee income is recognised on an accruals basis in accordance with the substance of the relevant agreement.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.25 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.25 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.

Tax benefits acquired as part of a business combination, but not satisfying the criteria for separate recognition at that date, would be recognised subsequently if new information about facts and circumstances changed. The adjustment would either be treated as a reduction to goodwill (as long as it does not exceed goodwill) if it is incurred during the measurement period or in profit or loss.

(c) Sales tax

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

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

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

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

2.26 Share capital and share issuance expenses

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

2.27 Contingencies

A contingent liability is:

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

2.27 Contingencies (Cont'd)

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.

3. Significant accounting judgments and estimates

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

3.1 Judgments made in applying accounting policies

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

(i) Determination of functional currency

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

(ii) Income taxes

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

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

(ii) Income taxes (Cont'd)

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

As at 31 December 2016, the carrying amounts of the Group's tax recoverable, provision for income tax, deferred tax assets and deferred tax liabilities amounted to $314,538 (2015: $234,822), $7,191 (2015: $15,285), $187,373 (2015: $62,410) and $8,660 (2015: $104,339) respectively. As at 31 December 2016, the carrying amounts of the Company's tax recoverable and deferred tax assets amounted to $Nil (2015: $46,046) and $Nil (2015: $62,410) respectively.

3.2 Key sources of estimation uncertainty

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

(i) Useful lives of fixed assets and customer list

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

As at 31 December 2016, the carrying amounts of the Group's and Company's fixed assets amounted to $15,753,467 (2015: $16,228,391) and $6,805,088 (2015: $7,037,212) respectively. As at 31 December 2016, the carrying amount of the Group's customer list amounted to $411,225 (2015: $528,404).

(ii) Impairment of intangible assets

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

As at 31 December 2016, the carrying amount of the Group's intangible assets as at 31 December 2016 was $599,708 (2015: $717,034).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

3.2 Key sources of estimation uncertainty (Cont'd)

(iii) Impairment of non-financial assets

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

As at 31 December 2016, the carrying amounts of the Company's investment in subsidiaries, the Company's and the Group's fixed assets were $15,001,621 (2015: $15,201,621), $6,805,088 (2015: $7,037,212) and $15,753,467 (2015: $16,228,391) respectively.

(iv) Allowance for obsolete and slow-moving inventories

When necessary, allowance is provided for obsolete and slow-moving inventories to adjust the carrying value of inventories to the lower of cost and net realisable value. Management has estimated the allowance for obsolete and slow-moving inventories based on review of an aging analysis of inventories at the end of the reporting period. As at 31 December 2016, the carrying amounts of the Group's and Company's inventories amounted to $8,595,830 (2015: $12,832,023) and $3,034,802 (2015: $5,532,615) respectively.

(v) Impairment of loans and receivables

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

Where there is objective evidence of impairment, the amount and timing of future cash flows are estimated based on historical loss experience for assets with similar credit risk characteristics. As at 31 December 2016, the carrying amounts of the Group's and Company's trade and other receivables, including balances with subsidiaries and affiliated companies, amounted to $9,583,605 (2015: $7,559,743) and $9,126,058 (2015: $7,588,115) respectively.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. Fixed assets

Group	Freehold land	Freehold buildings	Leasehold land and buildings	Plant and machinery	Motor vehicles	Renovation	Office equipment, furniture and fittings	Computers	Assets under construction	Software	Total
	$	$	$	$	$	$	$	$	$	$	$
Cost											
At 1.1.2015	3,495,962	2,852,695	5,039,137	6,063,211	753,441	2,049,778	680,762	631,281	1,344,472	1,386,782	24,297,521
Additions	–	–	–	935	6,000	4,494	96,962	21,460	395,938	10,234	536,023
Disposals	–	–	(1,115)	(255)	(161,009)	–	(577)	(2,471)	–	–	(165,427)
Write off	–	–	–	(2,064)	(64,276)	(1,495)	(4,458)	(5,806)	–	–	(78,099)
Reclassification	–	–	751,077	–	–	(751,077)	–	(30,022)	–	30,022	–
Translation differences	(92,736)	(115,044)	73,099	(297,066)	(29,875)	(2,737)	(22,764)	(12,323)	28,716	–	(470,730)
At 31.12.2015 and 1.1.2016	3,403,226	2,737,651	5,862,198	5,764,761	504,281	1,298,963	749,925	602,119	1,769,126	1,427,038	24,119,288
Additions	–	–	389,784	476,575	112,049	–	23,824	3,503	469,446	–	1,475,181
Disposals	–	–	–	(111,017)	–	–	–	–	–	–	(111,017)
Write off	–	–	–	(90,694)	(36,780)	–	(334)	(61,971)	–	–	(189,779)
Reclassification	–	–	1,990,248	–	–	–	–	–	(1,990,248)	–	–
Translation differences	(13,139)	(16,300)	(246,659)	(193,992)	(5,053)	(8,272)	(14,057)	(3,894)	(76,583)	(1,757)	(579,706)
At 31.12.2016	3,390,087	2,721,351	7,995,571	5,845,633	574,497	1,290,691	759,358	539,757	171,741	1,425,281	24,713,967

4. Fixed assets (Cont'd)

Group (cont'd)	Freehold land	Freehold buildings	Leasehold land and buildings	Plant and machinery	Motor vehicles	Renovation	Office equipment, furniture and fittings	Computers	Assets under construction	Software	Total
	$	$	$	$	$	$	$	$	$	$	$
Accumulated depreciation											
At 1.1.2015	–	717,019	707,573	2,775,912	677,122	1,175,926	350,851	530,639	–	46,226	6,981,268
Charge for the year	–	47,260	421,511	602,791	28,579	91,734	91,242	58,271	–	144,379	1,485,767
Disposals	–	–	(169)	(158)	(161,009)	–	(297)	(2,471)	–	–	(164,104)
Write off	–	–	–	(2,064)	(64,276)	(1,495)	(3,908)	(5,806)	–	–	(77,549)
Reclassification	–	–	203,707	–	–	(203,707)	–	(22,899)	–	22,899	–
Translation differences	–	(25,216)	(3,718)	(235,942)	(29,538)	(7,958)	(20,340)	(11,644)	–	(129)	(334,485)
At 31.12.2015 and 1.1.2016	–	739,063	1,328,904	3,140,539	450,878	1,054,500	417,548	546,090	–	213,375	7,890,897
Charge for the year	–	54,988	486,675	571,276	36,648	87,319	80,376	36,412	–	143,705	1,497,399
Disposals	–	–	–	(48,112)	–	–	–	–	–	–	(48,112)
Write off	–	–	–	(90,694)	(36,780)	–	(334)	(61,971)	–	–	(189,779)
Reclassification	–	–	–	–	–	–	–	–	–	–	–
Translation differences	–	(5,521)	(56,005)	(105,417)	(3,431)	(6,435)	(8,279)	(3,565)	–	(1,252)	(189,905)
At 31.12.2016	–	788,530	1,759,574	3,467,592	447,315	1,135,384	489,311	516,966	–	355,828	8,960,500
Net carrying amount											
At 31.12.2015	3,403,226	1,998,588	4,533,294	2,624,222	53,403	244,463	332,377	56,029	1,769,126	1,213,663	16,228,391
At 31.12.2016	3,390,087	1,932,821	6,235,997	2,378,041	127,182	155,307	270,047	22,791	171,741	1,069,453	15,753,467

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

Company	Freehold land	Freehold buildings	Leasehold land and buildings	Plant and machinery	Motor vehicles	Renovation	Office equipment, furniture and fittings	Computers	Software	Total
	$	$	$	$	$	$	$	$	$	$
Cost										
At 1.1.2015	2,775,973	1,959,511	2,400,000	281,756	343,608	851,263	172,337	438,073	1,386,782	10,609,303
Additions	–	–	–	–	6,000	–	50,425	5,372	–	61,797
Write off	–	–	–	–	(64,276)	–	–	–	–	(64,276)
At 31.12.2015 and 1.1.2016	2,775,973	1,959,511	2,400,000	281,756	285,332	851,263	222,762	443,445	1,386,782	10,606,824
Additions	–	–	–	28,853	84,485	–	–	1,978	–	115,316
Write off	–	–	–	–	–	–	–	(61,971)	–	(61,971)
At 31.12.2016	2,775,973	1,959,511	2,400,000	310,609	369,817	851,263	222,762	383,452	1,386,782	10,660,169
Accumulated depreciation										
At 1.1.2015	–	463,074	946,236	281,756	335,568	729,009	100,105	386,999	46,226	3,288,973
Charge for the year	–	39,190	85,714	–	5,189	33,898	14,388	27,858	138,678	344,915
Write off	–	–	–	–	(64,276)	–	–	–	–	(64,276)
At 31.12.2015 and 1.1.2016	–	502,264	1,031,950	281,756	276,481	762,907	114,493	414,857	184,904	3,569,612
Charge for the year	–	39,190	85,714	1,202	17,781	32,009	15,358	17,508	138,678	347,440
Write off	–	–	–	–	–	–	–	(61,971)	–	(61,971)
At 31.12.2016	–	541,454	1,117,664	282,958	294,262	794,916	129,851	370,394	323,582	3,855,081
Net carrying amount										
At 31.12.2015	2,775,973	1,457,247	1,368,050	–	8,851	88,356	108,269	28,588	1,201,878	7,037,212
At 31.12.2016	2,775,973	1,418,057	1,282,336	27,651	75,555	56,347	92,911	13,058	1,063,200	6,805,088

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

4. Fixed assets (Cont'd)

Assets pledged as security

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

(a) Freehold land, freehold buildings and leasehold land and buildings of the Company with net carrying amount of $2,775,973 (2015: $2,775,973), $1,418,057 (2015: $1,457,247) and $1,282,336 (2015: $1,368,050), respectively;

(b) Freehold land and freehold buildings of subsidiaries with net carrying amount of $614,114 (2015: $627,253) and $514,765 (2015: $541,341), respectively; and

(c) Leasehold land and buildings of subsidiaries with net carrying amount of $6,152,830 (2015: $4,444,357).

Assets held under finance leases

During the financial year, the Group and Company acquired Motor Vehicles with an aggregate cost of $102,923 (2015: $Nil) and $76,800 (2015: $Nil) by means of finance leases. The cash outflow on acquisition of fixed assets amounted to $1,372,258 (2015: $536,023).

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

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Plant and machinery	265,003	332,514	–	–
Motor vehicles	98,299	3,750	71,654	3,750
Office equipment, furniture and fittings	614	8,462	–	–
Software	1,063,200	1,201,878	1,063,200	1,201,878

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

5. Investment property

	Group
	$
Balance sheet:	
Cost	
At 1.1.2015, 31.12.2015, 1.1.2016 and 31.12.2016	113,646
Accumulated depreciation	
At 1.1.2015, 31.12.2015, 1.1.2016 and 31.12.2016	(113,646)
Net carrying amount	
At 1.1.2015, 31.12.2015, 1.1.2016 and 31.12.2016	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

5. Investment property (Cont'd)

	Group	
	2016	2015
	$	$
Profit or loss:		
Rental income from investment property:		
– Minimum lease payments	40,548	42,253
Direct operating expenses (including repairs and maintenance) arising from:		
– Rental generating property	745	1,917

Management estimates the fair value of the investment property to be $1,212,900 (2015: $820,800) as at the end of the reporting period, with reference to indicative valuation obtain from bank.

Property pledged as security

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

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

Description and location	Existing use	Tenure	Unexpired lease term
Office unit, Kowloon, Hong Kong	Office	Leasehold	35 years, up to 2049

6. Intangible assets

Group	Goodwill $	Customer list $	Total $
Cost:			
At 1.1.2015			
Acquisition of a subsidiary (Note 8)	189,669	744,282	933,951
Translation differences	(1,039)	18,307	17,268
At 31.12.2015 and 1.1.2016	188,630	762,589	951,219
Translation differences	(147)	(37,812)	(37,959)
At 31.12.2016	188,483	724,777	913,260
Accumulated amortisation:			
At 1.1.2015	–	137,542	137,542
Amortisation for the year	–	94,098	94,098
Translation differences	–	2,545	2,545
At 31.12.2015 and 1.1.2016	–	234,185	234,185
Amortisation for the year	–	89,763	89,763
Translation differences	–	(10,396)	(10,396)
At 31.12.2016	–	313,552	313,552
Net carrying amount:			
At 31.12.2015	188,630	528,404	717,034
At 31.12.2016	188,483	411,225	599,708

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Intangible assets (Cont'd)

Customer list

The customer list was acquired in business combinations and has a remaining amortisation period of 4.5 years (2015: 5.5 years).

Amortisation expense

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

Impairment testing of goodwill and customer list

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	
		2016	**2015**
		$	**$**
CGU A	Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd ("ERM")	181,599	181,599
CGU B	Green Point Compressor Services & Parts Sdn. Bhd.	6,884	7,031
		188,483	188,630

CGU A

The recoverable amount of CGU A has been determined based on value in use calculations using cash flow projections from financial budgets approved by management covering a five-year period. The pre-tax discount rate applied to the cash flow projections and the forecasted growth rates used to extrapolate cash flow projections beyond the five-year period are 13.0% and 3.0% respectively.

Key assumptions used in the value in use calculations

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

Budgeted gross margin – Gross margin is based on average values achieved in the three years preceding the start of the budget period adjusted to exclude one-off expenses such as prior year provisions. This remained constant over the budget period and no major changes for the pricing are anticipated.

Growth rate – The forecasted growth rate is based on expected projects and customers of CGU A from expansion of their distribution network.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

6. Intangible assets (Cont'd)

Sensitivity to changes in assumptions

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

CGU B

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

7. Land use rights

	Group	
	2016	**2015**
	$	**$**
Cost		
At 1 January	2,218,508	2,198,586
Translation differences	(41,145)	19,922
At 31 December	2,177,363	2,218,508
Accumulated amortisation		
At 1 January	116,355	69,186
Amortisation for the year	45,716	46,632
Translation differences	(2,195)	537
At 31 December	159,876	116,355
Net carrying amount		
At 31 December	2,017,487	2,102,153
Amount to be amortised:		
– Not later than one year	45,716	46,632
– Later than one year but not later than five years	182,864	186,528
– Later than five years	1,788,907	1,868,993

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 44 years up to 2061.

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. Investments in subsidiaries

	Company 2016	Company 2015
	$	$
Unquoted equity shares, at cost	15,201,621	15,201,621
Impairment losses	(200,000)	–
	15,001,621	15,201,621

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest 2016	2015
			%	%
Held by the Company				
Far East Refrigeration (M) Sdn. Bhd.#	Investment holding	Malaysia	100	100
Far East Refrigeration Limited#	Trading of refrigeration and air-conditioning parts	Hong Kong	100	100
RSP Systems Pte Ltd@	Supply and solutions provider of refrigeration and air-conditioning monitoring and energy management systems	Singapore	57.1	57.1
Edenkool Pte Ltd@	Trading of refrigeration and air-conditioning parts	Singapore	100	100
GPS Compressor Services & Parts Pte Ltd@ ^	Repair and maintenance for refrigeration and air-conditioning compressors	Singapore	100	100
Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd#	Manufacturing and trading of electrical, refrigeration and air-conditioning equipment and parts	People's Republic of China	84.25	84.25
Far East Refrigeration Vietnam Company Limited*	Trading of refrigeration and air-conditioning parts	Vietnam	100	100

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. Investments in subsidiaries (Cont'd)

Name of subsidiary	Principal activities	Country of incorporation	Proportion of ownership interest 2016	2015
			%	%
Held through Far East Refrigeration (M) Sdn. Bhd.				
Far East Maju Engineering Works Sdn. Bhd.#	Manufacturing and trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100
Far East Enterprises (K.L.) Sdn. Bhd.#	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100
Far East Enterprises (Penang) Sdn. Bhd.#	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	93.88	93.88
FE & B Engineering (M) Sdn. Bhd.#	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100
Far East Refrigeration (Kuching) Sdn. Bhd.#	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100
Safety Enterprises Sdn. Bhd.#	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100
Green Point Compressor Services & Parts Sdn. Bhd.#	Repair and maintenance for air-conditioning compressors	Malaysia	100	100
Held through Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd				
Elite Envirotech Co., Ltd>	Manufacturing and trading of electrical, refrigeration and air-conditioning equipment and parts	People's Republic of China	51	–

@ Audited by Ernst & Young LLP, Singapore

Audited by member firms of EY Global in the respective countries

* Audited by Global Auditing and Financial Consultancy Co., Ltd in Vietnam

> Audited by Chang Zhou Jin Gu Certified Public Accountants Co., Ltd in People's Republic of China

^ Formerly known as Green Point (Singapore) Pte Ltd

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. Investments in subsidiaries (Cont'd)

Interest in subsidiaries with material non-controlling interest (NCI)

The Group has the following subsidiaries that have NCI that are material to the Group.

Name of Subsidiary	Principal place of business	Proportion of ownership interest held by non-controlling interest	Profit/(Loss) allocated to NCI during the reporting period	Accumulated NCI at the end of reporting period	Dividends paid to NCI
31 December 2016:					
Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd	People's Republic of China	15.75%	(192,179)	1,565,445	–
31 December 2015:					
Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd	People's Republic of China	15.75%	(359,117)	1,894,163	–

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 $587,811 held in People's Republic of China are subject to local exchange control regulations. These regulations places restriction on the amount of currency being exported other than through dividends.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

8. Investments in subsidiaries (Cont'd)

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 sheets

	Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd	
	2016	**2015**
	$	**$**
Current		
Assets	4,842,087	4,512,186
Liabilities	(5,739,140)	(3,840,545)
Net current (liabilities)/assets	(897,053)	671,641
Non-current		
Assets	11,028,899	11,362,688
Liabilities	(192,513)	(7,897)
Net non-current assets	10,836,386	11,354,791
Net assets	9,939,333	12,026,432
Summarised statement of comprehensive income		
Revenue	8,684,315	7,226,363
Loss before tax	(1,253,228)	(2,013,531)
Income tax credit/(expense)	33,044	(266,576)
Loss after tax	(1,220,184)	(2,280,107)
Other comprehensive income	(866,915)	576,554
Total comprehensive income	(2,087,099)	(1,703,553)
Other summarised information		
Net cash flows generated from operations	441,260	115,256

Incorporation of a subsidiary

During the year, the Group through its subsidiary, Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd, incorporated a company in People's Republic of China for a cash consideration of $530,910 (equivalent to RMB2,550,000). This constitutes 51% of equity interest in Elite Envirotech Co., Ltd.

Impairment testing of investment in subsidiaries

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

9. Unquoted investment

Available-for-sale financial asset

	Group	
	2016	**2015**
	$	**$**
Unquoted equity shares, at cost	95,865	95,865
Addition during the year	145,740	–
Translation differences	(3,925)	(4,514)
	237,680	91,351

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

During the financial year ended 31 December 2016, the Group acquired 14% equity interest in Yealea Industry Co., Ltd for a cash consideration of S$145,740 (equivalent to RMB700,000).

10. Deferred taxation

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Deferred tax assets arise as a result of:				
Provisions	–	2,444	–	2,444
Excess of tax written down value over net carrying amount of fixed assets	187,373	70,748	–	70,748
Deferred tax liabilities arise as a result of:				
Excess of net carrying amount over tax written down value of fixed assets	8,660	104,339	–	–
Unremitted income	–	10,782	–	10,782
Presented after appropriate offsetting as follows:				
Deferred tax assets	187,373	62,410	–	62,410
Deferred tax liabilities	(8,660)	(104,339)	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

11. Inventories

	Group 2016	Group 2015	Company 2016	Company 2015
	$	$	$	$
Balance sheet				
Raw materials (at cost)	2,135,721	2,382,592	–	–
Work-in-progress (at cost)	284,253	329,966	36,672	34,825
Finished goods-in-transit (at cost)	470,285	699,055	378,526	544,954
Finished goods (at cost)	5,705,571	9,420,410	2,619,604	4,952,836
	8,595,830	12,832,023	3,034,802	5,532,615
Profit or loss				
Inventories recognised as an expense in cost of sales (Note 26)	25,518,444	22,024,186	17,532,977	17,903,384
Inclusive of the following charge:				
Allowance for obsolete and slow-moving inventories, net (Note 26)	913,074	1,021,114	161,056	634,473

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

12. Trade debtors

	Group 2016	Group 2015	Company 2016	Company 2015
	$	$	$	$
Third party trade debtors	8,692,618	7,165,032	3,566,648	2,921,495
Allowance for doubtful debts	(579,226)	(547,195)	(141,513)	(98,149)
	8,113,392	6,617,837	3,425,135	2,823,346

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

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

	Group 2016	Group 2015	Company 2016	Company 2015
	$	$	$	$
United States Dollar	1,122,438	632,478	1,117,317	600,722
Euro	1,189,950	724,003	1,028,124	568,261
Renminbi	123,312	38,866	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

12. Trade debtors (Cont'd)

Debtors that are past due but not impaired

The Group has trade debtors amounting to $3,316,429 (2016: $2,824,800) that are past due at the end of the reporting period but not impaired. These debtors are unsecured and the analysis of their aging at the end of the reporting period is as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Trade debtors past due:				
Less than 30 days	1,399,724	1,219,460	543,832	407,645
30 to 60 days	863,931	757,422	239,244	250,925
61 to 90 days	630,445	392,556	420,244	78,235
91 to 120 days	124,240	114,364	41,909	10,084
More than 120 days	298,089	340,998	64,086	125,744
	3,316,429	2,824,800	1,309,315	872,633

Debtors that are impaired

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
At beginning of year	547,195	198,586	98,149	76,296
Allowance for the year	69,213	360,581	43,791	21,758
Written off against allowance	(1,358)	–	(427)	–
Written back	(19,177)	–	–	–
Translation difference	(16,647)	(11,972)	–	95
At end of year	579,226	547,195	141,513	98,149

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

13. Other receivables

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Staff loan, current	–	14,394	–	–
Sundry debtors, current	566,541	918,272	14,668	30,919
	566,541	932,666	14,668	30,919
Allowance for doubtful debts	(12,758)	–	(12,758)	–
	553,783	932,666	1,910	30,919

The Group's staff loan is unsecured, interest bearing at 2.5% (2015: 2.5%) per annum and repayable over 37 months commencing from December 2013.

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

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
United States Dollar	–	433	–	–
Euro	–	69,924	–	–
Renminbi	499,680	864,315	–	–

Other receivables that are impaired

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

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
At beginning of year	–	–	–	–
Allowance for the year	12,758	–	12,758	–
At end of year	12,758	–	12,758	–

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

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

These balances are unsecured, non-interest bearing and repayable on demand in cash within twelve months from the end of the financial year, except for the Company's amount due to subsidiary (non-trade) of $100,000 (2015: $100,000) which is interest bearing at 3.0% (2015: 3.0%) per annum.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
At beginning/end of year	17,626	17,626	17,626	17,626

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
United States Dollar	–	–	1,928,291	38,574
Ringgit Malaysia	–	–	604,620	2,989
Euro	–	–	372,994	1,008,758
Renminbi	–	–	171,146	86,719

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
United States Dollar	–	–	614,141	836,635

15. Trade payables

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

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
United States Dollar	107,875	453,729	107,316	429,917
Euro	165,836	251,024	143,042	133,222
Japanese Yen	21,924	–	21,924	–
Renminbi	2,675	18,294	–	–

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16. Trust receipts and bills payable (secured)

Trust receipts and bills payable of the Company are secured by way of legal mortgage on the Company's freehold land, freehold buildings, and leasehold land and buildings with net carrying amount of $2,775,973, $1,418,057 and $1,282,336 (2015: $2,775,973, $1,457,247 and $1,368,050) respectively and joint and several guarantees by certain directors of the Company.

Trust receipts and bills payable of a subsidiary are secured by way of legal mortgage on the subsidiary's freehold land, freehold buildings, and leasehold land and buildings with net carrying amount of $614,114, $514,765 and $92,922 (2015: of $627,253, $541,341 and $98,818) respectively, and joint and several guarantees by certain directors of the Group.

The trust receipts and bills payable bear interest at Nil% (2015: Nil) per annum above the bank's prime rates, from 1.0% to 1.3% (2015: 1.0% to 1.3%) per annum above the bank's cost of funds and at Nil% standard bill rate (2015: Nil%). As at 31 December 2016, the effective interest rates range from 1.44% to 6.25% (2015: 1.18% to 5.31%) per annum.

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

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Euro	2,885,458	3,581,780	2,885,458	3,581,780
United States Dollar	1,053,504	1,269,962	1,053,504	1,269,962
Japanese Yen	–	42,756	–	42,756

17. Accruals and other liabilities

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Accrued operating expenses	2,270,811	1,907,895	1,179,665	1,146,958
Deposits received	79,973	63,506	54,415	75,938
	2,350,784	1,971,401	1,234,080	1,222,896

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

18. Provision for warranty

A provision is recognised for expected warranty claims on certain products sold and installation works performed, based on past experience and understanding of the historical level of repairs and returns. It is expected that these costs will be incurred within the next financial year. Assumptions used to calculate the provision for warranties were based on current sales levels and current information available about returns based on the warranty period for the relevant products sold and installation works performed.

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
At beginning of year	14,376	27,916	14,376	27,916
Unused amounts reversed	(14,376)	(13,540)	(14,376)	(13,540)
At end of year	–	14,376	–	14,376

19. Finance lease obligations

The Group and Company have finance leases for certain items of office equipment, software and motor vehicles. The leases are for a period of 3 to 7 years and carry an option to purchase at the end of the lease term. These obligations are secured by a charge over the leased assets (Note 4). The discount rate implicit in the leases is 3.07% to 5.75% (2015: 3.07%) per annum. These obligations are denominated in the respective functional currencies of the relevant entities in the Group and the Company.

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

	Group				Company			
	2016		2015		2016		2015	
	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments	Minimum lease payments	Present value of payments
	$	$	$	$	$	$	$	$
Not later than 1 year	83,544	78,270	398,104	389,728	78,410	74,557	390,825	382,449
Later than one year but not later than five years	71,262	58,964	65,755	65,506	53,088	44,517	65,137	64,888
Later than 5 years	24,527	23,481	–	–	15,454	14,928	–	–
Total minimum lease payments	179,333	160,715	463,859	455,234	146,952	134,002	455,962	447,337
Less: Amounts representing finance charges	(18,618)	–	(8,625)	–	(12,950)	–	(8,625)	–
Present value of minimum lease payments	160,715	160,715	455,234	455,234	134,002	134,002	447,337	447,337

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. Term loans

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Secured term loans				
(a) Money market loan bears interest at 3.09% per annum with effect from 21 December 2015 to 21 January 2016	–	500,466	–	500,466
(b) Money market loan bears interest at 2.91% per annum with effect from 23 December 2015 to 25 January 2016	–	500,318	–	500,318
(c) Money market loan bears interest at 1.93% per annum with effect from 21 December 2015 to 21 January 2016	–	622,324	–	622,324
(d) Money market loan bears interest at 1.95% per annum with effect from 23 December 2015 to 21 January 2016	–	705,569	–	705,569
(e) Money market loan bears interest at 2.45% per annum with effect from 09 December 2016 to 08 March 2017	1,001,474	–	1,001,474	–
(f) Money market loan bears interest at 2.39% per annum with effect from 25 October 2016 to 25 January 2017	1,506,587	–	1,506,587	–
(g) Money market loan bears interest at 2.46% per annum with effect from 25 October 2016 to 25 January 2017	1,333,660	–	1,333,660	–
(h) Term loan bears average interest at 2.424% with effect from May 2013; bears average interest at 2.443% per annum for the second year; bears average interest at 2.931% per annum for the third year; bears average interest at 3.156% per annum for the fourth year; and thereafter at 2.942% per annum. The term loan is repayable in 60 monthly instalments commencing June 2013	1,042,105	1,750,198	1,042,105	1,750,198

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20. Term loans (Cont'd)

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Secured term loans (Cont'd)				
(i) Term loan bears average interest at 2.42% per annum with effect from June 2013; bears average interest at 2.445% per annum for the second year; bears average interest at 2.955% per annum for the third year; bears average interest at 3.144% per annum for the fourth year; and thereafter at 2.946% per annum. The term loan is repayable in 60 monthly instalments commencing July 2013	1,211,681	2,035,104	1,211,681	2,035,104
(j) Term loan bears interest at 6.375% per annum with effect from 18 December 2015 to 18 June 2016	–	372,956	–	–
(k) Term loan bears interest at 6.1% per annum with effect from 23 July 2015 to 23 January 2016	–	367,146	–	–
(l) Term loan bears interest at 5.75% per annum with effect from 7 September 2015 to 7 March 2016	–	384,951	–	–
(m) Term loan bears interest at 5.75% per annum with effect from 30 November 2015 to 30 May 2016	–	270,370	–	–
(n) Term loan bears interest at 5.50% per annum with effect from 2 August 2016 to 3 February 2017	233,949	–	–	–
(o) Term loan bears interest at 5.655% per annum with effect from 16 August 2016 to 17 February 2017	321,210	–	–	–
(p) Term loan bears interest at 5.8725% per annum with effect from 2 September 2016 to 3 March 2017	496,950	–	–	–
(q) Term loan bears interest at 5.8725% per annum with effect from 26 October 2016 to 27 April 2017	314,521	–	–	–

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

20. Term loans (Cont'd)

	Group 2016	Group 2015	Company 2016	Company 2015
	$	$	$	$
Secured term loans (Cont'd)				
(r) Term loan bears interest at 5.8725% per annum with effect from 9 December 2016 to 10 June 2017	186,799	–	–	–
(s) Term loan bears interest at 5.8725% per annum with effect from 21 December 2016 to 22 June 2017	151,965	–	–	–
(t) Term loan bears interest at 6.175% per annum. The loan repayable in 6 quarterly instalments commencing 6 January 2017.	821,740	–	–	–
	8,622,641	7,509,402	6,095,507	6,113,979
Repayable within 12 months	7,758,687	5,255,620	5,424,066	3,860,197
Repayable after 12 months	863,954	2,253,782	671,441	2,253,782
	8,622,641	7,509,402	6,095,507	6,113,979

(a)–(i) The money market loans and term loans are secured by legal mortgages over the Company's freehold land and freehold buildings with net carrying amount of $2,775,973 (2015: $2,775,973) and $1,418,057 (2015: $1,457,247) respectively.

(j)–(t) The term loans are secured by a legal mortgage over a subsidiary's land use rights and leasehold building with net carrying amount of $2,017,487 (2015: $2,102,153) and $6,059,908 (2015: $4,345,539) respectively and joint and several guarantees by a director and the Company.

As at 31 December 2016, the effective interest rates were 3.7% and 3.0% (2015: 3.6% and 2.8%) per annum for the Group and the Company.

21. Share capital

	Group and Company 2016 No. of shares	2016 $	2015 No. of shares	2015 $
Issued and fully paid ordinary shares				
At beginning/end of year	108,480,000	19,264,441	108,480,000	19,264,441

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

22. 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.

23. Revenue

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

	Group	
	2016	**2015**
	$	**$**
Sale of goods	38,789,927	34,548,067
Project sales and installation work on projects	135,336	80,531
Project maintenance services	237,101	182,810
	39,162,364	34,811,408

24. Other operating income

	Group	
	2016	**2015**
	$	**$**
Dividend income from unquoted investment	488,880	452,717
Rental income	366,295	240,193
Scrap sales	65,151	77,122
Government grants	68,912	42,023
Gain on disposal of fixed assets, net	–	37,372
Others	14,228	19,747
	1,003,466	869,174

25. Other operating expenses

	Group	
	2016	**2015**
	$	**$**
Preliminary expenses	23,036	–
Loss on disposal of fixed assets, net	19,404	–
Foreign currency loss, net	256,600	269,660
Others	10,469	4,914
	309,509	274,574

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

26. Loss from operations

Other than as disclosed in Notes 24 and 25, loss from operations is arrived after charging/(crediting) the following:

	Group	
	2016	**2015**
	$	**$**
Amortisation of intangible assets	89,763	94,098
Amortisation of land use rights	45,716	46,632
Depreciation of fixed assets	1,497,399	1,485,767
Audit fees		
– auditors of the Company	114,000	112,000
– other auditors	98,252	94,633
Non-audit fees		
– auditors of the Company	9,740	11,700
– other auditors	10,643	19,259
Directors' fees		
– directors of the Company	220,750	220,750
– directors of subsidiaries	32,783	27,981
Directors' remuneration		
– directors of the Company	867,341	877,157
– directors of subsidiaries	224,624	238,284
Write back of allowance for doubtful trade debts	(19,177)	–
Allowance for doubtful trade debts	69,213	360,581
Allowance for doubtful non-trade debts	12,758	–
Warranty written back, net	(14,376)	(13,540)
Loss/(gain) on disposal of fixed assets, net	19,404	(37,372)
Allowance for obsolete and slow-moving inventories, net	913,074	1,021,114
Personnel expenses (Note 27)	7,936,519	7,388,422
Inventories recognised as an expense in cost of sales (Note 11)	25,518,444	22,024,186
Operating lease expenses	477,122	456,547

27. Personnel expenses

	Group	
	2016	**2015**
	$	**$**
Wages and salaries*	6,135,213	6,024,377
Central Provident Fund contributions*	507,203	496,190
Termination benefit	459,028	–
Other social expenses, net	835,075	867,855
	7,936,519	7,388,422

* Personnel expenses include amounts disclosed as directors' remuneration in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

28. Finance expenses

	Group	
	2016	**2015**
	$	**$**
Interest expense on:		
– Term loans	315,955	270,687
– Trust receipts	64,683	77,395
– Finance lease obligations	14,403	19,916
– Bank overdrafts	5,054	19
	400,095	368,017

29. Tax expense

Major components of income tax expense

The major components of income tax expense for the years ended 31 December 2016 and 2015 are:

	Group	
	2016	**2015**
	$	**$**
Consolidated income statement		
Current income tax		
– Current income taxation	86,628	173,414
– (Over)/under provision in respect of prior years	(56,030)	211,325
Deferred income tax		
– Origination and reversal of temporary differences	(109,954)	(21,344)
– (Over)/under provision in respect of prior years	(110,688)	44,600
	(190,044)	407,995

As at 31 December 2016, the Group had unrecognised tax losses of approximately $3,534,405 (2015: $2,513,210) that are available for offset against future taxable profits of the companies in which the losses arose, for which no deferred tax asset is recognised due to uncertainty of its recoverability. The use of these losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

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29. Tax expense (cont'd)

Relationship between tax expense and accounting loss

A reconciliation between tax expense and the product of accounting loss multiplied by the applicable tax rate for the years ended 31 December 2016 and 2015 is as follows:

	Group	
	2016	**2015**
	$	**$**
Accounting loss before tax	(1,595,586)	(1,226,033)
Tax at the domestic rates applicable to profits in the countries where the Group operates	(271,250)	(208,426)
Tax effect of non-taxable income	(112,504)	(120,584)
Tax effect of non-deductible expenses	567,983	203,133
Tax effect arising from differences in tax rates	(201,724)	(146,080)
Under/(over) provision in respect of prior years	(166,718)	255,925
Deferred tax asset not recognised	219,037	486,804
Effect of utilisation of deferred tax asset previously not recognised	(202,713)	(48,553)
Effect of partial tax exemption and tax relief	(22,296)	(9,902)
Effect of utilisation of reinvestment allowance	–	(729)
Others	141	(3,593)
Tax (credit)/tax expense	(190,044)	407,995

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

30. Loss per share

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

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

The following table reflects the profit or loss for the year and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December:

	Group	
	2016	**2015**
	$	**$**
Loss for the year attributable to owners of the Company	(1,179,270)	(1,277,926)
Weighted average number of ordinary shares	108,480,000	108,480,000

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31. Dividends

	Group and Company	
	2016	2015
	$	$
Declared and paid during the financial year:		
Final exempt (one-tier) dividend for 2014: 0.32 cents per share	–	347,136

There were no dividends proposed for 2015 and 2016.

There are no income tax consequences attached to the dividends to the shareholders proposed by the Company that are not recognised as a liability in the financial statements.

32. Cash and bank balances
Fixed deposits

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Cash and bank balances	5,786,534	4,487,552	1,656,683	1,157,911
Fixed deposits	498,694	490,490	6,275	6,259
Cash and cash equivalents in the consolidated cash flow statement	6,285,228	4,978,042	1,662,958	1,164,170

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Group and the Company, and earn interests at the respective short-term deposit rates. The weighted average effective interest rates as at 31 December 2016 for the Group and the Company were 0.19% (2015: 0.44%) and 0.01% (2015: 0.56%) respectively.

As at 31 December 2016, fixed deposits earn interest at 0.25% to 0.45% (2015: 0.25% to 0.45%) per annum. Fixed deposits included in cash and cash equivalents are for periods of mainly less than one month.

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

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
United States Dollar	649,363	245,644	524,634	233,893
Euro	708,341	223,938	439,039	132,909
Japanese Yen	61,790	–	–	–
Renminbi	59,474	595,912	–	–
Indonesian Rupiah	3,881	1,521	3,881	1,521

NOTES TO THE FINANCIAL STATEMENTS

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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	
	2016	2015	2016	2015
	$	$	$	$
Income				
Sale of goods to subsidiaries	–	–	6,241,901	7,050,889
Sale of goods to affiliated companies	1,782,521	–	–	–
Management fee income from subsidiaries	–	–	1,492,083	1,546,352
Rental income from a subsidiary	–	–	7,800	7,800
Rental income from an affiliated company	63,936	–	–	–
Royalty fee income from a subsidiary	–	–	97,235	92,100
Dividend income from subsidiaries	–	–	740,900	–
Expenses				
Purchases from subsidiaries	–	–	2,950,403	3,141,650
Purchases from affiliated companies	877,799	–	–	–
Loan Interest paid to subsidiary	–	–	3,000	3,000
Rental paid to an affiliated company	24,542	24,398	–	–

(b) Compensation of key management personnel

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Executive Directors:				
– Short-term employee benefits	1,036,208	1,072,650	831,165	853,176
– Central Provident Fund contributions	55,757	42,791	36,176	23,981
Executive Officers:				
– Short-term employee benefits	1,073,519	889,434	936,672	786,823
– Central Provident Fund contributions	69,374	47,539	56,236	35,439
Total compensation paid to key management personnel	2,234,858	2,052,414	1,860,249	1,699,419

Compensation paid to Executive Directors relates to Directors' remuneration in Note 26.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

34. Commitments

(a) Operating lease commitments – as lessee

In addition to the land use rights disclosed in Note 7, as at 31 December 2016, the Group and Company have entered into leases in respect of stores and offices. These leases have tenure ranging between 2 and 19 years with renewal options.

Minimum lease payments, including amortisation of land use rights recognised as an expense in profit or loss of the Group and the Company for the financial year ended 31 December 2016 amounted to $494,231 (2015: $457,309) and $77,955 (2015: $77,955) respectively.

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Not later than one year	460,915	446,181	77,955	77,955
Two to five years	874,499	752,488	311,818	311,818
Later than five years	857,500	1,045,395	857,500	935,454
	2,192,914	2,244,064	1,247,273	1,325,227

(b) Operating lease commitments – as lessor

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

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Not later than one year	390,932	437,375	190,260	196,680
Two to five years	594,900	1,268,084	64,400	151,760
Later than five years	–	74,998	–	–
	985,832	1,780,457	254,660	348,440

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34. Commitments (cont'd)

(c) Capital commitments

Capital expenditure contracted for as at the end of the reporting period but not recognised in the financial statements are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Capital commitments in respect of property, plant and equipment	–	1,354,459	–	–

35. Contingent liabilities

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Financial guarantees given to financial institutions in connection with facilities given to its subsidiaries	–	–	4,406,150	5,142,880

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

36. Financial risk management objectives and policies

The Group and the Company is exposed to financial risks arising from its operations and the use of financial instruments. The Group's principal financial instruments, other than available-for-sale financial assets, comprise bank loans, trust receipts, bills payable, finance leases, cash and fixed deposits. The main purpose of these financial instruments is to finance the Group's operations. The Group has various other financial assets and liabilities such as trade receivables and trade payables, which arise directly from its operations.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign exchange risk and credit risk. The Board 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 exposure to these financial risks or the manner in which it manages and measures the risks.

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

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

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group'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 SGD interest rate had been 50 (2015: 50) basis points lower/higher with all other variables held constant, the Group's loss net of tax (2015: loss net of tax) would have been $63,000 lower/higher (2015: $63,000 lower/higher), arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The analysis is performed on the same basis for 2015.

Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

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

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

***Liquidity risk* (cont'd)**

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

	2016			
	1 year or less	**2 to 5 years**	**More than 5 years**	**Total**
Group	**$**	**$**	**$**	**$**
Financial assets				
Unquoted investment	–	–	237,680	237,680
Trade debtors	8,113,392	–	–	8,113,392
Other receivables	553,783	–	–	553,783
Deposits	185,800	10,208	–	196,008
Amounts due from affiliated companies	916,430	–	–	916,430
Fixed deposits	498,694	–	–	498,694
Cash and bank balances	5,786,534	–	–	5,786,534
Total undiscounted financial assets	16,054,633	10,208	237,680	16,302,521
Financial liabilities				
Trade payables	1,910,215	–	–	1,910,215
Trust receipts and bills payable (secured)	4,119,656	–	–	4,119,656
Other creditors	502,512	–	–	502,512
Accruals and other liabilities	2,350,784	–	–	2,350,784
Dividend payable	114,830	–	–	114,830
Amounts due to affiliated companies	548,837	–	–	548,837
Finance lease obligations	83,544	71,262	24,527	179,333
Term loans	7,846,975	884,500	–	8,731,475
Total undiscounted financial liabilities	17,477,353	955,762	24,527	18,457,642
Total net undiscounted financial (liabilities)/assets	(1,422,720)	(945,554)	213,153	(2,155,121)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

***Liquidity risk* (cont'd)**

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

Liquidity risk **(cont'd)**

	2015			
	1 year or less	**2 to 5 years**	**More than 5 years**	**Total**
Group	**$**	**$**	**$**	**$**
Financial assets				
Unquoted investment	–	–	91,351	91,351
Trade debtors	6,617,837	–	–	6,617,837
Other receivables	932,666	–	–	932,666
Deposits	180,510	10,925	–	191,435
Amounts due from affiliated companies	9,240	–	–	9,240
Fixed deposits	490,490	–	–	490,490
Cash and bank balances	4,487,552	–	–	4,487,552
Total undiscounted financial assets	12,718,295	10,925	91,351	12,820,571
Financial liabilities				
Trade payables	1,867,163	–	–	1,867,163
Trust receipts and bills payable (secured)	5,182,222	–	–	5,182,222
Other creditors	712,623	–	–	712,623
Accruals and other liabilities	1,971,401	–	–	1,971,401
Dividend payable	114,839	–	–	114,839
Amounts due to affiliated companies	207,553	–	–	207,553
Finance lease obligations	398,104	65,755	–	463,859
Term loans	5,378,887	2,311,522	–	7,690,409
Total undiscounted financial liabilities	15,832,792	2,377,277	–	18,210,069
Total net undiscounted financial (liabilities)/assets	(3,114,497)	(2,366,352)	91,351	(5,389,498)

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

Liquidity risk **(cont'd)**

	2015			
	1 year or less	**2 to 5 years**	**More than 5 years**	**Total**
Company	**$**	**$**	**$**	**$**
Financial assets				
Trade debtors	2,823,346	–	–	2,823,346
Other receivables	30,919	–	–	30,919
Deposits	10,111	–	–	10,111
Amounts due from subsidiaries	4,733,850	–	–	4,733,850
Fixed deposits	6,259	–	–	6,259
Cash and bank balances	1,157,911	–	–	1,157,911
Total undiscounted financial assets	8,762,396	–	–	8,762,396
Financial liabilities				
Trade payables	747,690	–	–	747,690
Trust receipts and bills payable (secured)	4,952,235	–	–	4,952,235
Other creditors	329,840	–	–	329,840
Accruals and other liabilities	1,222,896	–	–	1,222,896
Dividend payable	114,419	–	–	114,419
Amounts due to subsidiaries	1,020,520	–	–	1,020,520
Finance lease obligations	390,825	65,137	–	455,962
Term loans	3,960,339	2,311,522	–	6,271,861
Total undiscounted financial liabilities	12,738,764	2,376,659	–	15,115,423
Total net undiscounted financial liabilities	(3,976,368)	(2,376,659)	–	(6,353,027)

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

	1 year or less	**2 to 5 years**	**Total**
	$	**$**	**$**
Company			
2016			
Financial guarantees provided to subsidiaries	4,406,150	–	4,406,150
2015			
Financial guarantees provided to subsidiaries	5,142,880	–	5,142,880

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

Foreign exchange risk

The Group operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to United States dollar (USD), Euro (EUR) and Chinese Renminbi (RMB). Foreign exchange risk arises when future commercial transactions, recognised assets or liabilities, investments in foreign operations whose net assets are denominated in a currency other than the respective functional currencies of the Group entities, primarily SGD, Hong Kong dollar (HKD), Ringgit Malaysia (RM) and Chinese Renminbi (RMB).

The Group is exposed to currency translation risk arising from its net investments in foreign operations, including Malaysia, Hong Kong and China. The Group's net investments in foreign operations are not hedged as currency position in RM, HKD and RMB are considered to be long-term in nature.

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of the Group's loss before tax to a reasonably possible change in the USD, EUR and RMB exchange rates against the respective functional currencies of the Group entities, with all other variables held constant.

			Increase/(decrease) in loss before tax 2016	**(Increase)/decrease in profit before tax 2015**
			$	**$**
USD/SGD	–	strengthened 5% (2015: 5%)	-21,000	-43,000
	–	weakened 5% (2015: 5%)	+21,000	+43,000
EUR/SGD	–	strengthened 5% (2015: 5%)	-54,000	-141,000
	–	weakened 5% (2015: 5%)	+54,000	+141,000
RMB/SGD	–	strengthened 5% (2015: 5%)	+34,000	+72,000
	–	weakened 5% (2015: 5%)	-34,000	-72,000
SGD/RMB	–	strengthened 5% (2015: 5%)	+7,000	-3,000
	–	weakened 5% (2015: 5%)	-7,000	+3,000

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 exposure to credit risk arises primarily from trade receivables. For other financial assets (including cash and cash equivalents and derivatives), the Group minimises credit risk by dealing with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis with the result of minimising the Group's exposure to bad debts.

With respect to credit risk arising from the other financial assets of the Group, which comprise cash and cash equivalents and other debtors (including related party balances), the Group's exposure to credit risk arises from default of the counterparty, with a maximum exposure equal to the carrying amount of these instruments.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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

Credit risk **(cont'd)**

Since the Group trades only with recognised and creditworthy third parties, there is no requirement for collateral.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country sector profile of its trade debtors on an ongoing basis. The credit risk concentration profile of the Group's trade debtors at the end of the reporting period is as follows:

	Group			
	2016		2015	
	$	% of total	$	% of total
Singapore	1,114,503	14%	1,500,185	23%
Malaysia	2,361,141	29%	1,671,674	25%
Indonesia	1,992,953	25%	1,230,244	19%
Hong Kong/Macau/ People's Republic of China	1,707,713	21%	1,407,571	21%
Indo-China*	756,757	9%	546,296	8%
Other countries	180,325	2%	261,867	4%
	8,113,392	100%	6,617,837	100%

* Relates to Vietnam, Myanmar and Cambodia.

At the end of the reporting period, approximately 30% (2015: 25%) of the Group's trade debtors were due from 5 (2015: 5) major customers.

As at 31 December 2016, the Company has significant concentration of credit in the amounts due from subsidiaries and affiliated companies amounting to $5,701,405 (2015: $4,733,850).

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 12 (Trade debtors) and Note 14 (Amounts due from/(to) subsidiaries/affiliated companies).

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. Fair value of assets and liabilities

	Group		Company	
	2016	**2015**	**2016**	**2015**
	$	**$**	**$**	**$**
Financial assets				
Available for sale financial asset				
Unquoted investment	237,680	91,351	–	–
Loans and receivables				
Trade debtors	8,113,392	6,617,837	3,425,135	2,823,346
Other receivables	553,783	932,666	1,910	30,919
Deposits	196,008	191,435	7,634	10,111
Amounts due from subsidiaries	–	–	5,701,405	4,733,850
Amounts due from affiliated companies	916,430	9,240	–	–
Fixed deposits	498,694	490,490	6,275	6,259
Cash and bank balances	5,786,534	4,487,552	1,656,683	1,157,911
	16,064,841	12,729,220	10,799,042	8,762,396
Financial liabilities				
Financial liabilities carried at amortised cost				
Trade payables	1,910,215	1,867,163	528,087	747,690
Trust receipts and bills payable	4,061,835	5,112,891	3,938,962	4,894,499
Other creditors	502,512	712,623	155,776	329,840
Accruals and other liabilities	2,350,784	1,971,401	1,234,080	1,222,896
Dividend payable	114,830	114,839	114,419	114,419
Amounts due to subsidiaries	–	–	747,647	1,020,520
Amounts due to affiliated companies	548,837	207,553	–	–
Finance lease obligations	160,715	455,234	134,002	447,337
Term loans	8,622,641	7,509,402	6,095,507	6,113,979
	18,272,369	17,951,106	12,948,480	14,891,180

(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.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

37. Fair value of assets and liabilities (Cont'd)

(b) Financial instruments whose carrying amount approximates fair value

Trade debtors, other receivables, deposits, fixed deposits, cash and bank balances, trade payables, trust receipts and bills payable, other creditors, accruals and other liabilities, dividend payable, term loans and amounts due from/(to) subsidiaries and affiliated companies

The carrying amounts of these financial assets and liabilities are reasonable approximation at fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of the reporting period.

Finance lease obligations

The carrying amount approximate fair value as the current lending rates for similar type of lending arrangement is not materially different from the rates obtained by the Group.

(c) Financial instruments carried at other than fair value

Unquoted investment

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

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

The following table shows an analysis of the Company's assets and liabilities not measured at fair value at 31 December 2016 but for which fair value is disclosed:

	2016		**2015**	
	Significant observable inputs other than quoted prices (Level 2)	**Carrying amount**	**Significant observable inputs other than quoted prices (Level 2)**	**Carrying amount**
	$	**$**	**$**	**$**
Assets				
Investment property	1,212,900	–	820,800	–

Determination of fair value

Fair value of the investment property is estimated by the director at HK$6,500,000 (equivalent to S$1,212,900) as at 31 December 2016 (2015: HK$4,500,000 (equivalent to S$820,800)) with reference to indicative valuation obtain from bank.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

38. 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 2016 and 2015.

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 most restrictive covenant requires the Company to maintain a net worth of not less than $8.5 million at all times. The Group and the Company continuously monitor its compliance with these covenants. As at 31 December 2016 and 2015, the Group and the Company have complied with these covenants.

The Group monitors capital using a gearing ratio, which is loans and borrowings divided by total capital plus loans and borrowings. The Group includes within total loans and borrowings, trust receipts and bills payable (secured), finance lease obligations (secured) and term loans (secured). Capital includes equity attributable to the owners of the Company.

	Group		Company	
	2016	2015	2016	2015
	$	$	$	$
Trust receipts and bills payable (secured)	4,061,835	5,112,891	3,938,962	4,894,499
Finance lease obligations (secured) (Note 19)	160,715	455,234	134,002	447,337
Term loans (secured) (Note 20)	8,622,641	7,509,402	6,095,507	6,113,979
Loans and borrowings	12,845,191	13,077,527	10,168,471	11,455,815
Equity attributable to owners of the Company	23,106,921	24,681,169	22,619,082	21,790,495
Capital and loans and borrowings	35,952,112	37,758,696	32,787,553	33,246,310
Gearing ratio	36%	35%	31%	34%

39. Segment information

For management purposes, the Group is organised into business units based on their products and services, and has three reportable operating segments as follows:

- Residential and commercial (air-conditioning) segment relates to sale and distribution of air-conditioning materials which mainly comprises copper pipes, copper tubes, Class O and Class 1 closed cell insulation pipes and sheets, PVC trunkings, electrical wires and refrigerants.

- Commercial and light industrial (refrigeration) segment relates to sale of refrigeration component parts including compressors, condensers, condensing units, multiple compressor racks units, electronic controls, energy management solutions, service equipment and tools and the Group's range of thermal heat exchangers comprising evaporators, condensers and custom coils.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

39. Segment information (Cont'd)

– Oil, marine and gas (refrigeration and air-conditioning) segment relates to sales and distribution of a range of air-conditioning and refrigeration systems suitable for the oil, marine and gas industry. These products include the Group's brand of heat exchangers and packaged condensing units installed onboard ships, vessels and oil rigs, which are primarily used to preserve food, other perishables and also to provide air-conditioning for the living and working spaces of the vessel's crew.

Except as indicated above, no operating segment has been aggregated to form the above reportable operating segment.

Management monitors the gross profit or loss of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment performance is evaluated based on gross profit or loss only.

Assets and liabilities, as well as income and expenses (other than revenue and cost of sales) are managed on a group basis and are not allocated to operating segments.

Group	Residential and commercial (air-conditioning)	Commercial and light industrial (refrigeration)	Oil, marine and gas (refrigeration and air-conditioning)	Total
	$	$	$	$
2016				
Revenue	4,026,935	33,459,203	1,676,226	39,162,364
Cost of sales	(2,923,734)	(25,501,196)	(1,097,940)	(29,522,870)
Gross profit	1,103,201	7,958,007	578,286	9,639,494
2015				
Revenue	4,370,212	27,635,886	2,805,310	34,811,408
Cost of sales	(3,133,949)	(19,892,265)	(1,785,107)	(24,811,321)
Gross profit	1,236,263	7,743,621	1,020,203	10,000,087

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

39. Segment information (cont'd)

Geographical information

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

	Group	
	2016	2015
	$	$
Revenue		
Singapore	8,285,603	9,537,303
Malaysia	9,147,348	8,335,923
Indonesia	6,294,090	4,487,622
Hong Kong/Macau/People's Republic of China	10,667,650	7,743,970
Indo-China*	2,910,023	2,084,934
Others	1,857,650	2,621,656
	39,162,364	34,811,408

* Relates to Vietnam, Myanmar and Cambodia.

	Group	
	2016	2015
	$	$
Non-current assets		
Singapore	5,809,346	5,969,669
Malaysia	1,951,271	2,116,495
Hong Kong	17,004	20,172
People's Republic of China	10,550,782	10,884,804
Indo-China*	42,259	56,438
	18,370,662	19,047,578

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

Information about a major customer

Revenue from one major customer amounted to $3,013,524 (2015: $2,213,060), arising from trading sales (2015: trading sales) in the commercial and light industrial segment (2015: commercial and light industrial segment).

40. Authorisation of financial statement

The financial statements for the year ended 31 December 2016 were authorised for issue in accordance with a directors' resolution dated on 3 April 2017.

STATISTICS OF SHAREHOLDINGS

AS AT 24 MARCH 2017

SHARE CAPITAL

Issued and fully paid-up capital	:	$19,264,441
Total number of issued shares	:	108,480,000
Number of treasury shares	:	NIL
Class of shares	:	Ordinary shares
Voting right	:	On a poll: One vote for each ordinary share

DISTRIBUTION OF SHAREHOLDINGS

(As recorded in the Register of Members and Depository Register)

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 – 99	76	26.39	723	0.00
100 – 1,000	35	12.15	25,516	0.02
1,001 – 10,000	50	17.36	270,910	0.25
10,001 – 1,000,000	117	40.63	14,513,346	13.38
1,000,001 AND ABOVE	10	3.47	93,669,505	86.35
TOTAL	**288**	**100.00**	**108,480,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

(As recorded in the Register of Members and Depository Register)

NO.	NAME	NO. OF SHARES	%
1	UOB KAY HIAN PRIVATE LIMITED	65,892,700	60.74
2	LENG CHEE KEONG	7,339,800	6.77
3	CHEUNG WAI SUM	6,300,000	5.81
4	LIM BOON HOCK BERNARD	3,000,000	2.77
5	PHILLIP SECURITIES PTE LTD	2,886,331	2.66
6	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	2,765,000	2.55
7	RAFFLES NOMINEES (PTE) LIMITED	1,505,874	1.39
8	KUAH KOK KIM	1,500,000	1.38
9	ESTATE OF LOH AH PENG @ LOH EE MING	1,260,500	1.16
10	JAKE LAM	1,219,300	1.12
11	LOH MUN YEW	981,900	0.91
12	YAP KOK KIONG	800,000	0.74
13	CITIBANK NOMINEES SINGAPORE PTE LTD	775,000	0.71
14	ESTATE OF NG TAT KEONG, DECEASED	711,600	0.66
15	WARD ALLAN	705,000	0.65
16	FUCO RUDYANTO CHANDRA	600,000	0.55
17	LEE WEN-CHANG	600,000	0.55
18	MAYBANK KIM ENG SECURITIES PTE. LTD.	600,000	0.55
19	KUAH KIAN KEONG	500,000	0.46
20	LIM KENG ANN	499,800	0.46
	TOTAL	**100,442,805**	**92.59**

STATISTICS OF SHAREHOLDINGS

AS AT 24 MARCH 2017

SUBSTANTIAL SHAREHOLDERS

	No. of shares in which the substantial shareholder has direct interests	%	No. of shares in which the substantial shareholder has deemed interests	%
Substantial Shareholders				
Estate of Loh Ah Peng @ Loh Ee Ming(1)(2)	1,260,500	1.16	63,855,000	58.86
Loh Mun Yew(1)(3)	981,900	0.91	65,115,500	60.02
Universal Pte. Ltd.(4)	63,855,000	58.86	–	–
Cheung Wai Sum(5)	6,300,000	5.81	–	–
Loh Pui Lai(1)(5)	–	–	6,300,000	5.81
Leng Chee Keong	7,339,800	6.77	–	–

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

(2) Estate of Loh Ah Peng @ Loh Ee Ming is deemed to have an interest in the 63,855,000 shares, held by Universal Pte. Ltd. by virtue of Section 7 of the Companies Act, Cap. 50.

(3) Loh Mun Yew is deemed to have an interest in the 63,855,000 shares, held by Universal Pte. Ltd. by virtue of Section 7 of the Companies Act, Cap. 50, and the 1,260,500 shares held by the Estate of Loh Ah Peng @ Loh Ee Ming arising from his capacity as executor of his late father's will, by virtue of Section 7 of the Companies Act, Cap 50.

(4) Universal Pte. Ltd. is an investment holding company incorporated in Singapore and its 63,855,000 shares in the Company are held through a nominee, UOB Kay Hian Private Limited. The shareholders are Estate of Loh Ah Peng @ Loh Ee Ming, Loh Mun Yew, Loh Pui Lai, Lum Soo Mooi (spouse of Loh Ah Peng @ Loh Ee Ming) and Loh Pui Pui (daughter of Loh Ah Peng @ Loh Ee Ming and Lum Soo Mooi, and sibling of Loh Mun Yew and Loh Pui Lai) with shareholding interest of 40.68%, 27.42%, 10.68%, 10.33% and 10.89% respectively. The directors of Universal Pte. Ltd. are Loh Mun Yew, Loh Pui Pui and Lum Soo Mooi.

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

SHAREHOLDINGS HELD IN THE HANDS OF THE PUBLIC

Based on the information available to the Company as of 24 March 2017, approximately 26.5% of the issued ordinary shares of the Company are held by the public and therefore Rule 723 of the Listing Manual Section B: Rules of Catalist of the SGX-ST is complied with.

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 112 Lavender Street #02-01 Far East Refrigeration Building Singapore 338728 on Friday, 28 April 2017 at 11:00 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the audited financial statements for the financial year ended 31 December 2016, together with the report of the Auditors and the Directors' Statement. **(Resolution 1)**

2. To re-elect the following directors retiring pursuant to Regulation 104 of the Company's Constitution:

   (a) Ms Loh Pui Lai (Regulation 104) **(Resolution 2)**
   (b) Mr Leng Chee Keong (Regulation 104) **(Resolution 3)**

   [see explanatory note (i) below]

3. To approve the payment of Directors' fees of S$165,000 for the financial year ending 31 December 2017, to be paid half-yearly in arrears. **(Resolution 4)**

4. To re-appoint Messrs Ernst & Young LLP as the Company's auditors and to authorise the Directors to fix their remuneration. **(Resolution 5)**

5. To transact any other ordinary business that may be properly transacted at an Annual General Meeting.

SPECIAL BUSINESS

To consider and if thought fit, pass the following resolutions as ordinary resolutions, with or without any modifications:

6. **Authority to allot and issue shares in the capital of the Company**

   "That pursuant to Section 161 of the Companies Act and the Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**") – Section B: Rules of Catalist ("**Catalist Rules**"), authority be and is hereby given to the Directors of the Company to:

   (A) (i) allot and issue shares in the capital of the Company 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) 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 in their absolute discretion deem fit; and

   (B) (notwithstanding that this authority may have ceased to be in force) issue shares in pursuance of any Instrument made or granted by the Directors while this authority was in force,

   provided that:

   (1) the aggregate number of shares to be issued pursuant to this authority (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 100% of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro-rata* basis to the existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 50% of the issued share capital of the Company (as calculated in accordance with subparagraph (2) below);

NOTICE OF ANNUAL GENERAL MEETING

(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 subparagraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this authority is given, after adjusting for:

(i) new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time this authority is given; and

(ii) any subsequent consolidation or sub-division of shares;

(3) in exercising the authority conferred by this authority, the Directors 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) and the Constitution for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) this authority shall continue in force until the conclusion of the next annual general meeting of the Company or the date by which the next annual general meeting of the Company is required by law and the Catalist Rules to be held, whichever is the earlier".

[See explanatory note (ii) below] **(Resolution 6)**

BY ORDER OF THE BOARD

Chia Foon Yeow
Company Secretary

Singapore
6 April 2017

Explanatory Notes:

(i) Ms Loh Pui Lai will, upon re-election as a Director, remain as the Non-Executive Chairman of the Company.

Mr Leng Chee Keong will, upon re-election as a Director, remain as the Chief Operating Officer (Sales and Marketing) and Executive Director of the Company.

(ii) Under the Catalist Rules, a share issue mandate approved by shareholders as an ordinary resolution will enable directors of an issuer to issue an aggregate number of new shares and convertible securities of the issuer of up to 100% of the total issued Share in the capital of the issuer (excluding treasury shares) as at the time of passing of the resolution approving the share issue mandate, of which the aggregate number of new shares and convertibles securities issued other than on a *pro-rata* basis to existing shareholders must be not more than 50% of the total issued Share in the capital of the Company (excluding treasury shares).

The Directors of the Company are of the opinion that the proposed Share Issue Mandate will enable the Company to respond faster to business opportunities and to have greater flexibility and scope in negotiating with third parties in potential fund raising exercises or other arrangements or transactions involving the capital of the Company.

The Ordinary Resolution 6 proposed in item 6 above, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in

NOTICE OF ANNUAL GENERAL MEETING

a general meeting, whichever is the earlier, to allot and issue shares in the capital of the Company and/or the Instruments (as defined above). The aggregate number of shares (including shares to be make in pursuance of Instruments made or granted pursuant to this Resolution) which the Directors may allot and issue, shall not exceed 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which the total number of shares and convertible securities other than on a *pro-rata* basis to existing shareholders, shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company.

Notes:

(1) A member who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where such member appoints more than one (1) proxy, he shall specify the proportion of his shareholding to be represented by each proxy in the proxy form.

(2) A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

(3) "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50) of Singapore.

(4) A proxy need not be a member of the Company.

(5) If the member is a corporation, the instrument appointing the proxy must be under its common seal or the hand of an officer or attorney duly authorised.

(6) The instrument appointing a proxy must be deposited at the Company's registered office at 112 Lavender Street #04-00 Far East Refrigeration Building, Singapore 338728, not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting.

(7) In the case of members of the Company whose shares are entered against their names in the Depository Register, the Company may reject any instrument appointing a proxy or proxies lodged if such members are not shown to have shares entered against their names in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Annual General Meeting as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

Where a member of the Company submits an instrument appointing proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data to the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, proxy lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof), and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "**Purposes**"), (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the collection, use and disclosure by the Company (or its agents) of the personal data of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

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

This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made, or reports contained in this notice. The contact person for the Sponsor is Ms Lee Khai Yinn (Telephone: (65) 6532 3829) at 1 Robinson Road, #21-02 AIA Tower, Singapore 048542. SAC Capital Private Limited is the parent company of SAC Advisors Private Limited.

FAR EAST GROUP LIMITED

(Company Registration No. 196400096C)
(Incorporated in the Republic of Singapore)

PROXY FORM
ANNUAL GENERAL MEETING

IMPORTANT

1. For investors who have used their CPF monies to buy shares in the capital of Far East Group Limited, this Annual Report is forwarded to them at the request of their CPF Approved Nominees and is sent FOR INFORMATION ONLY.
2. This Proxy Form is not valid for use by such CPF investors and shall be ineffective for all intents and purposes if used or purported to be used by them.

I/We, ______________________________ (Name) ______________ (NRIC/Passport No.)

of ____ (Address)

being a member/members of Far East Group Limited (the "Company") hereby appoint:

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings		Class of Shares
			No. of Shares	%	

and/or (delete as appropriate)

Name	Address	NRIC/ Passport No.	Proportion of Shareholdings		Class of Shares
			No. of Shares	%	

as my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting ("AGM") of the Company, to be held at 112 Lavender Street #02-01 Far East Refrigeration Building Singapore 338728 on Friday, 28 April 2017 at 11:00 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific direction as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the AGM.

No.	Resolutions relating to:	For*	Against*
	Ordinary Business		
1	Audited financial statements for the financial year ended 31 December 2016 and the report of the Auditors and Directors' Statement		
2	Re-election of Ms Loh Pui Lai as a Director		
3	Re-election of Mr Leng Chee Keong as a Director		
4	Approval of payment of Directors' fees amounting to S$165,000 for the financial year ending 31 December 2017, to be paid half-yearly in arrears		
5	Re-appointment of Messrs Ernst & Young LLP as Auditors and authority to fix their remuneration		
	Special Business		
6	Authority to allot and issue shares or convertible securities		

* Please indicate your vote "For" or "Against" with a tick (√) within the box provided. Alternatively, if you wish to exercise your votes for both "For" and "Against" the relevant Resolution, please indicate the number of Shares in the boxes provided.

Dated this _______ day of ____________, 2017.

Total number of shares in:	No. of shares
(a) CDP Register	
(b) Register of Members	

____
Signature(s) of Member(s) or Common Seal

Notes

1. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 81SF of the Securities and Futures Act (Chapter 289) of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you 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 you.

2. A member who is not a Relevant Intermediary is entitled to appoint not more than two (2) proxies to attend, speak and vote at the meeting. Where such member appoints more than one (1) proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

3. A member who is a Relevant Intermediary is entitled to appoint more than two (2) proxies to attend, speak and vote at the meeting, but each proxy must be appointed to exercise the rights attached to a different share or shares held by such member. Where such member appoints more than two (2) proxies, the number and class of shares in relation to which each proxy has been appointed shall be specified in the proxy form.

4. "Relevant intermediary" has the meaning ascribed to it in Section 181 of the Companies Act (Chapter 50) of Singapore.

5. A proxy need not be a member of the Company.

6. Completion and return of this instrument appointing a proxy shall not preclude a member from attending and voting at the meeting. Any appointment of a proxy or proxies shall be deemed to be revoked if a member attends the meeting in person, and in such event, the Company reserves the right to refuse to admit any person or persons appointed under the instrument of proxy to the meeting.

7. This proxy form must be deposited at the Company's registered office at 112 Lavender Street #04-00 Far East Refrigeration Building, Singapore 338728, not less than forty-eight (48) hours before the time set for the meeting.

8. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be duly stamped and deposited with this proxy form, failing which this proxy form shall be treated as invalid.

9. A corporation which is a member may authorise by resolution of its directors or other governing body such person as it thinks fit to act as its representative at the meeting, in accordance with Section 179 of the Companies Act (Chapter 50) of Singapore.

General

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. In addition, in the case of shares entered in the Depository Register, the Company may reject a proxy form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the meeting, as certified by The Central Depository (Pte) Limited to the Company.

Personal Data Privacy

By submitting an instrument appointing a proxy(ies) and/or representative(s), the member accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 6 April 2017.

GENERAL INFORMATION

DIRECTORS

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

COMPANY SECRETARY
Chia Foon Yeow

REGISTERED OFFICE
112 Lavender Street
#04-00 Far East Refrigeration Building
Singapore 338728
Tel: (65) 6293 9733
Fax: (65) 6296 5326

SHARE REGISTRAR
Boardroom Corporate & Advisory Services Pte Ltd
50 Raffles Place
#32-01 Singapore Land Tower
Singapore 048623

AUDITOR
Ernst & Young LLP
One Raffles Quay
#18-01 North Tower
Singapore 048583

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

BANKERS
United Overseas Bank Limited
DBS Bank Ltd

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

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

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

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

Far East Group Limited

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