MOVING FORWARD
WITH RESILIENCE

ANNUAL REPORT **2021**

TABLE OF CONTENTS

CORPORATE PROFILE

OUR VISION

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

OUR MISSION

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

OUR MOTTO

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

We adopt new mindsets and innovative ideas.

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

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

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

LETTER TO SHAREHOLDERS

"The accelerating rollouts of Covid-19 vaccinations in many major economies and widespread fiscal responses to the economic crisis are boosting the outlook for economic growth and leading to a rebound in energy demand in the region. This is expected to drive investment in upstream activities.

The Ukraine conflict however brought uncertainties and is expected to disrupt supply chain and cause shipping delays, the Group will be closely monitoring the environment for any critical development as we adapt our strategies to suit the evolving situation."

DEAR SHAREHOLDERS,

On behalf of the Board of Federal International (2000) Ltd ("Federal", or together with its subsidiaries, the "Group"), I am pleased to present our Annual Report 2021 for the financial year ended 31 December 2021 ("FY2021").

YEAR IN REVIEW

The Group turned in a profit before tax of $826,000 in FY2021 despite the uncertain business environment in which we operate in. While Group revenue dipped 12.2% lower to S$59.8 million in the year of review, our Thailand, Indonesia and Singapore segments turned in higher sales and higher margins that offset the drop in our revenue from our China segment.

Meanwhile, we have also enlarged our orderbook with our Thailand customers and PT Gunanusa Utama ("PTG") in Indonesia, which will see our pipeline through till 2023. This would put us in a position to report higher sales for FY2022.

As part of the Group's continuous effort to strengthen our liquidity, we disposed of our non-core asset located at 11 Tuas Avenue 1 Singapore 639496. The 22-year leasehold (commencing from 16 November 2012) property spanning an area of about 4,701.40 sqm was being used for the purpose of storage of valves and partially rented out. We have consolidated our

LETTER TO SHAREHOLDERS

operations and warehousing into our current premises at Chin Bee Drive since November 2021, the property is currently not being used. Disposal of the property will allow the Group to realise our non-core asset, lower our leverage and improve our liquidity. Net Proceeds from the sale will be used to discharge the property's mortgage and for general working capital of the Group.

This disposal will put the Group in good stead to seize any arising opportunities to expand our Trading business, while being better equipped to explore lucrative investments.

STRATEGIC PARTNERSHIP WITH PT GUNANUSA UTAMA FABRICATORS ("PTG")

The Group works closely with its long-term strategic partner, PTG to help it procure materials and provide other ancillary support services to help fulfill its orders. As part of this partnership, the Group has entered into a procurement agreement with PTG on 24 September 2021 for the engineering, procurement, construction and installation of 4 offshore wellhead platforms, associated pipelines and tie-ins, which is expected to be completed in 27 months. This project will fulfil the Group's business capacity for FY2022 and contribute towards the Group's performance upon delivery of the each procurement milestone.

The order flow at PTG's yard has continued to stabilise throughout FY2021 to FY2022. Our Group will continue to benefit on the orders coming from our strategic tie-ups with PTG going forward.

OIL & GAS MARKET BUSINESS PROSPECT

The acceleration of COVID-19 vaccinations in many major economies and widespread fiscal stimulus, in response to the economic crisis, boosted the outlook for economic growth, which led to a rebound in energy demand within the region. This is expected to continuously drive investment in upstream activities.

The Ukraine conflict, however, brought uncertainties to the business environment. This geopolitical event is expected to disrupt supply chain and cause shipping delays. The Group will be closely monitoring the environment for any critical development, as we adapt our strategies to manage the evolving situation.

UPDATE ON INDONESIA'S INFRASTRUCTURE

As we deepen our business interests in Indonesia infrastructure, we are cautiously optimistic that the country presents strategic opportunities for the Group with the proposed plan to shift the Jakarta capital to Borneo. Under the proposed solution which was first put forth in 2019, Jakarta will be relocated about 1,200 miles northeast of it in a 990-square-mile city in Borneo's East Kalimantan province.

Jakarta, which is known as the world's most rapidly sinking city, faces the problem of uncontrolled groundwater extraction, exacerbated by the Java Sea's rise due to climate change. Not only is it congested and polluted, it is also prone to earthquakes and rapidly sinking into the Java Sea. The ambitious project will be undertaken amidst the pandemic with a US$34 billion investment cost to be funded by the government and various business entities.

Scheduled to be completed by 2045, the project will allow Indonesia to establish itself as a sustainable city with good public transportation that is integrated with its natural environment isolated from natural disasters. This move will give the country a competitive edge in the international arena as it transforms itself into a green economy driven by innovation and technology. Alongside this exciting infrastructure development, the Group sees massive business prospects for the Group to capitalise on in the near future.

FSO CHARTER (FEDERAL II)

The Group holds a 30% stake in the Federal II floating, storage, and offloading vessel ("FSO"). The vessel is on a 5-year charter with PT Pertamina Hulu Energy OSES for US$51.3 million starting from 6 September 2018. It is being deployed at the Indonesia Widuri Field.

LETTER TO **SHAREHOLDERS**

RENEWABLE ENERGY STRATEGY

Underscoring our renewable energy commitment, the Group signed a memorandum of understanding (MOU) with a Vietnamese renewal energy company to act as their procurement partner and fabricator to obtain hydrogen via the electrolysis process using renewable energy sources like wind turbine and solar panel. The hydrogen harnessed from these processes serve as an alternative form of energy which can be stored and used to power cars and ship fuel cell.

As the world moves towards adopting cleaning energy, this process can help to reduce carbon emission. The Group will be studying this technology further and is exploring its potential and viability.

Kidde Fire Systems

ACKNOWLEDGEMENTS

I would like to take this opportunity to express my appreciation to Mr Yee Kee Shian, Leon and Mr Loh Eu Tse Derek, who have stepped down as Non-Executive and Independent Director on 28 April 2021 and 22 October 2021 respectively. We are grateful for their contribution towards the Group during their term and would like to wish them success in their future endeavours.

At the same time, I would like to extend a warm welcome to Mr Murali Krishna Ramachandra for joining us as Non-Executive and Independent Director on 1 July 2021. Congratulations to Mr Koh Beng Guan, Don on his re-designation from Executive Director to Deputy Group Chief Executive Officer with effect from 1 January 2022. I look forward to working closely with our new team members in steering the Group through these challenging times.

On behalf of the Board, I would like to thank our valued customers, bankers, and business associates for their faith and trust in us. I would also like to show my gratitude to all my fellow Board members, management, and staff for their commitment and perseverance during the year. Finally, I am thankful for our valued shareholders, who have supported us staunchly over the years. The Group will work towards maintaining our business momentum to create sustainable value for everyone.

BOARD OF DIRECTORS

MR. KOH KIAN KIONG

Executive Chairman and Chief Executive Officer

Mr Koh is one of the founders of the Group and has more than 46 years of experience in the oil and gas industry. Mr Koh oversees the formulation of the Group's corporate strategies and expansion plans.

Date of first appointment as a director:
13 November 1999

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

Length of service as a director (as at 31 December 2021):
22 years

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

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

Present Directorships (as at March 2022):
Listed companies
Federal International (2000) Ltd

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

Major Appointments (other than directorships):
Nil

Past Directorships in listed companies held over the preceding five years (from March 2017 to March 2022):
Nil

Other Principal Commitments:
Nil

MS. MAGGIE KOH

Executive Director

Ms Maggie Koh has more than 26 years of experience in the oil and gas industry, and she oversees the trading business of the Group.

Date of first appointment as a director:
19 June 2000

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

Length of service as a director (as at 31 December 2021):
22 years

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

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

Present Directorships (as at March 2022):
Listed companies
Federal International (2000) Ltd

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

Major Appointments (other than directorships):
Nil

Past Directorships in listed companies held over the preceding five years (from March 2017 to March 2022):
Nil

Other Principal Commitments:
Nil

BOARD OF DIRECTORS

MR. HOON TAI MENG

Non-Executive and Lead Independent Director

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

Date of first appointment as a director:
13 August 2020

Date of last re-election as a director:
NIL

Length of service as a director (as at 31 December 2021):
1.5 years

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

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

Present Directorships (as at March 2022):
Listed companies
Aedge Group Limited
Hock Lian Seng Holdings Limited
Koufu Group Limited
Spindex Industries Limited

Other principal directorships:
Nil

Major Appointments (other than directorships):
Nil

Past Directorships held over the preceding 5 years (from March 2017 to March 2022):
Chip Eng Seng Corporation Ltd
Pavilion Holdings Ltd
Sin Ghee Huat Corporation Ltd

Other Principal Commitments:
Senior Consultant, RHTLaw Asia LLP

BOARD OF DIRECTORS

MR. KHOO BOO YEOW, ANDREW

Non-Executive and Independent Director

Mr Andrew Khoo is currently the Chairman and Chief Executive Officer of Malayan United Industries Berhad, the Executive Chairman and Chief Executive Officer of MUI Properties Berhad, an Executive Director of Pan Malaysia Corporation Berhad and Network Foods International Ltd, and a Director of Laura Ashley Inc.. Previously, he was the Chief Operating Officer and Director of Group Business Developments of a Singapore Listed Company. He was also the Director of Corporate Affairs in a UK and Malaysian Listed company.

Date of first appointment as a director:
10 August 2012

Date of last re-election as a director:
30 April 2019

Length of service as a director (as at 31 December 2021):
11 years

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

Academic & Professional Qualification(s):
Bachelor of Laws (Hons) degree
Master of Business Administration

Present Directorships (as at March 2022):
Listed companies
Federal International (2000) Ltd
Malayan United Industries Berhad
MUI Properties Berhad
Pan Malaysia Corporation Berhad
Laura Ashley Inc.

Other principal directorships:
Subsidiaries of the MUI Group
Pan Malaysian Industries Berhad
Laura Ashley Inc.and its subsidiaries
A & W (Malaysia) Sdn. Bhd.

Major Appointments (other than directorships):
Committee Members, The Oxford and Cambridge Society of Singapore

Past Directorships in listed companies held over the preceding five years (from March 2017 to March 2022):
Nil

Other Principal Commitments:
Chairman and Chief Executive Officer, the MUI Group
President, Franchise and Licensing Association (Singapore)
Committee Members, The Oxford and Cambridge Society of Singapore
Director, The Benjamin Barker Group Pte. Ltd.

BOARD OF DIRECTORS

MR. MURALI KRISHNA RAMACHANDRA

Non-Executive and Independent Director

Mr. Krishna Ramachandra is Chairman of Selvam LLC and Managing Director of Duane Morris & Selvam LLP. He has a broad-based international legal career, having practiced in top law firms for over 23 years as a corporate finance and technology lawyer.

Date of first appointment as a director:
1 July 2021

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

Length of service as a director (as at 31 December 2021):
0.5 year

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

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

Present Directorships (as at March 2022):
Listed companies
Federal International (2000) Ltd

Other principal directorships:
Duane Morris & Selvam LLP
Selvam LLC
Digital Insights Ventures Limited

Major Appointments (other than directorships):
Nil

Past Directorships in listed companies held over the preceding 5 years (from March 2017 to March 2022):
NIL

Other Principal Commitment:
Managing Director, Duane Morris & Selvam LLP
Chairman, Selvam LLC

KEY EXECUTIVES **AND MANAGEMENT**

MR. KOH BENG GUAN, DON

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

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

He assists the Group CEO in the formation of the Group's corporate strategies and expansion plan. In addition, he oversees the operations of Alton International (S) Pte Ltd and PT Fedsin Rekayasa Pratama and related Indonesia businesses. Mr. Koh has more than 22 years of experience in managing company, marketing strategy planning and business development. He holds a Bachelor in Business Administration from the Southern Cross University, Australia.

MR. RICHARD DOCHERTY

MANAGING DIRECTOR, KVC (UK) LTD

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

MR. SAM KWAI HOONG

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

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

KEY EXECUTIVES AND MANAGEMENT

MR. DENG GUAN QUN

CHIEF EXECUTIVE OFFICER,
FEDERAL ENVIRONMENTAL & ENERGY PTE LTD

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

MR. QUEK CHENG HOCK

MANAGING DIRECTOR,
FEDERAL FIRE ENGINEERING PTE LTD

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

BUSINESS AND FINANCIAL REVIEW

The prolonged pandemic-related restrictions on movement continued to affect the Group's businesses in FY2021, although the impact was lesser than a year ago. The demand for scrubber trade in China slowed down significantly, as ship-owners weigh the benefits and costs of scrubber installation against the cost of low sulphur compliant fuel. Completion of delivery for orders secured in FY2020 during 2H2020, and the onset of project partnership with PT Gunanusa contributed to the Group's performance for the year.

INCOME STATEMENT

REVENUE

The Group reported revenue of $59.8 million for FY2021, which was 12.2% below the revenue in FY2020 of $68.1 million. This was attributed to lower sales from the Trading business in China, which was partially offset by increased sales in Indonesia and Thailand.

GROSS PROFIT

Higher sales and margins for our Trading business in Thailand has resulted in a gross profit of $12.0 million with gross profit margin climbing to 20.1% during the year as compared to 17.6% registered for FY2020.

OTHER INCOME

Other income gained 74.0% to $4.0 million in FY2021 against $2.3 million in FY2020 due to the fair value gain of investment properties of $2.3 million. This was partially offset by lower grant income of $715,000 from the Jobs Support Scheme ("JSS").

SELLING AND DISTRIBUTION COSTS

Selling and distribution costs dipped marginally lower by 2.1% to $5.2 million in FY2021.

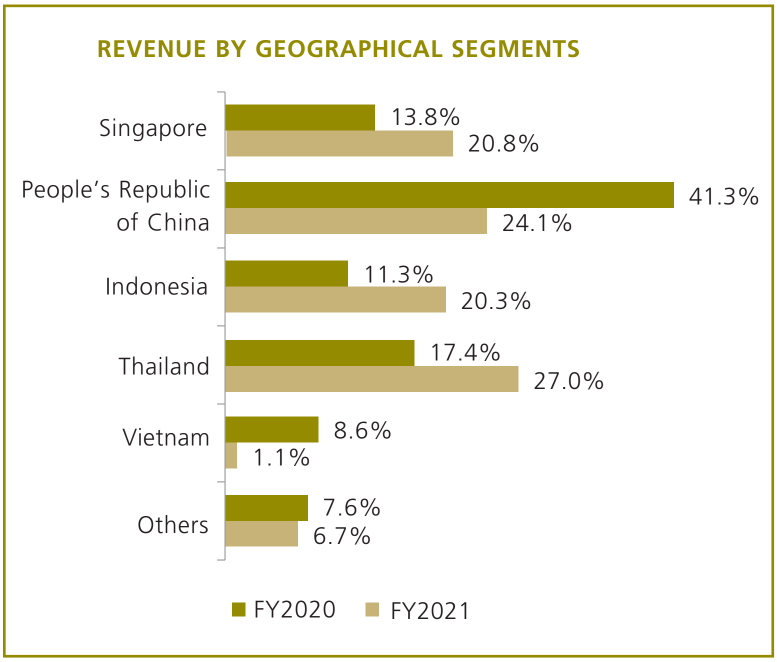
ADMINISTRATIVE AND GENERAL COSTS

Administrative and general costs declined 5.2% to $8.7 million (FY2020: $9.1 million) due to cost control measures initiated during the year, which reduced staff costs by $630,000.

OTHER OPERATING EXPENSES

Other operating expenses stood at $1.1 million in FY2021, comparable to that in FY2020.

BUSINESS AND **FINANCIAL REVIEW**



NET IMPAIRMENT LOSS ON FINANCIAL ASSETS

Impairment loss on financial assets amounted to $301,000 as compared to $5.0 million in the previous year. This was partially offset by a write-back of $174,000. The amount was significantly lower during the year due to the absence of payment defaults. FY2020 recorded higher impairment loss as a result of defaults by several customers of the Group's Indonesia trading business.

FINANCE COSTS

Finance costs slid 6.4% to $1.1 million in FY2021 against $1.2 million in the year before, as a consequence of lower average term loan outstanding during the year.

SHARE OF RESULTS OF ASSOCIATES

In view of reduced contribution from an associated company in Indonesia, the Group's share of results of associates decreased to $1.0 million (FY2020: $1.3 million).

INCOME TAX (EXPENSES)/CREDIT

The Group reported a tax expense of $193,000 in the reporting year against a tax credit of $1.2 million in FY2020. The tax expense was mainly related to prior years' under provision of current income tax while the tax credit in FY2020 was pertaining to deferred tax assets arising from provision for impairment loss of trade receivables.

STATEMENT OF FINANCIAL POSITION

NET ASSETS ATTRIBUTABLE TO OWNERS OF THE COMPANY

As at 31 December 2021, the net assets attributable to owners of the Company stood at $80.0 million, translating to a net asset value per ordinary share of 56.89 cents.

BUSINESS AND FINANCIAL REVIEW

NON-CURRENT ASSETS

Non-current assets gained by $1.2 million to $55.7 million (31 December 2020: $54.5 million). This was attributed to: –

a) Increase in investment properties of $6.4 million due to reclassification of a subsidiary's leasehold buildings of $4.1 million from property, plant and equipment to investment properties, coupled with fair value gain of investment properties of $2.3 million;

b) Gain in investment in associates of $1.1 million as a result of share of associates' result for the year;

The above is partially offset by: –

c) Decline in property, plant and equipment of $6.1 million as a result of reclassification of a subsidiary's leasehold buildings of $4.1 million to investment properties, as well as depreciation charge of $1.9 million; and

d) Decrease in intangible assets of $136,000 and right-of-use assets of $254,000 caused by depreciation and amortisation.

CURRENT ASSETS

Current assets gained by $6.3 million to $70.3 million (31 December 2020: $64.0 million). This was the result of: –

a) Increase in trade receivables of $8.6 million in relation to the on-going projects;

b) Surge in advance payment to suppliers of $4.3 million;

c) Increase in fixed and bank deposits and cash and bank balances of $3.2 million;

BUSINESS AND **FINANCIAL REVIEW**

The above is partially offset by: –

d) Reduction in inventories of $5.1 million due to delivery of products to customers;

e) Decline in amount due from related parties of $3.4 million, as a consequence of settlement with a non-controlling interest of a subsidiary via a share capital reduction exercise in that subsidiary;

f) Decrease in other receivables of $1.4 million mainly due to collection of value-added tax receivables, collections from other receivables and repayment of loan from an investee company.

CURRENT LIABILITIES

Current liabilities rose by $12.9 million to $56.5 million (31 December 2020: $43.6 million). The increase was a consequence of: –

a) Higher contract liabilities of $17.0 million, which were advance consideration received from customers in relation to the on-going projects;

b) Increase in trade payables of $7.0 million, which were in line with higher purchases towards the end of the year;

c) Increase in amounts due to related parties of $498,000;

d) Enlarged provision for taxation of $247,000 mainly attributable to prior years of under provision of taxation.

The above is partially offset by: –

e) Decrease in amounts due to banks of $11.5 million and term loans of $386,000 due to settlement of trust receipts and repayment of term loans.

NON-CURRENT LIABILITIES

As at 31 December 2021, non-current liabilities stood at $8.8 million as compared to $12.8 million as at 31 December 2020. This was attributed to repayment of $3.1 million of term loans and reduction in deferred tax liabilities of $745,000.

CASHFLOW REVIEW

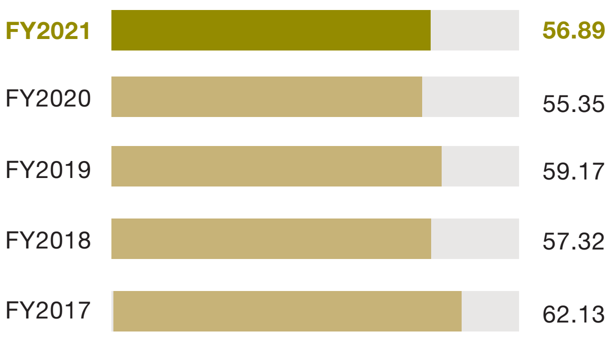
As at 31 December 2021, the Group reported $11.4 million of cash and cash equivalents, excluding bank deposits pledged. During the year, operating activities generated $19.6 million, while financing activities utilised $15.2 million.

The net cash generated from operating activities was mainly a result of positive operating cash flows and working capital movement due to decrease in inventories and trade and other receivables, increase in trade and other payables and contract liabilities, partially offset by an increase in advance payment to suppliers.

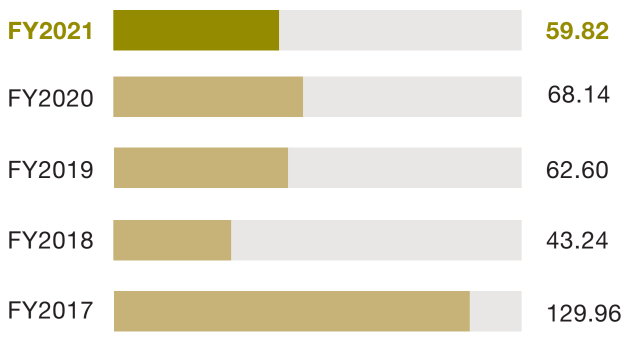
The net cash used in financing activities was mainly due to the net repayment of trust receipts and term loans.

FINANCIAL **HIGHLIGHTS**

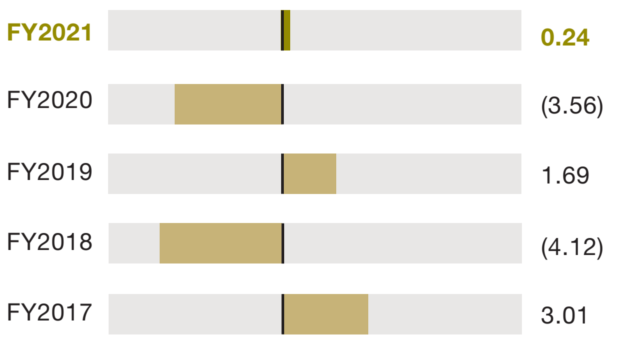
NET ASSETS VALUE PER SHARE (CENTS)



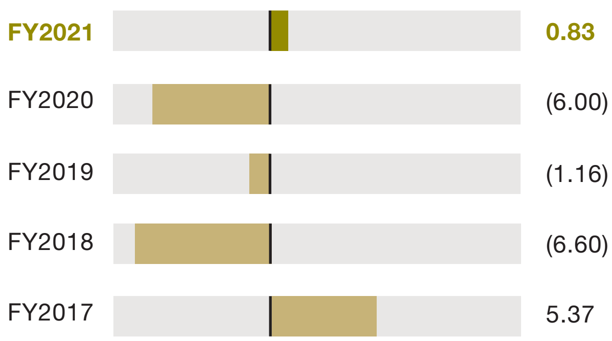
TURNOVER ($MIL)



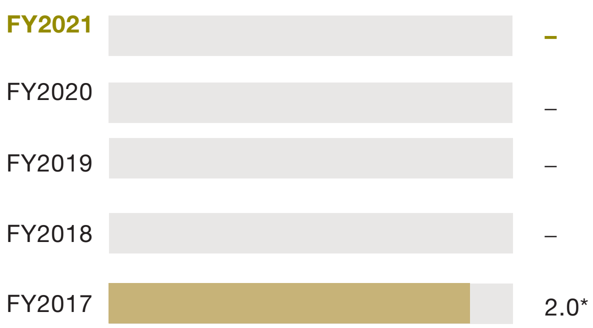
EARNINGS/(LOSS) PER SHARE (CENTS)



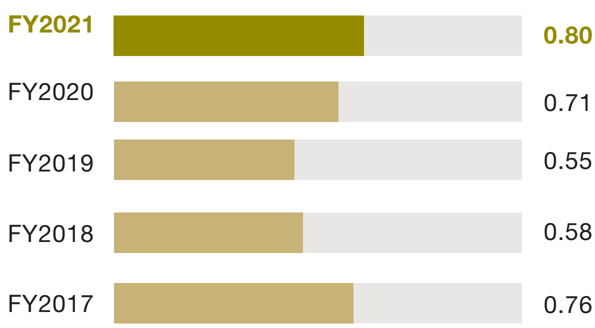
PROFIT/(LOSS) BEFORE TAX ($MIL)



PROPOSED DIVIDEND PER SHARE (CENTS)



DEBT/EQUITY RATIO



* Comprise of final dividend per share of 1.5 cents and special dividend per share of 0.5 cents

SUSTAINABILITY REPORT

BOARD STATEMENT

Dear Stakeholders,

The COVID-19 pandemic has impacted businesses globally. Our businesses across all segments have been affected by supply chain disruption causing delays in deliveries from vendors and to customers. Such disruptions inevitably affected cash flows for the businesses. The government's Job Support Scheme provides much relief to short-term cash flow. Banks provided the needed support in maintaining and fulfilling our trading businesses. Cost reduction initiatives were also introduced to conserve and manage costs and cash flow.

In addition to these short-term measures, the Group continues to review its business strategies in the longer term to achieve sustained growth. We are at the same time mindful of the impact that we are likely to cause to the environment, community, and other stakeholders.

While oil price has increased and expected to remain resilient in the near term, the oil and gas industry continues to face uncertainties and intense competition. As part of our operating strategies to build a resilient business, we focus on forming strategic alliances and relationships with key local partners who share our values. At the same time, we place strong emphasis on employee development to deliver performance in the markets we operate.

As we look to the future, our commitment to sustainability remains embedded in our business strategies and core values. We aim to actively contribute to enhancing our society while we continue to grow.

Federal constantly monitors emerging risks and their impacts on our clients' as well as our operations. Our approach to the outbreak of the COVID-19 coronavirus, is no different. The current COVID-19 outbreak has triggered our business continuity plan to ensure the continuity of our business activities.

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

For and on behalf of the Board of Directors

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

SUSTAINABILITY REPORT

OUR APPROACH TO SUSTAINABILITY

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

The responsibilities of the Sustainability Committee are:

- to oversee and provide inputs to the management on the Company's policies, strategies and programmes related to matters of sustainability and Corporate Social Responsibility including but not limited to matters related to environment, local community, human rights, supply chains, customer feedbacks and philanthropy.
- to set and review the goals established for its performance with respect to matters of sustainability and corporate social responsibility and monitor the Company's progress against those goals.
- to receive and act on periodic feedbacks from the Company's management regarding relationships with key external stakeholders that may have a significant impact on the Company's business activities and performance.
- to work with the ERM officer on the management of enterprise risks.
- to ensure timely disclosure of the sustainability report.

STAKEHOLDER ENGAGEMENT

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

STAKEHOLDERS KEY CONCERNS FEEDBACK PLATFORMS

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

SUSTAINABILITY REPORT

MATERIAL ISSUES

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

Methodology

Identify
Our Sustainability Committee identified the material aspects that are important to our business and stakeholders

Evaluate
Evaluation criteria:
1 Importance to stakeholders; and,
2 Importance to Federal Group

Validate
These are then validated and approved by the Sustainability Committee headed by our Executive Director.

Material Topics

Our review focuses on 4 key aspects with 11 identified material topics. For each material topic, we report on the relevance of it to our business and stakeholders, and the measures in place to address it.

The four key aspects and eleven material topics

Eleven Material Topics

1 Economic
Building a sustainable business and brand for long-term economic growth

2 Environmental
To minimise our ecological footprint across our value chain

3 Social
To empower people and be socially responsible for our community

4 Governance
Commitment to transparency and accountability to stakeholders

Material Topics	Why is this important for us and our stakeholders	How we are addressing the issue
Economic Aspect		
Creating Economic Value	Strong and sustained economic performance is important to our business success and continuity.	Covered in page 20
Environmental Aspect		
Resource and Waste Management	We recognise the important of prompt respond to customers' requirement and manage our inventory level based on customers' demand and market trends. Inventory order and re-order are subjected to robust checks and evaluation to avoid excesses and waste. With a managed level of inventory, we minimise packing, packaging and storage materials.	Covered in page 20

SUSTAINABILITY REPORT

Material Topics	Why is this important for us and our stakeholders	How we are addressing the issue
Energy Efficiency	As part of the energy supply chain, we recognise the importance in reducing the carbon footprint. We recognise that investing in energy conservation not only reduces our carbon footprint but also reduces business costs. Hence, we are committed to minimising our energy consumption and improving energy efficiency.	Covered in page 21
Water Stewardship	At Federal's water treatment plant in China, we recognise that proper water stewardship is essential in managing the complexities of balancing our water usage with the needs of our environment and communities.	Covered in page 20
Environmental Compliance	Laws and regulations on the environmental performance of businesses are increasingly becoming stricter. In addition to more stringent regulations, stronger enforcement of laws are also being discussed and enacted in the emerging economies of Asia. Being a responsible corporation, we seek to comply with all environmental regulations implemented in the jurisdictions that we operate in.	Covered in page 21
Social Aspect		
Labour Practices and Work	We operate in an intensely competitive environment. A motivated workforce drives up productivity which in turn improves quality and lowers unit costs.	Covered in page 22
Product Responsibilities	We believe that product quality and integrity form the foundation of the reputation and trust that we seek to earn in the markets that we operate in. Product safety and reliability are of paramount importance to our customers who operate in the oil and gas industry where occupational health and safety are of their top priority. We seek to develop and deliver quality products that are compliant with the highest standards of product certification.	Covered in page 23
Community	As we draw resources from the community we operate in, we strive to contribute back to it.	Covered in page 23
Governance Aspect		
Corporate Governance	We believe that well established corporate governance processes are essential in enhancing corporate accountability and long-term sustainability to preserve and maximise shareholder value.	Covered in page 25
Business Conduct and Ethics	We believe that upholding our reputation and fostering stakeholders' trust in our business is fundamental to our growth as a company. Therefore, we are committed to building a positive corporate image through exemplary business ethics and integrity.	Covered in page 25
Risk Management	Risk management is recognised as an integral component of good management and governance. Engaging in an iterative risk management process will enable us to provide greater assurance to stakeholders in our pursuit of growth for the Group.	Covered in page 26

SUSTAINABILITY **REPORT**

ECONOMIC

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

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

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

Our Performance
Our operations span across different geographical locations globally and provide employment for local communities, contracts for local suppliers, and revenue for governments of the jurisdictions that we operate in. FY2021 had seen an increase in certain segments activities but competition remains intense during the year. Maintaining strong relationships with partners, vendors and customers especially during this challenging time of the pandemic is crucial. We believe these relationships will continue to generate value for our stakeholders in the longer term.

Target & Plans

- Establish more strategic partnerships with regional partners
- Secure long-term contracts or investments to generate sustainable revenue stream
- Attain an average customer satisfaction rate of >= 80% (FY2020: achieved 80%)

ENVIRONMENT

Objective
We are committed to managing and minimising our ecological footprint across our value chain, which includes our business operations, suppliers and customers.

Approach

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

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

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

(b) Water Stewardship
Where viable, we invest in water saving installations to achieve better water efficiency at our facilities. As part of our ISO 14001 Environmental Management System objectives, we actively track our water consumption at our facilities to provide information for management decision making. Furthermore, we constantly remind our employees through posters and emails to adopt good practices in water conservation. Water for our main trading operations are provided by public water utilities, while our industrial water plant in Chengdu, China, mainly draw water from surface water sources. At the industrial water plant, we ensure that by-products of the water treatment are processed in accordance to local regulatory requirements before disposal. All mud and silts generated from the water treatment process is directed to a pool within our facility.

SUSTAINABILITY REPORT

(c) Energy Efficiency

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

(d) Environmental Compliance

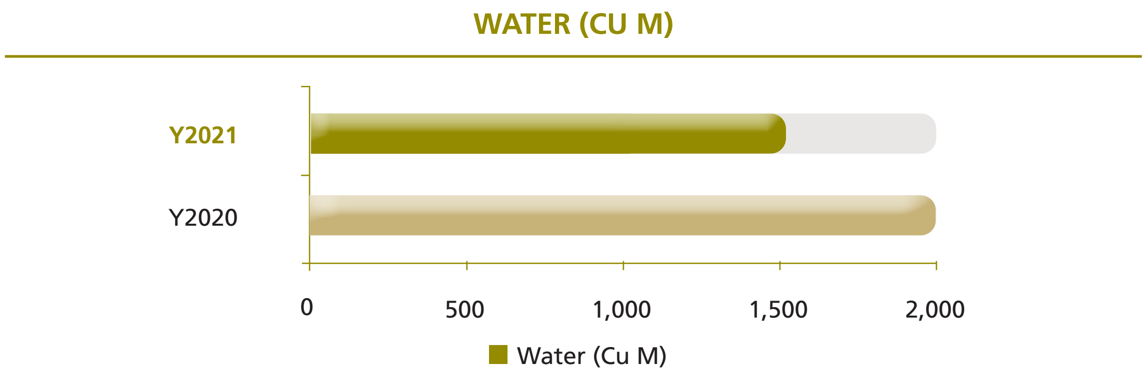
Federal is committed to comply with all applicable environmental legal requirements enforced by local authorities in all jurisdictions we operate in. The Environment, Health and Safety ("EHS") Committee monitors our operations and performs monthly reviews to ensure that we comply with relevant environmental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

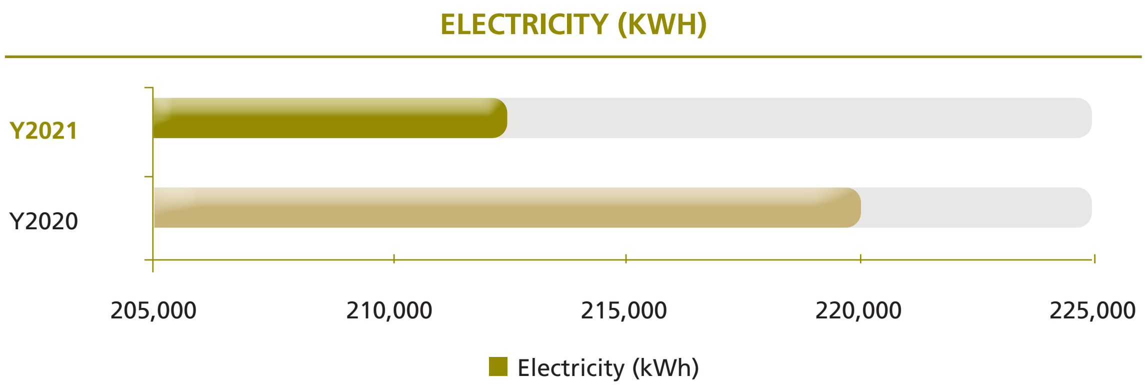
Our Performance

In FY2021, we have complied with all environmental laws and regulations in the jurisdictions we operate in and there were no fines or penalties incurred for non-compliance. Based on our annual water sampling, there is no incident of contamination or waste spillage at our industrial water plant in Chengdu, China. In FY2021, this water plant approximately 400m³ of wastewater residue is produced and deposited into our wastewater pool.

We have continued to monitor our electricity and water consumption. In FY2021, we managed to reduce our energy usage by 5% and water by 29% as per our set target of 2% in FY2020. In FY2021, we have withdrawn approximately 2.6 million m³ of water from surface water sources for treatment at our industrial water plant.

Chart: water consumption & electricity consumption





Target & Plans

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

SUSTAINABILITY **REPORT**

SOCIAL

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

Approach

(a) Labour Practices & Work Environment

(i) Talent Attraction and Retention
We are committed to providing all employees with equal opportunities for compensation, promotion and training on a meritocratic basis. Annually, we review employee benefits to ensure that they remain competitive and aligned with manpower regulations in the jurisdictions we operate in. As at 31 December 2021, the Group employs 160 individuals.

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

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

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

(iii) Occupational Health & Safety
The framework for our health and safety management is modelled after international standards. We have attained certifications such as the ISO 14001 and OHSAS 18001. As part of our orientation programme, new hires will attend safety courses to ensure that they have the necessary training and skills relating to workplace safety. We also conduct annual emergency response drill and fire drill to prepare our employees in handling emergency situations. Monthly safety inspections are performed on all of our premises and to follow up on any rectification actions required subsequently, if there are any safety hazards identified. To ensure that equipment and machinery are operating safely, we perform periodical maintenance and repairs as well.

All our employees are offered outpatient medical and dental claims and any unused credits can be utilised by their immediate family members.

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

(iv) Benefits & Welfare
We have welfare practices in-line with the Singapore legislations. Mothers and fathers of new-borns, who are Singapore Citizens, are entitled to maternity leave of 16 weeks and paternity leave of 2 weeks respectively, and the Company will also present a small congratulatory token. For children who are not Singapore Citizens, mothers get to enjoy 12 weeks of maternity leave. We also provide eligible employees with childcare leave and extended childcare leave to manage their commitments in raising a young family. To encourage a healthy work environment, we provide employees with flexi-time and part-time work arrangement to suit their work and personal commitments. We have also established a Recreation Committee (RC) to coordinate work-life balance initiatives and events for the Company.

SUSTAINABILITY REPORT

(v) Diversity and Equality

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

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

(b) Product and Customer Service Quality

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

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

(c) Community

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

Our Performance

(a) Labour Practices & Work Environment

During the year, we implemented Safe Management Measures at our workplace that are in line with government policies and requirements to safeguard the health and safety of our employees. Measures include enforcing safe distancing, compulsory wearing of mask, and work from home arrangement to limit the number of employees exposed at the workplace at any point in time. Employees who were part of our operations team worked largely in the office as their roles were deemed critical while the remainder rotated between home and the office (whenever required to perform essential tasks in the office). Microsoft Teams became our main mode of communication, and face-to-face meetings have been replaced by virtual team meetings.

In the reporting period, there were no fines or penalties incurred for non-compliance to labour laws and regulations in the various jurisdictions we have presence in. Furthermore, we have not received any reports of labour malpractice or unfair treatment through our employee grievance channel. There were also no reported workplace injury, fatality, occupational diseases, or cases of non-compliance in health and safety regulations. In FY2021, we have participated in an initiative by The Singapore Manufacturing Federation (SMF)), under the Professional Conversion Programme which is a Place and Train programme for Professionals, Managers, Executives and Technicians (**"PMET"**), in addition to staff training in various aspects such as safety and financial reporting.

Healthy Lifestyle

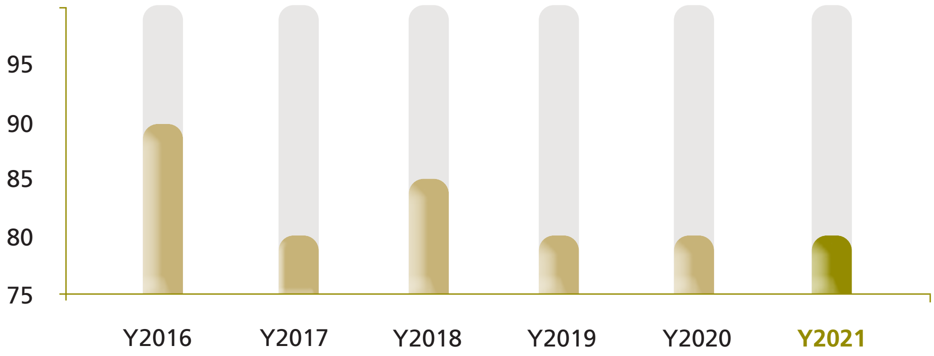
We believe that a healthy state of body and mind will bring forth greater contribution and productivity to the organization. Federal Group conducts the following activities regularly for our employees to enjoy.

SUSTAINABILITY **REPORT**

(b) Product and Customer Service Quality

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

In FY2021, there were no incidents of non-compliance concerning product and service information and labelling, and marketing communication. There were also no complains concerning breaches of customer privacy and loss of customer data.



(c) Community

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

The following are some community service efforts by the Group in FY2021.

- Meals provided to senior citizens @ AWWA Ltd.



- Donations to The Salvation Army


SUSTAINABILITY REPORT

Targets & Plans

- To continue free health screening programme for our employees in 2022
- Zero workplace incident
- To migrate to ISO45001:2018 in June 2022
- To participate in community service and make monetary contributions to programs for children and the elderly welfare.

4. GOVERNANCE

Objective

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

Approach

(a) Corporate Governance

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

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

For more information on the Directors, Board committees and our corporate governance practices, please refer to the Corporate Governance Statement, pages 37 to 58 of the Annual Report.

(b) Business Conduct and Ethics

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

A Conflict of Interest Policy has been established to provide guidance to our employees. It consists of guidelines to define such conflicts of interests and the necessary actions that the employee should undertake. On an annual basis, we require all employees to declare any conflict of interests. We have whistle blowing policy and channels to allow employees to report concerns over any unlawful conduct, financial malpractice or other wrong-doings that poses risks to the Group, the public or the environment. Through our independent whistle blowing channels, including the direct contacts of the Audit Committee, employees are able to report any suspected misconducts without reprisal. Upon investigation, we will ensure that the outcome of the investigation is communicated to the whistleblower.

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

SUSTAINABILITY REPORT

(c) Risk Management

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

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

Our Performance

For the reporting period, there was no disciplinary case for corruption and fraud; no instance where contract with business partners terminated due to violations related to corruption; and there was no whistle blowing incident. We have also complied with all listing requirements and legal regulations.

Target & Plans

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

SUSTAINABILITY REPORT

GRI CONTENT INDEX

GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
1. Organisational profile	Disclosure 102-1	Name of the organisation	AR – Corporate Profile	1
	Disclosure 102-2	Activities, brands, products, and services	AR – Corporate Profile	1
	Disclosure 102-3	Location of headquarters	AR – Corporate Information	36
	Disclosure 102-4	Location of operations	AR – Corporate Information	36
	Disclosure 102-5	Ownership and legal form	AR – Corporate Structure	35
	Disclosure 102-6	Markets served	AR – Notes to FS (segment information)	145 to 147
	Disclosure 102-7	Scale of the organisation	AR – Business and Financial Review	11 to 14
	Disclosure 102-8	Information on employees and other workers	SR – Social	22
	Disclosure 102-9	Supply chain	AR – Letter to Shareholders	2 to 4
	Disclosure 102-10	Significant changes to the organisation and its supply chain	AR – Letter to Shareholders	2 to 4
			AR – Business and Financial Review	11 to 14
	Disclosure 102-11	Precautionary Principle or approach	SR – Governance	25
	Disclosure 102-12	External initiatives	SR – Board Statement	16
	Disclosure 102-13	Membership of associations	None.	–
2. Strategy	Disclosure 102-14	Statement from senior decision maker	SR – Board Statement	16
	Disclosure 102-15	Key impacts, risks and opportunities	SR – Materiality assessment	18
3. Ethics and integrity	Disclosure 102-16	Values, principles, standards, and norms of behaviour	AR – Corporate Profile	1
	Disclosure 102-17	Mechanisms for advice and concerns about ethics	SR – Stakeholder engagement	17
4. Governance	Disclosure 102-18	Governance structure	AR – Board of directors, Key Executives	5 to 10
			AR – Corporate Governance Statement	37 to 58
	Disclosure 102-19	Delegating authority	SR – Sustainability Committee	17
	Disclosure 102-20	Executive-level responsibility for economic, environmental, and social topics	SR – Sustainability Committee	17
	Disclosure 102-21	Consulting stakeholders on economic, environmental, and social topics	SR – Stakeholder engagement	17

AR: Annual Report 2020
SR: Sustainability Report

SUSTAINABILITY REPORT

GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
4. Governance	Disclosure 102-22	Composition of the highest governance body and its committees	AR – Board of directors, Key Executives	5 to 10
	Disclosure 102-23	Chair of the highest governance body	AR – Corporate governance statement	37 to 58
			AR – Board of directors, Key Executives	5 to 10
	Disclosure 102-24	Nominating and selecting the highest governance body	AR – Corporate Governance Statement	37 to 58
	Disclosure 102-25	Conflicts of interest	AR – Corporate Governance Statement	37 to 58
			SR – Governance	25
	Disclosure 102-26	Role of highest governance body in setting purpose, values, and strategy	SR – Sustainability Committee	17
	Disclosure 102-27	Collective knowledge of highest governance body	AR – Corporate Governance Statement	37 to 58
			SR – Stakeholder engagement	17
	Disclosure 102-28	Evaluating the highest governance body's performance	SR – Sustainability Committee	17
	Disclosure 102-29	Identifying and managing economic, environmental, and social impacts	SR – Materiality assessment	18
	Disclosure 102-30	Effectiveness of risk management processes	AR – Board of directors, Key Executives	5 to 10
			AR – Corporate Governance Statement	37 to 58
	Disclosure 102-31	Review of economic, environmental, and social topics	AR – Board of directors, Key Executives	5 to 10
			AR – Corporate Governance Statement	37 to 58
	Disclosure 102-32	Highest governance body's role in sustainability reporting	SR – Sustainability Committee	17
	Disclosure 102-33	Communicating critical concerns	SR – Stakeholder engagement	17
	Disclosure 102-34	Nature and total number of critical concerns	None	–
	Disclosure 102-35	Remuneration policies AR – Board of directors, Key Executives Statement	AR – Corporate Governance Statement	37 to 58
	Disclosure 102-36	Process for determining remuneration	AR – Board of directors, Key Executives	5 to 10
			AR – Corporate Governance Statement	37 to 58

SUSTAINABILITY **REPORT**

GRI Standards	Disclosure No.	Disclosure Title	Cross-Referenced Sections	Page
4. Governance	Disclosure 102-37	Stakeholders' involvement in remuneration	AR – Corporate Governance Statement	37 to 58
	Disclosure 102-38	Annual total compensation ratio	We choose not to disclose as we reward based on meritocracy.	–
	Disclosure 102-39	Percentage increase in annual total compensation ratio	We choose not to disclose as we reward based on meritocracy.	–
5. Stakeholder engagement	Disclosure 102-40	List of stakeholder groups	SR – Stakeholder engagement	17
	Disclosure 102-41	Collective bargaining agreements		
	Disclosure 102-42	Identifying and selecting stakeholders		
	Disclosure 102-43	Approach to stakeholder engagement		
	Disclosure 102-44	Key topics and concerns raised		
6. Reporting practice	Disclosure 102-45	Entities included in the consolidated financial statements	AR – Notes to FS: Investments in subsidiaries	101 to 106
	Disclosure 102-46	Defining report content and topic Boundaries	SR – Board Statement	16
	Disclosure 102-47	List of material topics	SR – Materiality Table	18 to 19
	Disclosure 102-48	Restatements of information	None.	–
	Disclosure 102-49	Changes in reporting	None.	–
	Disclosure 102-50	Reporting period	FY2021	–
	Disclosure 102-51	Date of most recent report	Released on SGX on 12th April 2021	–
	Disclosure 102-52	Reporting cycle	Annual	–
	Disclosure 102-53	Contact point for questions regarding the report	SR – Sustainability Committee	17
	Disclosure 102-54	Claims of reporting in accordance with the GRI Standards	This report has been prepared in accordance with the GRI Standards: Core option	–
	Disclosure 102-55	GRI content index	GRI content index	27 to 34
	Disclosure 102-56	External assurance	AR – Independent Auditor's Report	61 to 64

SUSTAINABILITY REPORT

Topic-Specific Disclosures				
GRI 201: Economic Performance	Disclosure 201-1	Direct economic value generated and distributed	AR – Business and Financial Review	11 to 14
			AR – Consolidated income statement, Consolidated statement of cash flows	67 to 73
	Disclosure 201-2	Financial implications and other risks and opportunities due to climate change	N/A, Impact of business on environment and climate is insignificant.	–
	Disclosure 201-3	Defined benefit plan obligations and other retirement plans	AR – Corporate Governance Statement	37 to 58
	Disclosure 201-4	Financial assistance received from government	AR – Consolidated income statement, Consolidated statement of cash flows	67 to 73
GRI 202: Market Presence	Disclosure 202-1	Ratios of standard entry level wage by gender compared to local minimum wage	N/A, no minimum wage law.	–
	Disclosure 202-2	Proportion of senior management hired from the local community	AR – Key Executives and Management	9 to 10
GRI 203: Indirect Economic Impacts	Disclosure 203-1	Infrastructure investments and services supported	SR – Economic	20
	Disclosure 203-2	Significant indirect economic impacts		
GRI 204: Procurement Practices	Disclosure 204-1	Proportion of spending on local suppliers	N/A, our principals mainly determine our suppliers.	–
GRI 205: Anti-Corruption	Disclosure 205-1	Operations assessed for risks related to corruption	SR – Governance	25
	Disclosure 205-2	Communication and training about anti-corruption policies and procedures		
	Disclosure 205-3	Confirmed incidents of corruption and actions taken		
GRI 206: Anti-Competitive Behaviour	Disclosure 206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices		
GRI 301: Materials	Disclosure 301-1	Materials used by weight or volume	SR – Environment	20
	Disclosure 301-2	Recycled input materials used		
	Disclosure 301-3	Reclaimed products and their packaging materials		

SUSTAINABILITY REPORT

Topic-Specific Disclosures				
GRI 302: Energy	Disclosure 302-1	Energy consumption within the organisation	SR – Environment	20
	Disclosure 302-2	Energy consumption outside of the organization		
	Disclosure 302-3	Energy intensity		
	Disclosure 302-4	Reduction of energy consumption		
	Disclosure 302-5	Reductions in energy requirements of products and services		
GRI 303: Water	Disclosure 303-1	Water withdrawal by source	SR – Environment	20
	Disclosure 303-2	Water sources significantly affected by withdrawal of water		
	Disclosure 303-3	Water recycled and reused		
	Disclosure 303-4	Water discharge		
	Disclosure 303-5	Water consumption		
GRI 304: Biodiversity	Disclosure 304-1	Operational sites owned, leased, managed in, or adjacent to, protected areas and areas of high biodiversity value outside protected areas	N/A, Our offices and operations are not carried out in protected areas and areas of high biodiversity.	–
	Disclosure 304-2	Significant impacts of activities, products, and services on biodiversity		
	Disclosure 304-3	Habitats protected or restored		
	Disclosure 304-4	IUCN Red List species and national conservation list species with IUCN Red List species and national conservation list species with habitats in areas affected by operations		
GRI 305: Emissions	Disclosure 305-1	Direct (Scope 1) GHG emissions	N/A, Our offices and operations do not produce significant levels of GHG.	–
	Disclosure 305-2	Energy indirect (Scope 2) GHG emissions		
	Disclosure 305-3	Other indirect (Scope 3) GHG emissions		
	Disclosure 305-4	GHG emissions intensity		
	Disclosure 305-5	Reduction of GHG emissions		
	Disclosure 305-6	Emissions of ozone-depleting substances (ODS)		
	Disclosure 305-7	Nitrogen oxides (NOX), sulfur oxides (SOX), and other significant air emissions		

SUSTAINABILITY **REPORT**

Topic-Specific Disclosures				
GRI 306: Effluents and Waste	Disclosure 306-1	Water discharge by quality and destination	SR – Environment	20
	Disclosure 306-2	Waste by type and disposal method		
	Disclosure 306-3	Significant spills		
	Disclosure 306-4	Transport of hazardous waste		
	Disclosure 306-5	Water bodies affected by water discharges and/or runoff		
GRI 307: Environmental Compliance	Disclosure 307-1	Non-compliance with environmental laws and regulations	SR – Environment	20
GRI 308: Supplier Environmental Assessment	Disclosure 308-1	New suppliers that were screened using environmental criteria	N/A, Being a procurement specialist, most of our suppliers are designated/appointed by our clients.	–
	Disclosure 308-2	Negative environmental impacts in the supply chain and actions taken		
GRI 401: Employment	Disclosure 401-1	New employee hires and employee turnover	SR – Social	22
	Disclosure 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees		
	Disclosure 401-3	Parental leave		
GRI 402: Labor/ Management Relations	Disclosure 402-1	Minimum notice periods regarding operational changes	N/A, No collective bargaining agreements.	–
GRI 403: Occupational Health and Safety	Disclosure 403-1	Workers representation in formal joint management-worker health and safety committees	SR – Social	22
	Disclosure 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities		
	Disclosure 403-3	Workers with high incidence or high risk of diseases related to their occupation		
	Disclosure 403-4	Health and safety topics covered in formal agreements with trade unions		
	Disclosure 403-5	Worker training on occupational health and safety		

SUSTAINABILITY REPORT

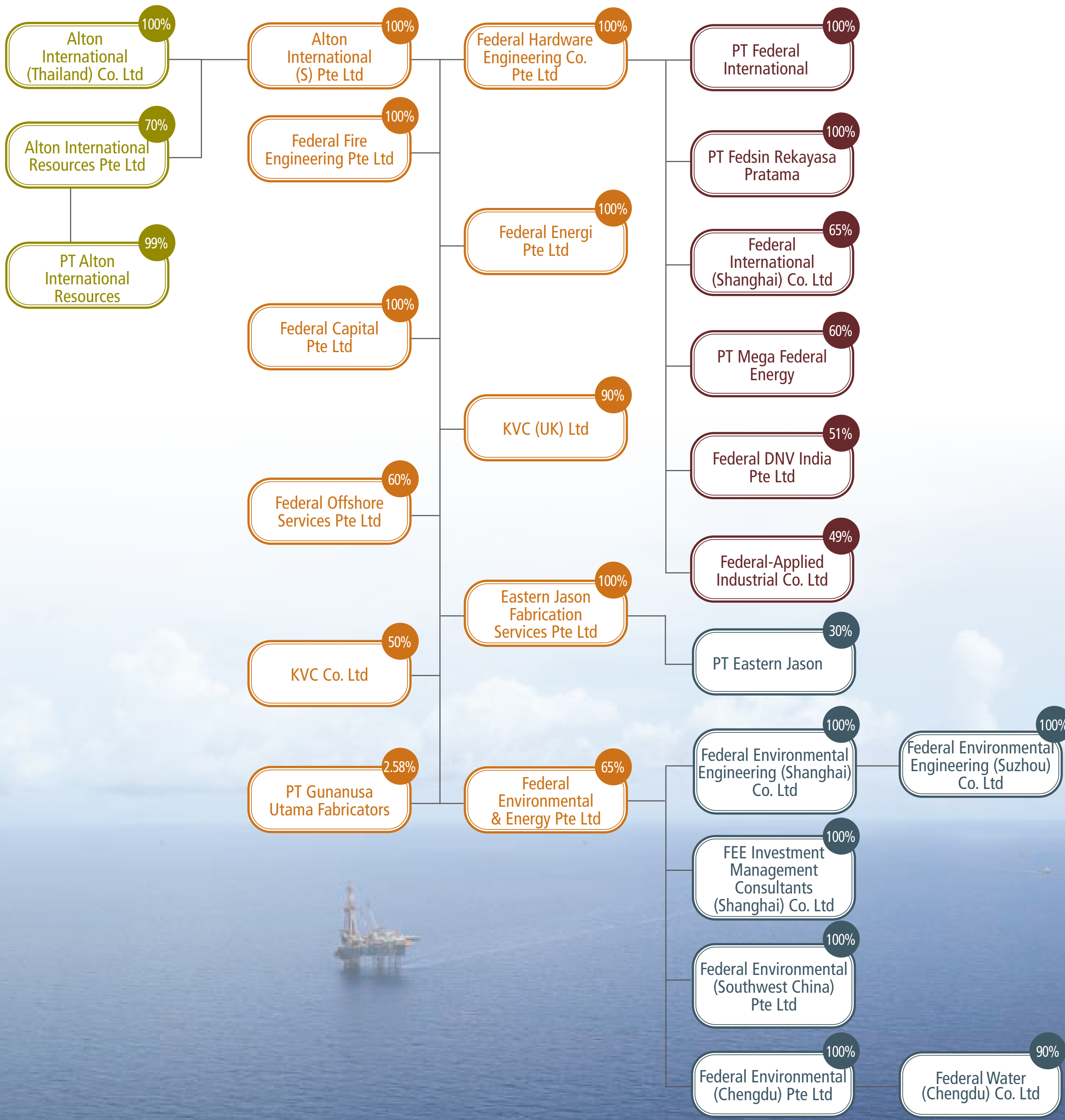
Topic-Specific Disclosures				
GRI 403: Occupational Health and Safety	Disclosure 403-6	Promotion of worker health	SR – Social	22
	Disclosure 403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships		
	Disclosure 403-8	Workers covered by an occupational health and safety management system		
	Disclosure 403-9	Work-related injuries		
	Disclosure 403-10	Work-related ill health		
GRI 404: Training and Education	Disclosure 404-1	Average hours of training per year	SR – Social	22
	Disclosure 404-2	Programs for upgrading employee skills and transition assistance programs		
	Disclosure 404-3	Percentage of employees receiving regular performance and career development reviews		
GRI 405: Diversity and Equal Opportunity	Disclosure 405-1	Diversity of governance bodies and employees	AR – Board of Directors	5 to 8
			AR – Key Executives and Management	9 to 10
			SR – Social	22
	Disclosure 405-2	Ratio of basic salary and remuneration of women to men	SR – Social	22
GRI 406: Non-discrimination	Disclosure 406-1	Incidents of discrimination and corrective actions taken	No reported cases during reported period.	–
GRI 407: Freedom of Association and Collective Bargaining	Disclosure 407-1	Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	N/A, No collective bargaining agreements.	–
GRI 408: Child Labour	Disclosure 408-1	Operations and suppliers at significant risk for incidents of child labour	We have not identified this risk in our course of normal operations.	–
GRI 409: Forced or Compulsory Labour	Disclosure 409-1	Operations and suppliers at significant risk for incidents of forced or compulsory labor	We have not identified this risk in our course of normal operations.	–
GRI 410: Security Practices	Disclosure 410-1	Security personnel trained in human rights policies or procedures	N/A, Security is outsourced and not relevant to operations.	–
GRI 411: Rights of Indigenous Peoples	Disclosure 411-1	Incidents of violations involving rights of indigenous peoples	N/A, Operations do not involve interactions with indigenous people	–

SUSTAINABILITY **REPORT**

Topic-Specific Disclosures				
GRI 412: Human Rights Assessment	Disclosure 412-1	Operations that have been subject to human rights reviews or impact assessments	SR – Social	22
	Disclosure 412-2	Employee training on human rights policies or procedures		
	Disclosure 412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening		
GRI 413: Local Communities	Disclosure 413-1	Operations with local community engagement, impact assessments, and development programs	SR – Social	22
	Disclosure 413-2	Operations with significant actual and potential negative impacts on local communities		
GRI 414: Supplier Social Assessment	Disclosure 414-1	New suppliers that were screened using social criteria	N/A, Being a procurement specialist, most of our suppliers are designated/appointed by our clients.	–
	Disclosure 414-2	Negative social impacts in the supply chain and actions taken		
GRI 415: Public Policy	Disclosure 415-1	Political contributions	N/A, No contributions made to political parties.	–
GRI 416: Customer Health and Safety	Disclosure 416-1	Assessment of the health and safety impacts of product and service categories	SR – Social	22
	Disclosure 416-2	Incidents of non-compliance concerning the health and safety impacts of products and services	No incident of non-compliance.	–
GRI 417: Marketing and Labelling	Disclosure 417-1	Requirements for product and service information and labelling	SR – Social	22
	Disclosure 417-2	Incidents of non-compliance concerning product and service information and labelling	No reported cases during reported period.	–
	Disclosure 417-3	Incidents of non-compliance concerning marketing communications		–
GRI 418: Customer Privacy	Disclosure 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data	No reported cases during reported period.	–
GRI 419: Socioeconomic Compliance	Disclosure 419-1	Non-compliance with laws and regulations in the social and economic area	SR - Social and Economics	20 and 22

CORPORATE **STRUCTURE**

FEDERAL INTERNATIONAL (2000) LTD



CORPORATE INFORMATION

DIRECTORS

Executive

MR. KOH KIAN KIONG
Chairman & Chief Executive Officer

MS. MAGGIE KOH

Non-Executive & Independent

MR. HOON TAI MENG
Lead Independent Director

MR. KHOO BOO YEOW, ANDREW

MR. MURALI KRISHNA RAMACHANDRA

AUDIT COMMITTEE

Mr. Hoon Tai Meng (Chairman)
Mr. Khoo Boo Yeow, Andrew
Mr. Murali Krishna Ramachandra

NOMINATING COMMITTEE

Mr. Khoo Boo Yeow, Andrew (Chairman)
Mr. Hoon Tai Meng
Mr. Koh Kian Kiong
Mr. Murali Krishna Ramachandra

REMUNERATION COMMITTEE

Mr. Murali Krishna Ramachandra (Chairman)
Mr. Khoo Boo Yeow, Andrew
Mr. Hoon Tai Meng

COMPANY SECRETARIES

Mr. Sam Kwai Hoong
Ms. Noraini Binte Noor Mohamed Abdul Latiff

REGISTERED OFFICE

12 Chin Bee Drive
Singapore 619868
Tel: (65) 6747 8118
Fax: (65) 6743 0690
Email: admin@federal-int.com.sg
Website: www.federal-int.com.sg

SHARE REGISTRAR

B.A.C.S. Private Limited
77 Robinson Road
#06-03 Robinson 77
Singapore 068896
Tel: (65) 6593 4848

AUDITOR

BAKER TILLY TFW LLP
600 North Bridge Road
#05-01 Parkview Square
Singapore 188778

PARTNER-IN-CHARGE

Mr. Low See Lien
(Appointed with effect from financial year ended 31 December 2021)

PRINCIPAL BANKERS

United Overseas Bank Limited
DBS Bank Limited

CORPORATE GOVERNANCE STATEMENT

The Board of Directors (the "**Board**") of Federal International (2000) Ltd (the "**Company**" together with its subsidiaries the "**Group**") is committed to maintain a high standard of corporate governance. The Board and Management have taken steps to align its corporate governance framework with the principles and guidelines of the Code of Corporate Governance 2018 (the "**Code**"). Unless otherwise stated, the Group has generally adhered to the principles and guidelines as set out in the Code during the financial year ended 31 December 2021 ("**FY2021**").

PRINCIPLE 1: THE BOARD'S CONDUCT OF AFFAIRS

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

Guidelines ***Federal Corporate Governance Practices***

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

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

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

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

The Company also has put in place a budget for Directors' training programmes on an annual basis and the Directors are encouraged to participate in industry conferences, seminars, courses or training programmes in connection with their duties and responsibilities as Directors of the Board and Board Committees, in order to keep abreast of the latest rules, regulations and accounting standards in Singapore.

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

Mr Murali Krishna Ramachandra was newly appointed as a Non-Executive and Independent Director of the Company on 1 July 2021 and he was briefed by the Management on the Group's structure and operations. With the legal background and legal experiences of Mr Murali Krishna Ramachandra, he is familiar with the rules, regulations and practices in Singapore.

Please also refer to Guideline 4.5.

CORPORATE GOVERNANCE STATEMENT

1.3 The Board comprises the following members:

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

Non-Executive and Independent Directors
Mr Hoon Tai Meng (Lead Independent Director)
Mr Khoo Boo Yeow, Andrew
Mr Murali Krishna Ramachandra

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

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

(2) Monitoring the performance of Management;

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

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

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

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

(7) Convening of general meetings;

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

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

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

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

The EC comprises the following Executive Directors:

Mr Koh Kian Kiong
Ms Maggie Koh

Mr Koh Beng Guan, Don has been re-designated as the Deputy Group Chief Executive Officer ("**Deputy Group CEO**") and resigned as an Executive Director with effect from 1 January 2022. He still remains as a member of EC.

CORPORATE GOVERNANCE STATEMENT

The EC meets and performs the following key duties:

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

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

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

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

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

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

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

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

The number of Board and Board Committee meetings held during FY2021 and the attendance of each Director, where relevant, are set out as follows:

Directors	**Board Meetings**	**Audit Committee Meetings**	**Remuneration Committee Meetings**	**Nominating Committee Meetings**
Mr Koh Kian Kiong	6	Not Applicable	Not Applicable	1
Ms Maggie Koh	6	Not Applicable	Not Applicable	Not Applicable
Mr Koh Beng Guan, Don(1)	6	Not Applicable	Not Applicable	Not Applicable
Mr Yee Kee Shian, Leon(2)	1	1	1	1
Mr Hoon Tai Meng	6	5	1	1
Mr Khoo Boo Yeow, Andrew	6	5	1	1
Mr Loh Eu Tse, Derek(3)	5	4	1	1
Mr Murali Krishna Ramachandra(4)	4	3	Not Applicable	Not Applicable
No. of Meetings held in FY2021	**6**	**5**	**1**	**1**

Notes:

(1) Mr Koh Beng Guan, Don ("**Mr Don Koh**") has been re-designated as the Deputy Group CEO and resigned as an Executive Director with effect from 1 January 2022.

(2) Mr Yee Kee Shian, Leon ("**Mr Leon Yee**") retired as a Non-Executive and Independent Director at the annual general meeting held on 28 April 2021. Upon his cessation of an Independent Director, Mr Leon Yee has also ceased as the Lead Independent Director, the Chairman of the Nominating Committee and a member of the Audit Committee and Remuneration Committee.

(3) Mr Loh Eu Tse, Derek ("**Mr Derek Loh**") resigned as a Non-Executive and Independent Director on 22 October 2021. Upon his cessation of an Independent Director, Mr Derek Loh has also ceased as the Chairman of Nominating Committee and a member of the Audit Committee and Remuneration Committee.

(4) Mr Murali Krishna Ramachandra was appointed as a Non-Executive and Independent Director on 1 July 2021. Subsequently, Mr Murali Krishna Ramachandra was also appointed as the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee.

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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

PRINCIPLE 2: BOARD COMPOSITION AND GUIDANCE

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

Guidelines ***Federal Corporate Governance Practices***

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

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

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

CORPORATE GOVERNANCE STATEMENT

Mr Don Koh has been re-designated as the Deputy Group CEO on 1 January 2022. Following the re-designation as the Deputy Group CEO and in line with the corporate governance best practices for a stronger element of independence on the Board, Mr Don Koh has resigned as an Executive Director with effect from 1 January 2022. He still remains as a member of EC.

As of the date of the Annual Report, the Company has not appointed any Alternate Director.

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

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

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

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

The Board is of the view that the current size, composition, range of experience and the varied expertise of the current Board members provides core competencies in business, investment, industry knowledge, legal, regulatory matters, audit, accounting and tax matters which are necessary to meet the Group's needs.

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

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

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

PRINCIPLE 3: CHAIRMAN AND CHIEF EXECUTIVE OFFICER

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

Guidelines ***Federal Corporate Governance Practices***

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

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

CORPORATE GOVERNANCE **STATEMENT**

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

3.2 As the founder of the Group, Mr Koh Kian Kiong has been responsible for leading the Board and has assumed full executive responsibilities over the directions and operational decisions of the Group since 1974, when operations first began as a hardware trading business.

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

Mr Don Koh has been re-designated as the Deputy Group CEO on 1 January 2022. Mr Don Koh is to assist Mr Koh Kian Kiong to oversee the formulation of the Group's corporate strategies and expansion plans.

3.3 In compliance with the Code, Mr Hoon Tai Meng has been appointed as the Lead Independent Director on 10 May 2021 to replace Mr Leon Yee, who retired on 28 April 2021, to act as the principal liaison to address shareholders' concerns, in the case direct contact through normal channels of the Chairman/CEO or Management fails to resolve or is inappropriate.

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

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

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

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

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

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

PRINCIPLE 4: BOARD MEMBERSHIP

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

Guidelines ***Federal Corporate Governance Practices***

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

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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

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

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

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

4.2 The members of the NC of the Company are:

Mr Khoo Boo Yeow, Andrew (Chairman)
Mr Hoon Tai Meng
Mr Koh Kian Kiong
Mr Murali Krishna Ramachandra

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

4.3 The NC has formalized a procedure for the selection, appointment and re-election of Directors. Letters of appointment will be issued to new Non-Executive and Independent Directors setting out their duties, obligations and terms of appointment as appropriate while a service agreement accompanied with supporting documents setting out duties, responsibilities and terms of appointment will be given to new Executive Director.

The NC and Board aim to promote diversity of perspectives, avoid group think and foster constructive debate and achieve overall effective performance of the Board. While at this point, the Board has not implemented specific board diversity policy on gender, age and ethnicity for candidates to be appointed to the Board, the NC will, however, continue to take steps to ensure that gender, age and ethnicity of the candidates will be taken into consideration as part of its board renewal process.

CORPORATE GOVERNANCE **STATEMENT**

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

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

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

The NC has reviewed and recommended the nomination of Mr Koh Kian Kiong and Mr Khoo Boo Yeow, Andrew who will be retiring by rotation in accordance with Regulation 91 of the Constitution of the Company, and Mr Murali Krishna Ramachandra who will be retiring in accordance with Regulation 97 of the Constitution of the Company, for re-election as Directors of the Company at the forthcoming Annual General Meeting ("**AGM**") of the Company scheduled on 28 April 2022. Mr Khoo Boo Yeow, Andrew has indicated his intention not to seek re-election at the forthcoming AGM.

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

Name	Position	Date of First Appointment	Date of Last Re-election
Mr Koh Kian Kiong	Chairman & CEO	13 November 1999	19 June 2020
Ms Maggie Koh	Executive Director	19 June 2000	19 June 2020
Mr Hoon Tai Meng	Lead Independent Director	13 August 2020	28 April 2021
Mr Khoo Boo Yeow, Andrew	Non-Executive Independent Director	10 August 2012	30 April 2019
Mr Murali Krishna Ramachandra	Non-Executive Independent Director	1 July 2021	Not Applicable

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

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

CORPORATE GOVERNANCE STATEMENT

The Board and the NC has assessed the independence of each Director, including Director whose tenure exceeds nine years from the date of their first appointment. The independency has been subjected to a vigorous review by the NC.

The Board and the NC also reviewed the individual Directors' judgement and conduct in carrying out their duties for FY2021. Together with the NC, the Board affirmed that Mr Hoon Tai Meng, Mr Khoo Boo Yeow, Andrew and Mr Murali Krishna Ramachandra continue to be independent pursuant to the definition of Independence under the Code.

Mr Khoo Boo Yeow, Andrew has obtained approval from shareholders for his continued appointment as an Independent Director via a Two-Tier Voting process for a three-year term, with effect from 28 April 2021 in accordance to Rule 210(5)(d)(iii) of the Listing Manual of the SGX-ST. In addition, the NC has also reviewed the independency of Mr Khoo Boo Yeow, Andrew who has served for more than nine years from the date of his first appointment on 10 August 2012 rigorously to determine whether he had continuously exercised independent judgement in the best interest of the Company and of the Group while discharging his duties and responsibilities as a Director of the Company despite his extended tenure in office.

Based on the Board's and the NC's observations during the tenure of office occupied by Mr Khoo Boo Yeow, Andrew for FY2021, Mr Khoo Boo Yeow, Andrew has distinctively demonstrated independent mindedness and conduct at Board and Board Committees meetings. Together with the NC, the Board, is of the firm view and opinion that Mr Khoo Boo Yeow, Andrew continues to exercise independent judgement in the best interest of the Company in the discharge of their duties as a Director, despite his extended tenure in office.

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

Mr Murali Krishna Ramachandra was appointed as a Non-Executive and Independent Director on 1 July 2021.

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

The NC has received assurance from the Directors who are holding multiple board representations, in particular the Directors holding listed company board representations, that their time and effort in carrying out their duties as Directors of the Company will not be compromised. The NC has also considered the number of listed company board representations held by each Director. In FY2021, all Non-Executive and Independent Directors held up to not more than six (6) listed company board representations. The NC also of the view that the Directors who do not have full time working commitment is not limited to the six (6) listed company board representations. Notwithstanding the foregoing, each of them contributes their time, resources and commitment to the Group.

The NC is satisfied that sufficient time and attention are being given by the Directors to the affairs of the Group, notwithstanding multiple listed company board representations and principal commitments of each Director of the Company, as the Board and the Board Committees experienced minimal competing time commitments among its Board and Board Committees meetings in FY2021, which are planned and scheduled in advance.

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

CORPORATE GOVERNANCE **STATEMENT**

PRINCIPLE 5: BOARD PERFORMANCE

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

Guidelines	***Federal Corporate Governance Practices***
5.1	The NC has put in place a performance evaluation process where the effectiveness of the Board as a whole, of each Board Committee separately, and the contribution by the Chairman and each individual Director of the Board is carried out on annual basis following the conclusion of each financial year.
5.2	The annual evaluation exercise provides an opportunity to obtain constructive feedback from each Director on amongst others to propose changes which may be made to enhance the performance of the Board and the Board Committees, to provide their views on the functions of the Board and Board Committees including its procedures and processes and if any of these may be improved upon.

The collective assessment is conducted by means of a confidential questionnaire to be completed by each Director before such assessment results are collated, analysed and reported to the respective Board Committees for their deliberation prior to the report to the Board. Individual evaluation of each Director is also conducted on an annual basis. The aim of the assessment is to assess whether each Director is able to and continues to contribute effectively and demonstrate commitment to his/her role.

Recommendations to further enhance the effectiveness of the Board and Board Committees are implemented as and when appropriate, if any.

The performance evaluation of the Board and the Board Committees as a whole for FY2021 had been conducted. It was satisfied that all Directors individually and severally contributed effectively and demonstrated full commitment to their roles, accordingly, the performance of the Board and the Board Committees for FY2021 were satisfactory. In addition, a performance appraisal of the CEO has also been conducted. No external facilitator had been engaged for this purpose.

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

(1) Board/Board Committees composition

(2) Information to the Board/Board Committees

(3) Board/Board Committees procedures

(4) Board accountability

(5) Communication with CEO

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

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 6: PROCEDURES FOR DEVELOPING REMUNERATION POLICIES

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

Guidelines ***Federal Corporate Governance Practices***

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

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

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

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

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

(5) To review the contracts of service of the Executive Directors and Key Management Personnel of the Group.

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

6.2 The members of the RC of the Company are:

Mr Murali Krishna Ramachandra (Chairman)
Mr Hoon Tai Meng
Mr Khoo Boo Yeow, Andrew

The RC comprises entirely Non-Executive and Independent Directors.

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

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

CORPORATE GOVERNANCE **STATEMENT**

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

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

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

PRINCIPLE 7: LEVEL AND MIX OF REMUNERATION

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

Guidelines ***Federal Corporate Governance Practices***

7.1 The Company adopts a remuneration policy for Executive Directors and Key Management Personnel of the Group that comprise a fixed component and a variable component. The fixed component is in the form of a base salary. The variable component is in the form of profit-sharing or a variable bonus that is linked to the performance of the Group and the individual performance for the preceding financial year.

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

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

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

The Board, after the recommendation of the RC, has recommended the aggregate Directors' fees of S$190,000 to Non-Executive and Independent Directors of the Company for financial year ending 31 December 2022, to be paid quarterly in arrears, for shareholders' approval at the forthcoming AGM of the Company scheduled on 28 April 2022.

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

CORPORATE GOVERNANCE **STATEMENT**

PRINCIPLE 8: DISCLOSURE ON REMUNERATION

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

Guidelines ***Federal Corporate Governance Practices***

8.1 The following information relates to the remuneration received or to be received by the Directors from the Company and its subsidiaries for FY2021:

					Fees					
Directors of the Company	**Fees**	**Salary**	**Bonus**	**Other Benefits**	**Director**	**Lead Independent Director**	**AC Chairman**	**NC Chairman**	**RC Chairman**	**Total**
S$500,000 to S$750,000										
Mr Koh Kian Kiong	–	95%	–	5%	–	–	–	–	–	100%
S$250,000 to S$499,999										
Ms Maggie Koh	–	95%	–	5%	–	–	–	–	–	100%
Mr Koh Beng Guan, Don	–	94%	–	6%	–	–	–	–	–	100%
Less than S$250,000										
Mr Yee Kee Shian, Leon(1)	100%	–	–	–	S$14,008	S$1,401	–	S$2,801	–	S$18,210
Mr Khoo Boo Yeow, Andrew	100%	–	–	–	S$43,000	–	–	–	S$8,600	S$51,600
Mr Loh Eu Tse, Derek(2)	100%	–	–	–	S$34,980	–	–	S$3,959	–	S$38,939
Mr Hoon Tai Meng	100%	–	–	–	S$43,000	S$2,781	S$12,900	–	–	S$58,681
Mr Murali Krishna Ramachandra(3)	100%	–	–	–	S$21,500	–	–	–	–	S$21,500

Notes:
(1) Mr Leon Yee has retired as a Non-Executive and Independent Director on 28 April 2021.
(2) Mr Derek Loh has resigned as a Non-Executive and Independent Director on 22 October 2021.
(3) Mr Murali Krishna Ramachandra was appointed as a Non-Executive and Independent Director on 1 July 2021.

In view of confidentiality and sensitivity attached to remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose exact remuneration received by each Executive Director of the Company, but in the bands of S$250,000 disclosed as above.

In view of the confidentiality and sensitivity attached to remuneration matters, the Board is of the opinion that it is in the best interests of the Group not to disclose exact names and exact remuneration and the breakdown of remuneration in the forms of salary, bonus or other benefits received by the four Key Management Personnel of the Group during FY2021.

For FY2021, the Group has four Key Management Personnel. The following information relates to the remuneration received by the four Key Management Personnel of the Group from the Company and its subsidiaries for FY2021 in the bands of S$250,000 without the disclosure of exact names:

Remuneration Bands	**Number of Key Management Personnel**
S$250,000 to S$499,999	–
Less than S$250,000	4
Total	4

CORPORATE GOVERNANCE STATEMENT

8.2 Mr Koh Kian Kiong, Ms Maggie Koh and Mr Koh Beng Guan, Don, being the Directors of the Company during FY2021, are immediate family members defined under the Listing Manual of the SGX-ST. Mr Koh Kian Kiong is a substantial shareholder of the Company. Save as disclosed, there were no employees who are substantial shareholders of the Company, or are immediate family members of a director or CEO or a substantial shareholder of the Company, and whose remuneration exceeds S$100,000 during FY2021. Mr Koh Beng Guan, Don has been re-designated as the Deputy Group CEO on 1 January 2022.

8.3 The Company has disclosed in the Annual Report the breakdown of the remuneration of each Executive Director in percentage terms in bands of $250,000 and detailed breakdown of the remuneration of each Non-Executive Director (under Guidelines 8.1).

In considering disclosure of remuneration of the four Key Management Personnel (each a "**KMP**" and collectively, the "**KMPs**"), the Company has regarded the industry conditions in which the Company operates as well as the confidential nature of such remuneration for each KMP. The Company believes that a detailed disclosure of the remuneration of each KMP on a name basis as recommended by the Code 2018 would be prejudicial to the Company's interests and hamper its ability to retain and nurture the Company's talent pool.

For greater transparency on the total remuneration paid to the Directors and the KMPs for FY2021, the Company wishes to inform shareholders that the total remuneration amounted to S$1,231,000 and S$684,000 respectively, which amounts are also disclosed in "Note 44 Related Party Transactions" to the Financial Statements on page 148 of the Annual Report.

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

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

PRINCIPLE 9: RISK MANAGEMENT AND INTERNAL CONTROLS

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

Guidelines Federal Corporate Governance Practices

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

In 2021, the Management carried out an annual review of the Group's key risks and the effectiveness of the key internal controls of the Group.

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

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

9.2 The Board has received annual assurance from the CEO and the Group Chief Financial Officer that, as at 31 December 2021, the financial records have been properly maintained and the financial statements give a true and fair view of the Group's operations and finances. The Board also received assurance from the CEO and the key management personnel responsible, regarding the adequacy and effectiveness of the Group's risk management and internal control systems.

Pursuant to Rule 1207(10) of Listing Manual of the SGX-ST, the Board, with the concurrence of the AC, having considered (i) the internal controls established and maintained by the Group; (ii) the reports received from the internal auditor and the external auditor; and (iii) the regular reviews performed by Management, Board Committees and the Board; is of the opinion that, the Group's risk management system and the Group's internal controls including financial, operational, compliance and information technology controls are effective and adequate as at 31 December 2021.

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

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

CORPORATE GOVERNANCE **STATEMENT**

PRINCIPLE 10: AUDIT COMMITTEE

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

Guidelines ***Federal Corporate Governance Practices***

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

The AC has full access to Management and full discretion to invite any Director and officer to attend AC meetings held from time to time.

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

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

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

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

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

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

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

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

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

The AC has also considered the performance of BT based on factors such as performance, adequacy of resources and experience of the audit engagement partner and audit team assigned to the Company's and the Group's audit as well as the size and complexity of the Company and of the Group. Accordingly, the AC has recommended the re-appointment of BT as external auditor of the Company for the ensuing year. The aggregate amount of fees paid to external auditor, as well as its fees for non-audit services is disclosed in page 122 of the Annual Report.

The Group has complied with Rules 712 and 715 of the Listing Manual of SGX-ST as the Group's Singapore-incorporated subsidiaries and significant associated companies were audited by BT and significant foreign-incorporated subsidiary was audited by independent overseas member firms of Baker Tilly International for FY2021, except for 2 Indonesia subsidiaries, PT Fedsin Rekayasa Pratama and PT Federal International, and 1 Indonesia associated company, PT Eastern Jason, which were audited by Kosasih, Nurdiyaman, Mulyadi, Tjahjo & Rekan ("**Crowe Indonesia**").

In accordance to Rule 716 of the Listing Manual of SGX-ST, the AC together with the Board had reviewed and satisfied that the appointment of Crowe Indonesia in FY2021 would not compromise the standard and effectiveness of the audit of the Group.

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

The Company has put in place a whistle-blowing policy and the Audit Committee oversees the administration of whistle-blowing policy. Periodic reports will be submitted to the Audit Committee with details of complaints if any and the results of the related investigations and follow-up actions commissioned. There were no reported incidents under the whistle-blowing policy for the financial year under review. There has been no reports of fraudulent or inappropriate activities or malpractices received to date.

The AC had on 5 November 2021 reviewed the existing whistle-blowing policy and adopted a revised whistle-blowing policy. The revised whistle-blowing policy is to establish and maintain a stronger policy where the identity of the whistleblower is kept confidential and the individual is protected from reprisal.

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

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

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

CORPORATE GOVERNANCE **STATEMENT**

The whistle-blowing policy is reviewed regularly by the AC, which the AC comprises entirely Non-Executive and Independent Directors. The AC whom are independent to oversee the whistle-blowing policy and procedure as well as to commit to protect the identity of the whistleblower.

During FY2021, the key activities carried out by AC included but not limited to:–

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

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

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

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

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

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

(7) Reviewed the Group's audited financial statements with Management and external auditor of the Company. Accordingly, the AC is of the view that the Group's financial statements for FY2021 are fairly presented in conformity with relevant Singapore Financial Reporting Standards (International) in all material aspects.

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

Mr Hoon Tai Meng (Chairman)
Mr Khoo Boo Yeow, Andrew
Mr Murali Krishna Ramachandra

The AC comprises entirely Non-Executive and Independent Directors.

The AC Chairman is a qualified Chartered Accountant who is also a lawyer while the two AC members hold a Master of Business Administration and Master of Laws respectively. Each of them has an extensive knowledge and experience in the fields of corporate finance, legal and business. The Board is of the view that the AC members are appropriately qualified in discharging their duties and responsibilities and are capable of exercising sound and independent judgement in view of their requisite expertise and experience.

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

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

CORPORATE GOVERNANCE STATEMENT

RSM carries out its internal audit functions based on work plan agreed with the AC, where different aspects of internal control are reviewed for each year, and also take into consideration key risk facts identified. RSM have submitted reports dated 7 August 2021 and 14 September 2021 to the AC, reporting, inter alia, that (i) having performed the system review procedures of the Company's internal controls and (ii) save for certain matters highlighted to the Company which have been duly noted by Management, based on their review of the adequacy and effectiveness of the Company system of internal controls or measures, they did not identify any significant deficiencies or non-compliance of controls or measures implemented by Management under such procedures and systems.

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

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

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

PRINCIPLE 11: SHAREHOLDER RIGHTS AND CONDUCT OF GENERAL MEETINGS

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

Guidelines ***Federal Corporate Governance Practices***

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

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

The Constitution of the Company allows each resolution put forth at general meetings to be voted either by a show of hands or by a poll and the results of each resolution is announced at general meetings and released subsequently to SGX-ST.

In compliance with the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020 (the "**Order**"), the annual report and other documents are made available on the Company's website at http://www.federal-int.com.sg and on SGXNET. All shareholders of the Company can download the notice of AGM, proxy form, a request form for printed copies of the annual report and appendices (if any), a pre-registration form and instructions on the steps for pre-registration, pre-submission of questions and voting at the AGM from the Company's website and also from the SGXNET. The notice of AGM is also advertised in the newspapers. Further, the AGM will be held by way of electronic means and shareholders will not be allowed to attend the AGM in person and voting is by poll only.

CORPORATE GOVERNANCE **STATEMENT**

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

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

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

In light of the COVID-19 pandemic whereby the AGM held on 28 April 2021 was held by way of electronic means, the shareholders were invited to submit their questions for the AGM in advance of the meeting, and the Company provided its responses via SGXNET and the corporate website on 27 April 2021 prior to the commencement of the AGM.

11.4 Individual shareholders and corporate shareholders, who are unable to attend general meetings of the Company, are entitled to appoint not more than two proxies to attend and vote on their behalf at the general meetings of the Company. However, in compliance with the Order, shareholders may only appoint the Chairman of the AGM as proxy.

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

11.5 The proceedings of general meetings, including questions and answers exchanged among the Board, the Management and the shareholders, will be recorded in minutes and made available to the shareholders of the Company upon their request.

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

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

(2) the financial condition of the Group;

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

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

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

It is noted that there was no dividend declared to the shareholders of the Company for FY2021.

The Company has decided not to recommend any dividend for FY2021 at the forthcoming AGM of the Company as the Group does not have the pre-requisite retained earnings needed to declare a dividend.

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 12: ENGAGEMENT WITH SHAREHOLDERS

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

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

CORPORATE GOVERNANCE STATEMENT

PRINCIPLE 13: ENGAGEMENT WITH STAKEHOLDERS

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

Guidelines ***Federal Corporate Governance Practices***

13.1 The Company's engagement with its material stakeholders is set out in detail in the Sustainability Report on pages 16 to 34 of Annual Report.

13.2 The Company's efforts on sustainability are focused on creating sustainable value for key stakeholders, which include communities, customers, staff, regulators, shareholders and vendors.

13.3 The Company maintains a corporate website at http://www.federal-int.com.sg to communicate and engage stakeholders.

Dealings in Securities

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

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

Interested Person Transactions

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

The Company does not have a shareholders' mandate for interested person transactions. The Company confirms that the aggregate value of all interested person transactions during FY2021 is less than S$100,000/-.

Material Contracts

No other material contracts were entered into between the Company and any of the subsidiaries of the Group with any CEO, Director or controlling shareholder of the Company either subsisting or during FY2021, except as disclosed in the Notes to the Financial Statements (Note 44).

DIRECTORS' STATEMENT

The directors are pleased to present their statement to the members together with the audited consolidated financial statements of Federal International (2000) Ltd (the "Company") and its subsidiary corporations (collectively, the "Group") and the statement of financial position and statement of changes in equity of the Company for the financial year ended 31 December 2021.

In the opinion of the directors:

(i) the consolidated financial statements of the Group and the statements of financial position and statement of changes in equity of the Company as set out on pages 65 to 149 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 2021 and of the financial performance, changes in equity and cash flows of the Group and changes in equity of the Company for the financial year ended 31 December 2021 in accordance with the provisions of the Companies Act 1967 and Singapore Financial Reporting Standards (International); and

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

Directors

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

Koh Kian Kiong
Maggie Koh
Hoon Tai Meng
Khoo Boo Yeow, Andrew
Murali Krishna Ramachandra (appointed on 1 July 2021)

Arrangement to enable directors to acquire shares and debentures

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

Directors' interests in shares and debentures

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

	Direct interest			Deemed interest		
Name of directors	**At 1.1.2021**	**At 31.12.2021**	**At 21.1.2022**	**At 1.1.2021**	**At 31.12.2021**	**At 21.1.2022**
Ordinary shares of the Company						
Koh Kian Kiong	10,504,400	10,704,400	10,704,400	18,150,000	18,150,000	18,150,000
Maggie Koh	470,000	695,300	695,300	–	–	–

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

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

DIRECTORS' STATEMENT

Options

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

Audit Committee

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

Hoon Tai Meng
Khoo Boo Yeow, Andrew
Murali Krishna Ramachandra (appointed on 1 July 2021)

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

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

Independent auditor

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

On behalf of the board of directors:

Koh Kian Kiong
Director

Maggie Koh
Director

Singapore
31 March 2022

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FEDERAL INTERNATIONAL (2000) LTD

Report on the Audit of the Financial Statements

Opinion

We have audited the accompanying financial statements of Federal International (2000) Ltd (the "Company") and its subsidiaries as set out on pages 65 to 149 (collectively, the "Group"), which comprise the statements of financial position of the Group and the Company as at 31 December 2021, and the consolidated income statement, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group and the statement of changes in equity of the Company for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying consolidated financial statements of the Group and the statement of financial position and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2021 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group and of the changes in equity of the Company for the year ended on that date.

Basis for Opinion

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

Key Audit Matters

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

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

<u>*Description of key audit matter*</u>

(a) As at 31 December 2021, included in the trade receivables of the Group is an amount of $19,989,000 (2020: $9,640,000) and other receivables of the Group and the Company is an amount of $1,131,000 and $234,000 (2020: $$1,224,000 and $346,000) respectively, due from an investee company. The Group owns 2.58% shares in the investee company, as disclosed in Note 10.

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

The loss allowance is mitigated by payments from the end customer channelled into a joint account between a subsidiary of the Group and the investee company which includes a mandated sweeping mechanism where money is transferred to the bank account of a subsidiary of the Group at the end of each banking day. The management also continue to monitor the investee company's financial position and performance on a periodic basis to manage the Group's exposure.

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FEDERAL INTERNATIONAL (2000) LTD

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

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

Description of key audit matter *(Continued)*

(b) As at 31 December 2021, included in the other receivables (non-current) of the Group and the Company is an amount of $11,022,000 (2020: $11,022,000) from a shareholder of an investee company. The amount due from a shareholder of this investee company is secured by the shareholder's shares in the investee company.

Management assessed impairment by applying the ECL. The loss allowance is determined after taking into consideration the fair value of the pledged shares. The fair value of the pledged shares is determined by reference to the equity value of the investee company based on valuation performed by an external valuer. As disclosed in Note 11, the equity value of the investee company is determined by the external valuer based on discounted cash flow analysis from the forecast provided by the investee company.

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

Our audit procedures to address the key audit matter

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

For the amount due from investee company, we further assessed the reasonableness of management's judgements and assumptions on the credit loss assessment, consideration of current and future economic conditions, recent and subsequent payments, explanations from management to assess the recoverability of the long outstanding receivables. We also reviewed the financial condition and financial position of the investee company as at 31 December 2021. We evaluated management's assessment that any loss given default would be minimal by considering the ability of the investee company to repay, supported with the equity value of investee company determined by external valuer based on discounted cash flow analysis from the forecast provided by investee company as disclosed in Note 11. We also reviewed the adequacy and appropriateness of the disclosures made in the financial statements.

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

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

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

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

INDEPENDENT
AUDITOR'S REPORT

TO THE MEMBERS OF FEDERAL INTERNATIONAL (2000) LTD

Report on the Audit of the Financial Statements (Continued)

Key Audit Matters (Continued)

Other Information

Management is responsible for the other information. The other information comprises the information included in the 2021 Annual Report but does not include the financial statements and our auditor's report thereon.

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

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

Responsibilities of Management and Directors for the Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements

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

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

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

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

INDEPENDENT AUDITOR'S REPORT

TO THE MEMBERS OF FEDERAL INTERNATIONAL (2000) LTD

Report on the Audit of the Financial Statements (Continued)

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

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

Report on Other Legal and Regulatory Requirements

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

The engagement partner on the audit resulting in this independent auditor's report is Low See Lien.

Baker Tilly TFW LLP
Public Accountants and
Chartered Accountants
Singapore
31 March 2022

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Non-current assets					
Property, plant and equipment	4	**11,405**	17,459	**9**	12
Right-of-use assets	5	**3,095**	3,349	**–**	–
Investment properties	6	**17,900**	11,500	**–**	–
Investment in subsidiaries	7	**–**	–	**70,949**	76,353
Investment in associates	8	**8,978**	7,924	**732**	732
Intangible assets	9	**545**	682	**–**	–
Financial assets at fair value through other comprehensive income	10	**381**	381	**381**	381
Other receivables	11	**11,112**	11,104	**11,022**	11,022
Deferred tax assets	12	**2,328**	2,142	**–**	–
		55,744	54,541	**83,093**	88,500
Current assets					
Inventories	13	**11,519**	16,666	**–**	–
Trade receivables	14	**36,571**	27,985	**–**	–
Other receivables	15	**2,131**	3,556	**234**	562
Advance payment to suppliers		**4,964**	701	**–**	–
Prepayments		**517**	336	**16**	23
Deposits		**30**	40	**4**	4
Financial receivable	16	**–**	–	**–**	–
Amounts due from subsidiaries	17	**–**	–	**3,478**	3,302
Amounts due from associates	18	**2,898**	2,840	**–**	–
Amounts due from related parties	19	**200**	3,649	**–**	–
Fixed and bank deposits	37	**103**	1,460	**–**	1,322
Cash and bank balances	37	**11,387**	6,807	**621**	131
		70,320	64,040	**4,353**	5,344
Current liabilities					
Trade payables		**15,934**	8,950	**–**	–
Other payables	20	**4,238**	4,067	**523**	569
Contract liabilities	21	**18,917**	1,962	**–**	–
Amounts due to subsidiaries	22	**–**	–	**871**	1,056
Amounts due to associates	23	**–**	10	**–**	–
Amounts due to related parties	24	**2,184**	1,686	**–**	–
Amounts due to banks	25	**7,225**	18,747	**–**	–
Term loans	26	**7,418**	7,804	**–**	–
Lease liabilities	5	**205**	213	**–**	–
Provision for taxation		**391**	144	**–**	–
		56,512	43,583	**1,394**	1,625
Net current assets		**13,808**	20,457	**2,959**	3,719

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

STATEMENTS OF **FINANCIAL POSITION**

AS AT 31 DECEMBER 2021

	Note	Group 2021 $'000	Group 2020 $'000	Company 2021 $'000	Company 2020 $'000
Non-current liabilities					
Amounts due to subsidiaries	22	**–**	–	**8,402**	15,387
Term loans	26	**4,327**	7,445	**–**	–
Provision for post employment benefits		**167**	206	**–**	–
Lease liabilities	5	**3,108**	3,290	**–**	–
Deferred tax liabilities	12	**1,157**	1,902	**99**	91
		8,759	12,843	**8,501**	15,478
Net assets		**60,793**	62,155	**77,551**	76,741
Equity					
Share capital	27(a)	**144,099**	144,099	**144,099**	144,099
Treasury shares	27(b)	**(25)**	(25)	**(25)**	(25)
Foreign currency translation reserve	28	**(3,114)**	(4,357)	**–**	–
Capital reserve	29	**5**	5	**–**	–
Revaluation reserve	30	**18,993**	18,409	**–**	–
Other reserves	31	**(1,133)**	(1,133)	**(157)**	(157)
Accumulated losses		**(78,802)**	(79,136)	**(66,366)**	(67,176)
Equity attributable to owners of the Company		**80,023**	77,862	**77,551**	76,741
Non-controlling interests		**(19,230)**	(15,707)	**–**	–
Total equity		**60,793**	62,155	**77,551**	76,741

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

CONSOLIDATED INCOME STATEMENT

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 $'000	Group 2020 $'000
Revenue	32	**59,816**	68,142
Cost of sales		**(47,779)**	(56,150)
Gross profit		**12,037**	11,992
Other income		**3,983**	2,289
Selling and distribution costs		**(5,203)**	(5,313)
Administrative and general costs		**(8,676)**	(9,148)
Other operating expenses		**(1,138)**	(1,147)
Net impairment loss on financial assets		**(127)**	(4,802)
Finance costs		**(1,088)**	(1,162)
Share of results of associates		**1,038**	1,288
Profit/(loss) before tax	33	**826**	(6,003)
Income tax (expense)/credit	35	**(193)**	1,193
Profit/(loss) net of tax		**633**	(4,810)
Attributable to:			
Owners of the Company		**334**	(5,014)
Non-controlling interests		**299**	204
		633	(4,810)
Earnings/(loss) per share attributable to owners of the Company (cents per share)	36		
Basic		**0.24**	(3.56)
Diluted		**0.24**	(3.56)

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

CONSOLIDATED STATEMENT OF **COMPREHENSIVE INCOME**

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Group	
	2021	**2020**
	$'000	**$'000**
Profit/(loss) net of tax	**633**	(4,810)
Other comprehensive income/(loss):		
Items that will not be reclassified subsequently to profit or loss		
Foreign currency translation	**753**	(208)
Net surplus on revaluation of leasehold buildings	**584**	108
Items that are or may be reclassified subsequently to profit or loss		
Foreign currency translation	**1,228**	(376)
Share of other comprehensive income/(loss) of associates	**15**	(89)
Other comprehensive income/(loss) for the financial year, net of tax	**2,580**	(565)
Total comprehensive income/(loss) for the financial year	**3,213**	(5,375)
Total comprehensive income/(loss) attributable to:		
Owners of the Company	**2,161**	(5,371)
Non-controlling interests	**1,052**	(4)
	3,213	(5,375)

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

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

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Group	Attributable to the owners of the Company									
	Share capital (Note 27(a)) $'000	**Treasury shares (Note 27(b)) $'000**	**Accumulated losses $'000**	**Foreign currency translation reserve (Note 28) $'000**	**Capital reserve (Note 29) $'000**	**Revaluation reserve (Note 30) $'000**	**Other reserves (Note 31) $'000**	**Total $'000**	**Non-controlling interests $'000**	**Total equity $'000**
At 1 January 2020	144,099	(25)	(74,122)	(3,892)	5	18,301	(1,133)	83,233	(13,139)	70,094
Loss net of tax	–	–	(5,014)	–	–	–	–	(5,014)	204	(4,810)
Other comprehensive (loss)/income:										
Items that will not be reclassified subsequently to profit or loss:										
Foreign currency translation	–	–	–	–	–	–	–	–	(208)	(208)
Net surplus on revaluation of leasehold buildings	–	–	–	–	–	108	–	108	–	108
Items that are or may be reclassified subsequently to profit or loss:										
Foreign currency translation	–	–	–	(376)	–	–	–	(376)	–	(376)
Share of other comprehensive loss of associates	–	–	–	(89)	–	–	–	(89)	–	(89)
Total comprehensive (loss)/income for the financial year	–	–	(5,014)	(465)	–	108	–	(5,371)	(4)	(5,375)
Disposal of a subsidiary company [Note 7(c)]	–	–	–	–	–	–	–	–	(8)	(8)
Dividend paid to non-controlling interests	–	–	–	–	–	–	–	–	(2,556)	(2,556)
At 31 December 2020	144,099	(25)	(79,136)	(4,357)	5	18,409	(1,133)	77,862	(15,707)	62,155

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Company	Share capital (Note 27(a)) $'000	Treasury shares (Note 27(b)) $'000	Accumulated losses $'000	Other reserves (Note 31) $'000	Total equity $'000
At 1 January 2021	**144,099**	**(25)**	**(67,176)**	**(157)**	**76,741**
Profit net of tax and total comprehensive income for the financial year	**–**	**–**	**810**	**–**	**810**
At 31 December 2021	**144,099**	**(25)**	**(66,366)**	**(157)**	**77,551**
At 1 January 2020	144,099	(25)	(70,899)	(157)	73,018
Profit net of tax and total comprehensive income for the financial year	–	–	3,723	–	3,723
At 31 December 2020	144,099	(25)	(67,176)	(157)	76,741

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	2021 $'000	2020 $'000
Cash flows from operating activities		
Profit/(loss) before tax	**826**	(6,003)
Adjustments for:		
Allowance for slow moving inventories	**1,101**	141
Amortisation of intangible assets	**136**	136
Amount due from a related party written off	**1**	–
Bad debts recovered	**(1,365)**	(102)
Depreciation of property, plant and equipment	**1,912**	1,969
Depreciation of right-of-use assets	**262**	336
Fair value gain on investment properties	**(2,300)**	–
Impairment loss on intangible assets	**–**	696
Impairment loss on receivables (current)	**301**	5,030
Implicit interest income	**(4)**	(4)
Interest expense	**1,088**	1,162
Interest income	**(132)**	(227)
Loss/(gain) on disposal of property, plant and equipment, net	**2**	(11)
Loss on disposal of a subsidiary	**–**	16
Share of results of associates	**(1,038)**	(1,288)
Writeback of impairment loss on receivables (current)	**(174)**	(163)
Writeback of impairment loss on financial receivables	**–**	(65)
Foreign currency exchange gain	**(105)**	(145)
Operating cash flows before changes in working capital	**511**	1,478
Decrease/(increase) in:		
Inventories	**4,098**	(6,607)
Trade and other receivables	**5,109**	(4,419)
Financial receivable	**–**	69
Advance payment to suppliers	**(4,225)**	287
Prepayments	**(178)**	(131)
Deposits	**10**	6
Amounts due from associates	**1**	–
Amounts due from related parties	**(27)**	–
Increase/(decrease) in:		
Trade and other payables	**7,080**	645
Contract liabilities	**5,758**	319
Amounts due to associates	**(10)**	–
Amount due to a related party	**396**	(276)
Provision for post-employment benefits	**(39)**	(84)
Cash flows generated from/(used in) operations	**18,484**	(8,713)
Bad debts recovered received	**995**	102
Income taxes paid	**(114)**	(248)
Interest income received	**197**	170
Net cash generated from/(used in) operating activities	**19,562**	(8,689)

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	2021 $'000	2020 $'000
Cash flows from investing activities:		
Interest income received	**6**	30
Net cash inflow on disposal of a subsidiary	**–**	5
Proceeds from disposal of property, plant and equipment	**31**	11
Proceeds from disposal of a joint venture	**–**	58
Purchase of property, plant and equipment	**(181)**	(191)
Repayment of loan from investee company	**139**	–
Net cash used in investing activities	**(5)**	(87)
Cash flows from financing activities:		
Interest expense paid	**(938)**	(991)
Decrease/(increase) in pledged deposits	**1,344**	(106)
Proceeds from/(repayments of) bank overdrafts	**574**	(211)
Drawdown of term loans	**1,031**	6,826
Repayments of term loans	**(4,617)**	(4,230)
Drawdown of trust receipts	**20,107**	30,463
Repayments of trust receipts	**(32,271)**	(22,724)
Repayments of lease liabilities – principal	**(198)**	(277)
Repayments of lease liabilities – interest	**(184)**	(193)
Net cash (used in)/generated from financing activities	**(15,152)**	8,557
Net increase/(decrease) in cash and cash equivalents	**4,405**	(219)
Effect of exchange rate changes on cash and cash equivalents	**138**	(97)
Cash and cash equivalents at 1 January	**6,844**	7,160
Cash and cash equivalents at 31 December (Note 37)	**11,387**	6,844

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

1. CORPORATE INFORMATION

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

2.1 Basis of preparation

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

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

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

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

Use of estimates and judgements

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.1 Basis of preparation (Continued)

New and revised standards

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

New standards, amendments to standards and interpretations that have been issued at each reporting period but are not yet effective for the financial year ended 31 December 2021 have not been applied in preparing these financial statements. None of these are expected to have a significant effect on the financial statements of the Group and the Company.

2.2 Foreign currency

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

(a) Transactions and balances

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

Exchange differences arising on the settlement of monetary items or on translating monetary items at the end of the financial year are recognised in 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 interests and are not recognised in profit or loss. For partial disposals of associates or jointly controlled entities that are foreign operations, the proportionate share of the accumulated exchange differences is reclassified to profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Basis of consolidation and business combinations

(a) Basis of consolidation

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

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

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

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

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

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

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

– Derecognises the cumulative translation differences recorded in equity;

– Recognises the fair value of the consideration received;

– Recognises the fair value of any investment retained;

– Recognises any surplus or deficit in profit or loss;

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.3 Basis of consolidation and business combinations (Continued)

(b) Business combinations and goodwill

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

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

Any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interest in the acquiree (if any), and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities is recorded as goodwill. In instances where the latter amount exceeds the former, the excess is recognised as gain on bargain purchase in 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. An impairment loss recognised for goodwill is not reversed in subsequent periods.

2.4 Transactions with non-controlling interests

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.5 Property, plant and equipment

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

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

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

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

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

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

Leasehold buildings	–	Remaining leasehold period of 22 years (2020: 14 to 23 years)
Other plant and equipment	–	3 to 10 years

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

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.6 Investment properties

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

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

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

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

On disposal of an investment property, the difference between the disposal proceeds and the carrying amount is recognised in profit or loss.

2.7 Intangible assets

Research and development costs

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

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

2.8 Impairment of non-financial assets

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.8 Impairment of non-financial assets (Continued)

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

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

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

2.9 Subsidiaries

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

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

2.10 Associates and joint venture

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.10 Associates and joint venture (Continued)

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

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

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

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

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

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

2.11 Financial assets

Recognition and derecognition

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

Classification and measurement

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

The Group classifies its financial assets in the measurement categories:

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

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

Subsequent measurement

i) Debt instruments

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

Amortised cost

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

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

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

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.11 Financial assets (Continued)

Subsequent measurement (Continued)

ii) *Equity instruments*

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

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

Offset

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

2.12 Impairment of financial assets

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

2.14 Service concession arrangement

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

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

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

2.15 Inventories

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.16 Provisions

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

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

2.17 Financial liabilities

Initial recognition and measurement

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

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

Subsequent measurement

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

Derecognition

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

2.18 Financial guarantee

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

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

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

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.19 Borrowing costs

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

2.20 Employee benefits

Employee leave entitlement

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

Defined contribution plans

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

Defined benefit plans

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases

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

(a) When the Group is the lessee

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

Lease liabilities

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.21 Leases (Continued)

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

Right-of-use assets

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

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

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

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

(b) When the Group is the lessor

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.22 Revenue

(a) Sale of goods

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

(b) Revenue from service concession arrangement

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

(c) Revenue from wastewater treatment services

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

(d) Charter income from land drilling rig

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

(e) Rental income

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

(f) Dividend income

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

(g) Interest income

Interest income is recognised using the effective interest method.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Taxes

Current income tax

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

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

Deferred tax

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

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

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

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

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

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

- In respect of deductible temporary differences associated with investments in subsidiaries and associates, deferred tax assets are recognised only to the extent that it is probable that the temporary differences will 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 each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at each reporting period and are recognised to the extent that it has become probable that future taxable profit will allow the deferred tax asset to be recovered.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.23 Taxes (Continued)

Deferred tax (Continued)

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

Deferred tax relating to items recognised outside 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.

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

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

2.24 Segment reporting

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

2.25 Share capital and share issuance expenses

Ordinary shares

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

Treasury shares

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

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2.26 Dividend

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

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

2.27 Grant income

Grant income are recognised at their fair value where there is a reasonable assurance that the grant will be received and all attaching conditions will be complied with. Where the grant relates to an asset, the fair value is recognised in the deferred capital grant on the statements of financial position and amortised to profit or loss over the expected useful life of the relevant asset by equal annual instalments.

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

3. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

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

3.1 Critical judgement made in applying accounting policies

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

Deferred tax assets

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

Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, based upon the likely timing and level of future taxable profits. The carrying value of deferred tax asset recognised and the unrecognised tax losses of the Group at 31 December 2021 are disclosed in Note 12.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

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

3.2 Key sources of estimation uncertainty

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

(a) Useful lives of property, plant and equipment

The cost of property, plant and equipment is depreciated on a straight-line basis over the asset's estimated economic useful lives. Management estimates the useful lives of these property, plant and equipment to be within the years stated in Note 2.5. These are common life expectancies applied in the industry. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets, therefore, future depreciation charges could be revised. The carrying amount of the Group's property, plant and equipment at each reporting period is disclosed in Note 4. A 5% difference in the expected useful lives of these assets from management's estimates would result in approximately 11.57% (2020: 1.64%) variance in the Group's profit before tax.

(b) Impairment of non-financial assets

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

When value in use calculations are undertaken, management is required to estimate the expected future cash flows from the asset and a suitable discount rate, in order to determine the present value of those cash flows. Further details of the key assumptions applied in the impairment assessment of non-financial assets and the carrying amount of the non-financial assets, are given in Note 7.

The continually evolving situation due to COVID-19 pandemic has resulted in inherent uncertainty in the impairment assessment. In performing the impairment assessment of non-financial assets, the Group adopted the Expected Cash Flow approach due to the increase in the level of uncertainty. The Expected Cash Flow approach uses multiple cash flow projections taking into consideration assumed probabilities of different future events and/or scenarios instead of a single cash flow scenario. The use of the Expected Cash Flow approach also aligns with management's internal forecasts. The recoverable amount was estimated by calculating the present value of the probability weighted expected cash flows.

(c) Income taxes

The Group has exposure to income taxes in numerous jurisdictions. Uncertainties exist with respect to the interpretation of complex tax regulations, the amount and timing of future taxable income and deductibility of certain expenditure. Accordingly, there are certain transactions and computations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group recognises liabilities for expected tax issues based on estimates of whether additional taxes will be due. Where the final tax outcome of these matters is different from the amounts that were initially recognised, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made. The carrying amounts of the Group's tax payables as at 31 December 2021 was $391,000 (2020: $144,000). The carrying amount of the Group's deferred tax liabilities at 31 December 2021 was $1,157,000 (2020: $1,902,000).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

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

3.2 Key sources of estimation uncertainty (Continued)

(d) Allowance for slow moving inventories

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

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

The fair values of the leasehold buildings and investment properties at 31 December 2021 are determined by professional valuer by reference to recent transactions of similar properties in the vicinity after adjusting for any differences in the nature, location and condition of the specific property, with consideration on the impact of COVID-19 pandemic.

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

(f) Calculation of expected credit loss allowance

When measuring ECL, the Group uses reasonable and supportable forward-looking information, which is based on assumptions and forecasts of future economic conditions with consideration on the impact of COVID-19 pandemic and how these conditions will affect the Group's ECL assessment. Loss given default is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

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

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

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

The Group determined the ECL of trade receivables by making a full allowance for debtors regarded as credit-impaired where one or more credit impairment events have occurred and using a provision matrix for remaining trade receivables. The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience, adjusted as appropriate to reflect current conditions and forecasts of future economic conditions with consideration on the impact of COVID-19 pandemic and how these conditions will affect the Group's ECL assessment.

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

4. PROPERTY, PLANT AND EQUIPMENT

	At valuation	At cost			
Group	Leasehold buildings $'000	Plant and machinery $'000	Furniture and fittings and office equipment $'000	Motor vehicles $'000	Total $'000
Cost or valuation:					
At 1 January 2020	14,200	13,112	2,747	540	30,599
Additions	40	25	114	12	191
Disposals/write off	–	(91)	(506)	–	(597)
Revaluation (Note 30)	(590)	–	–	–	(590)
Exchange differences	–	(244)	7	(1)	(238)
At 31 December 2020 and 1 January 2021	13,650	12,802	2,362	551	29,365
Additions	–	7	90	84	181
Disposals/write off	–	(343)	(315)	(134)	(792)
Reclassified as investment properties (Note 6)	(4,100)	–	–	–	(4,100)
Revaluation (Note 30)	(850)	–	–	–	(850)
Exchange differences	–	(5)	8	(1)	2
At 31 December 2021	**8,700**	**12,461**	**2,145**	**500**	**23,806**
Accumulated depreciation and impairment loss:					
At 1 January 2020	–	8,634	2,343	419	11,396
Depreciation charge for the financial year	719	1,085	129	36	1,969
Disposals/write off	–	(91)	(506)	–	(597)
Elimination of accumulated depreciation on revaluation (Note 30)	(719)	–	–	–	(719)
Exchange differences	–	(149)	7	(1)	(143)
At 31 December 2020 an 1 January 2021	–	9,479	1,973	454	11,906
Depreciation charge for the financial year	668	1,067	143	34	1,912
Disposals/write off	–	(343)	(315)	(101)	(759)
Elimination of accumulated depreciation on revaluation (Note 30)	(668)	–	–	–	(668)
Exchange differences	–	6	6	(2)	10
At 31 December 2021	**–**	**10,209**	**1,807**	**385**	**12,401**
Net carrying amount:					
At 31 December 2020	13,650	3,323	389	97	17,459
At 31 December 2021	**8,700**	**2,252**	**338**	**115**	**11,405**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	**Furniture and fittings and office equipment $'000**
Cost:	
At 1 January 2020	40
Additions	13
Disposal/write off	(37)
At 31 December 2020, 1 January 2021 and 31 December 2021	**16**
Accumulated depreciation:	
At 1 January 2020	40
Depreciation charge for the financial year	1
Disposal/write off	(37)
At 31 December 2020 and 1 January 2021	4
Depreciation charge for the financial year	3
At 31 December 2021	**7**
Net carrying amount:	
At 31 December 2020	12
At 31 December 2021	**9**

Revaluation of leasehold buildings

In 2020, leasehold buildings relate to a single-storey detached factory situated at 12 Chin Bee Drive on leasehold land of 7,146.3 square metres and a single-storey factory situated at 11 Tuas Avenue 1 on a leasehold land area of 4,701.4 square metres. The lease tenure of the leasehold land is 30 years effective October 2013 and 22 years effective November 2012, respectively.

During the financial year, leasehold building situated at 11 Tuas Avenue 1 was reclassified as investment properties in view that the Group has ceased to occupy the building. As a result, as at 31 December 2021, leasehold building relates to a single-storey detached factory situated at 12 Chin Bee Drive on leasehold land of 7,146.3 square metres. The lease tenure of the leasehold land is 30 years effective October 2013.

The fair values of the Group's leasehold buildings were determined based on the properties' highest and best use by an external valuer using direct comparison with recent transactions of comparable properties within the vicinity at 31 December 2021. Adjustments were made for differences in location, land area, floor area, floor loading, ceiling height, tenure, size, shape, design and layout, age and condition of buildings, dates of transactions and the prevailing market conditions amongst other factors affecting its value, with consideration on the impact of COVID-19 pandemic.

The fair value measurement is categorised under Level 3 of the fair value hierarchy.

4. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group	
	2021	**2020**
	$'000	**$'000**
Leasehold buildings at 31 December:		
Cost	**4,461**	6,756
Accumulated depreciation	**(1,630)**	(3,751)
Net carrying amount	**2,831**	3,005

Assets pledged as security

The Group's leasehold buildings with carrying amounts of $8,700,000 (2020: $13,650,000), are mortgaged to secure banking facilities and bank loans of certain subsidiaries (Note 25 and Note 26).

5. RIGHT-OF-USE ASSETS AND LEASE LIABILITIES

5.1 The Group as a lessee

Nature of the Group's leasing activities

The Group's leasing activities comprise the following:

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

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

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

- Short-term leases, consisting of office units, yard and warehouse with contractual terms of three months to 1 year; and

- Low-value assets, consisting of equipment of less than $5,000.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

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

5.1 The Group as a lessee (Continued)

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

Amounts recognised in statements of financial position

	Group	
	2021	**2020**
	$'000	**$'000**
Carrying amount of right-of-use assets		
Land lease	**2,806**	2,957
Office units	**225**	302
Equipment	**64**	90
	3,095	3,349
Carrying amount of lease liabilities		
Current	**205**	213
Non-current	**3,108**	3,290
	3,313	3,503
Additions to right-of-use assets	**6**	84

Amounts recognised in profit or loss

	Group	
	2021	**2020**
	$'000	**$'000**
Depreciation charge for the financial year		
Land lease	**156**	156
Office units	**79**	149
Equipment	**27**	31
	262	336
Lease expense not included in the measurement of lease liabilities:		
Lease expense – short term leases	**143**	93
Lease expense – low value assets leases	**6**	4
Total (Note 33)	**149**	97
Interest expense arising from lease liabilities (Note 33)	**184**	193

Total cash flow for leases during the financial year amounted to $531,000 (2020: $567,000).

As at 31 December 2021, the Group is committed to $108,000 (2020: $113,000) for short-term leases.

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

5.1 The Group as a lessee (Continued)

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

	2021 $'000	2020 $'000
At 1 January	**3,503**	3,693
Changes from financing cash flows:		
– Repayments of principal	**(198)**	(277)
– Repayments of interest	**(184)**	(193)
Non-cash changes:		
– Interest expense	**184**	193
– Additions of new leases	**6**	84
Effect of changes in foreign exchange rates	**2**	3
At 31 December	**3,313**	3,503

5.2 The Group as a lessor

Nature of the Group's leasing activities

The Group leased out its investment properties and plant and machinery to third parties for monthly lease payments. The lease is classified as an operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred. Rental income from investment properties are disclosed in Note 6.

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

	2021 $'000	2020 $'000
1 year or less	**274**	426
1 to 5 years	**–**	274
	274	700

NOTES TO THE
FINANCIAL STATEMENTS
31 DECEMBER 2021

6. INVESTMENT PROPERTIES

	Group	
	2021	**2020**
	$'000	**$'000**
At beginning of year	**11,500**	11,500
Reclassified from property, plant and equipment (Note 4)	**4,100**	–
Fair value gain recognised in profit or loss	**2,300**	–
At end of year	**17,900**	11,500

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

The following amounts are recognised in profit or loss:

	Group	
	2021	**2020**
	$'000	**$'000**
Rental income (Note 33)	**276**	233
Direct operating expenses arising from investment properties that generated rental income	**(44)**	(21)

In 2020, investment properties held by the Group relate to freehold land and buildings, consisting of two 3-storey terrace factories situated at 47 and 49 Genting Road on freehold land of 810.9 square metres.

During the financial year, leasehold building situated at 11 Tuas Avenue 1 was reclassified as investment properties from property, plant and equipment in view that the Group has ceased to occupy the building. As a result, as at 31 December 2021, investment properties held by the Group relate to freehold land and buildings, consisting of two 3-storey terrace factories situated at 47 and 49 Genting Road on freehold land of 810.9 square metres and leasehold building, consisting of a single-storey factory situated at 11 Tuas Avenue 1 on a leasehold land area of 4,701.4 square metres. The lease tenure of the leasehold land is 22 years effective November 2012.

The fair values of the Group's investment properties were determined based on the properties' highest and best use by an external valuer using market comparison approach at 31 December 2021.

For market comparison approach, fair value was computed using recent transactions of comparable properties, prevailing market condition and underlying economic factors which may influence the trend of the market values, with consideration on the impact of COVID-19 pandemic.

The fair value measurement is categorised under Level 3 of the fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

7. INVESTMENT IN SUBSIDIARIES

	Company 2021 $'000	Company 2020 $'000
Unquoted shares, at cost:		
At 1 January	**90,459**	90,504
Disposal of a subsidiary	**–**	(45)
Share capital reduction of a subsidiary	**(6,862)**	–
At 31 December	**83,597**	90,459
Less: impairment losses	**(29,289)**	(30,615)
	54,308	59,844
Loans to subsidiaries:		
Gross amount	**101,029**	100,219
Less: impairment losses	**(84,388)**	(83,710)
	16,641	16,509
Net carrying amount	**70,949**	76,353
Analysis of impairment losses on investment in subsidiaries:		
At 1 January	**30,615**	29,289
Impairment loss	**–**	1,326
Written back	**(1,326)**	–
At 31 December	**29,289**	30,615
Analysis of impairment losses on loans to subsidiaries:		
At 1 January	**83,710**	84,252
Exchange differences	**678**	(542)
At 31 December	**84,388**	83,710

Except for loans to subsidiaries of $3,779,000 (2020: $3,701,000) which bear interest at rate of 5.0% (2020: 5.0%) per annum, all other amounts are interest-free and unsecured.

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

Loans to subsidiaries are denominated in the following currencies:

	Company 2021 $'000	Company 2020 $'000
Singapore Dollar	**10,292**	10,292
United States Dollar	**6,349**	6,217
	16,641	16,509

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest 2021 %	2020 %
Held by the company			
Federal Hardware Engineering Co Pte Ltd[(1)] (Singapore)	Dealer in flowline control materials and services and investment holding (Singapore)	**100**	100
Alton International (S) Pte Ltd[(1)] (Singapore)	Engineering and dealer in flowline control materials and services and investment holding (Singapore)	**100**	100
KVC (UK) Ltd[(2)] (United Kingdom)	Design, manufacture and assembly of valves (United Kingdom)	**90**	90
Federal Fire Engineering Pte Ltd[(1)] (Singapore)	Supply and installation supervision of fire detection and protection systems and related products (Singapore)	**100**	100
Federal Offshore Services Pte.Ltd.[#] (Singapore)	Dormant (Indonesia)	**60**	60
Federal Environmental & Energy Pte. Ltd.[(1)] (Singapore)	Supply of flowline control products and investment holding (Singapore)	**65**	65
Federal Energi Pte. Ltd.[(1)] (Singapore)	Dormant (Singapore)	**100**	100
Eastern Jason Fabrication Services Pte Ltd[(1)] (Singapore)	Investment holding and offshore marine projects (Singapore)	**100[(3)]**	100[(3)]
Federal Capital Pte. Ltd.[#] (Singapore)	Dormant (Singapore)	**100**	100
PT Federal International[(4)] (Indonesia)	Provision of management and business consultation services, and operating and maintenance of oil and gas facility services (Indonesia)	**100[(5)]**	100[(5)]
FI (2000) UK Limited[(6)]* (United Kingdom)	Manufacture of valves for the oil and petrochemical industries (United Kingdom)	**100**	100

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest 2021 %	2020 %
Held by subsidiaries			
PT Fedsin Rekayasa Pratama (Indonesia)[4]	Hardware merchant and investment holding (Indonesia)	**100**	100
PT Federal International (Indonesia)[4]	Provision of management and business consultation services and operating and maintenance of oil and gas facility services (Indonesia)	**99[5]**	99[5]
Federal International (Shanghai) Co., Ltd.[2] (People's Republic of China "PRC")	Trader and agent of flowline control products (PRC)	**65**	65
Alton International (Thailand) Co., Ltd[7] (Thailand)	Dealer in hardware and oilfield engineering materials (Thailand)	**100**	100
Alton International Resources Pte. Ltd.[1] (Singapore)	Dormant (Singapore)	**70**	70
PT Alton International Resources (Indonesia)*	Dormant (Indonesia)	**69.3**	69.3
PT Mega Federal Energy (Indonesia)*	Dormant (Indonesia)	**60**	60
Federal Environmental Engineering (Shanghai) Co. Ltd[2] (PRC)	Water and wastewater treatment projects (PRC)	**65**	65
FEE Investment Management Consultants (Shanghai) Co. Ltd[2] (PRC)	Provision of management and consultancy services for environmental-related project (PRC)	**65**	65
Federal Environmental Engineering (Suzhou) Co. Ltd[2] (PRC)	Provision of management and consultancy services for environmental-related projects (PRC)	**65**	65
Federal Environmental (Southwest China) Pte. Ltd.[1] (Singapore)	Investment holding (Singapore)	**65**	65

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of company (Country of incorporation)	Principal activities (Place of business)	Proportion of ownership interest 2021 %	2020 %
Held by subsidiaries (Continued)			
Federal Environmental (Chengdu) Pte. Ltd.(1) (Singapore)	Investment holding (Singapore)	**65**	65
Federal Water (Chengdu) Co., Ltd.(2) (PRC)	Supply of raw water, treated industrial tap water and project consultancy services (PRC)	**58.5**	58.5
Federal DNV India Private Ltd (India)(8)	Dormant (India)	**51**	51

\# In the process of striking off application
* Not required to be audited under the laws of the respective countries of incorporation

(1) Audited by Baker Tilly TFW LLP
(2) Audited by independent overseas member firms of Baker Tilly International
(3) This comprised 92.5% direct equity interest held by the Company and indirect equity interest of 7.5% held by a wholly-owned subsidiary
(4) Audited by Kosasih, Nurdiyaman, Mulyadi, Tjahjo & Rekan, Indonesia
(5) This comprised 1% direct equity interest held by the Company and indirect equity interest of 99% held by a wholly-owned subsidiary
(6) No share capital is contributed into the subsidiary as at 31 December 2021 and 31 December 2020
(7) Audited by JTT Accounting & Auditing Partnership Limited, Thailand
(8) Audited by C. J. K. Associates, India

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

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

Name of subsidiary	Principal place of business/ Country of incorporation	Ownership interests held by NCI 2021 %	2020 %
FEE subgroup	Singapore and PRC	**35**	35
AIR subgroup	Singapore and Indonesia	**30**	30

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

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

Summarised Statements of Financial Position

	FEE subgroup		AIR subgroup	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Non-current assets	**114**	113	**21**	21
Non-current liabilities	**(1,611)**	(3,044)	**(11)**	(11)
Current assets	**8,530**	10,258	**–**	–
Current liabilities	**(30,364)**	(30,810)	**(33,483)**	(33,466)
Net liabilities	**(23,331)**	(23,483)	**(33,473)**	(33,456)
Net liabilities attributable to NCI	**(8,166)**	(8,219)	**(10,042)**	(10,037)

Summarised Statements of Comprehensive Income

	FEE subgroup		AIR subgroup	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	**4,959**	16,310	**–**	–
Profit/(loss) before tax	**524**	304	**(4)**	(14)
Income tax (expense)/credit	**(7)**	1	**–**	–
Profit/(loss) after tax	**517**	305	**(4)**	(14)
Other comprehensive (loss)/income	**(366)**	(367)	**(13)**	29
Total comprehensive Income/(loss)	**151**	(62)	**(17)**	15
Profit/(loss) allocated to NCI	**181**	107	**(1)**	(4)

Summarised Statement of Cash Flows

	FEE subgroup		AIR subgroup	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Cash generated from/(used in) operating activities	**1,889**	(1,306)	**(4)**	(5)
Cash used in investing activities	**(2)**	(3)	**–**	–
Cash (used in)/generated from financing activities	**(2,018)**	887	**4**	5
Net decrease in cash and cash equivalents	**(131)**	(422)	**–**	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

7. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(c) Disposal of a subsidiary

Cornerstone Offshore Pte. Ltd. ("COS"), a subsidiary of the Group, was disposed in 2020. The effect of the disposal on the financial position of the Group was as follows:

Effect of disposal on the financial position of the Group

	Group 2020 $'000
Assets:	
Financial asset at fair value through other comprehensive income	25
Prepayment	534
Other receivables	20
Cash and bank balances	1
	580
Liabilities:	
Other payables	(557)
Provision for taxation	(2)
	(559)
Net assets derecognised	21
Consideration received, satisfied in cash	6
Cash and bank balances disposed	(1)
Net cash inflow on disposal	5
Consideration received	6
Net assets derecognised	(21)
	(15)
Non-controlling interest	8
Goodwill derecognised	(9)
Loss on disposal	(16)

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

In 2020, management performed an impairment test for the cost of investment in Federal Offshore Services Pte. Ltd. ("FOS") as the carrying amount of the investment is higher than the net asset of the investment. An impairment loss of $1,326,000 was recognised to write down to its recoverable amount of $5,536,000. The recoverable amount was determined based on the fair value of net assets of the subsidiary. The fair value measurement is categorised in Level 3 of the fair value hierarchy.

During the financial year, the impairment loss of $1,326,000 was written back subsequent to a share capital reduction exercise carried out by FOS.

(e) Significant restriction

Cash and cash equivalents of $500,000 (2020: $1,131,000) are held in the People's Republic of China and are subject to local exchange control regulations. These regulations place restrictions on the amount of currency being exported from the country, other than through dividends.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

8. INVESTMENT IN ASSOCIATES

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Unquoted shares, at cost	**4,215**	4,215	**868**	868
Share of post-acquisition reserves	**5,337**	4,299	**–**	–
Impairment losses	**(575)**	(575)	**(136)**	(136)
Exchange differences	**1**	(15)	**–**	–
Net carrying amount	**8,978**	7,924	**732**	732
Analysis of impairment losses:				
At 1 January	**575**	575	**136**	153
Disposal	**–**	–	**–**	(17)
At 31 December	**575**	575	**136**	136

Name of company (Country of incorporation)	**Principal activities (Place of business)**	**Proportion of ownership interest 2021 %**	**2020 %**
Associates			
Held by the Company			
KVC Co., Ltd (Japan)*	Manufacture and export of valves (Japan)	**50**	50
Held by subsidiaries			
Federal-Applied Industrial Services Co Ltd (Thailand)*	Dormant (Thailand)	**49**	49
PT Eastern Jason(1) (Indonesia)	Chartering of vessels (Indonesia)	**30**	30

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

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

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

Summarised Statements of Comprehensive Income

	PT Eastern Jason		KVC Co., Ltd	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Revenue	**13,757**	13,849	**6,568**	8,553
Profit/(loss) after tax	**3,924**	4,577	**(278)**	(167)
Other comprehensive income/(loss)	**469**	(491)	**(251)**	117
Total comprehensive income/(loss)	**4,393**	4,086	**(529)**	(50)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

8. INVESTMENT IN ASSOCIATES (CONTINUED)

Summarised Statements of Financial Position

	PT Eastern Jason		KVC Co., Ltd	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Non-current assets	**35,616**	39,085	**1,130**	1,307
Current assets	**5,727**	4,458	**4,971**	5,148
Non-current liabilities	**(8,841)**	(15,024)	**(1,456)**	(1,354)
Current liabilities	**(7,083)**	(7,493)	**(1,941)**	(1,869)
Net assets	**25,419**	21,026	**2,704**	3,232
Proportion of the Group's ownership	**30%**	30%	**50%**	50%
Group's share of net assets based on proportion of ownership interest	**7,626**	6,308	**1,352**	1,616
Carrying amount of investment	**7,626**	6,308	**1,352**	1,616

Aggregate information about the Group's investments in associate that are not individually material are as follows:

	2021 $'000	2020 $'000
Total comprehensive loss of associate	**–**	(3)

9. INTANGIBLE ASSETS

Group	Goodwill $'000	Development costs $'000	Total $'000
Cost			
At 1 January 2020	1,053	2,061	3,114
Disposal of a subsidiary [Note 7(c)]	(9)	–	(9)
At 31 December 2020, 1 January 2021 and 31 December 2021	**1,044**	**2,061**	**3,105**
Accumulated amortisation and impairment loss			
At 1 January 2020	1,044	547	1,591
Amortisation charge	–	136	136
Impairment loss	–	696	696
At 31 December 2020 and 1 January 2021	**1,044**	**1,379**	**2,423**
Amortisation charge	**–**	**136**	**136**
Exchange difference	**–**	**1**	**1**
At 31 December 2021	**1,044**	**1,516**	**2,560**
Net carrying amount:			
At 31 December 2020	–	682	682
At 31 December 2021	**–**	**545**	**545**

9. INTANGIBLE ASSETS (CONTINUED)

Development costs

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

In 2020, the development costs relating to the second phase of a developing project has been fully impaired, as the Group expects delay in completing the development due to COVID-19 pandemic.

Impairment testing of goodwill

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

Goodwill arising from acquisition of a 60% owned subsidiary, Cornerstone Offshore Pte Ltd ("COS"), amounting to $9,000 was derecognised in 2020 as a result of disposal of the subsidiary as disclosed in Note 7(c).

10. FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Equity investments designated at FVOCI				
Unquoted equity shares	**381**	381	**381**	381

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

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

These investments are categorised under Level 3 fair value hierarchy.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

11. OTHER RECEIVABLES (NON-CURRENT)

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Deposits	**90**	82	**–**	–
Loan to a shareholder of an investee company	**13,022**	13,022	**13,022**	13,022
Less: impairment loss	**(2,000)**	(2,000)	**(2,000)**	(2,000)
	11,112	11,104	**11,022**	11,022

The loan to a shareholder of an investee company, as disclosed in Note 10, PT Gunanusa Utama Fabrication ("PTG"), is secured by the shareholder's shares of the investee company, bears interest at 7% (2020: 7%) per annum and is repayable in December 2023 (2020: December 2023).

Management assessed the loan to a shareholder of an investee company for impairment using the expected credit loss model and took into consideration the fair value of the pledged shares. No further impairment loss was made as at 31 December 2021 (2020: $Nil) based on the fair value of the pledged shares.

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

The valuation using income approach has been determined based on discounted cash flow analysis from forecast provided by the investee company covering a three-year period, with consideration on the impact of COVID-19 pandemic. The weighted average cost of capital applied to the cash flow projection and forecasted growth rate used to extrapolate cash flow projection beyond three-year period are 12.3% (2020: 15%) and 1.7% (2020: 1.4%) respectively.

The valuer has also considered that the computed EV/EBITDA multiple of the investee company is within the range of EV/EBITDA multiple of the comparable companies.

12. DEFERRED TAX

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
At 1 January	**240**	(1,269)	**(91)**	–
Movement in temporary differences:				
Recognised directly in profit or loss (Note 35)	**168**	1,540	**(8)**	(91)
Recognised directly in other comprehensive income (Note 30)	**766**	(21)	**–**	–
Exchange differences	**(3)**	(10)	**–**	–
At 31 December	**1,171**	240	**(99)**	(91)

12. DEFERRED TAX (CONTINUED)

Deferred tax as at 31 December relates to the following:

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Deferred tax liabilities				
Differences in depreciation for tax purposes	**61**	55	**1**	–
Revaluations to fair value of leasehold buildings	**998**	1,809	**–**	–
Unremitted foreign sourced income	**98**	91	**98**	91
Other items	**–**	127	**–**	–
	1,157	2,082	**99**	91
Deferred tax assets				
Provisions	**1,530**	1,418	**–**	–
Difference in depreciation for tax purpose	**788**	766	**–**	–
Unutilised tax loss	**–**	118	**–**	–
Other items	**10**	20	**–**	–
	2,328	2,322	**–**	–

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

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Deferred tax liabilities	**(1,157)**	(1,902)	**(99)**	(91)
Deferred tax assets	**2,328**	2,142	**–**	–

Unrecognised tax losses

At the end of the financial year, the Group has unabsorbed tax losses of approximately $31,623,000 (2020: $33,348,000) that are available for offset against future taxable profits of the subsidiaries in which the losses arose for which no deferred tax assets is recognised due to uncertainty of their recoverability. The use of these tax losses is subject to the agreement of the tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the companies operate.

The income tax benefits from the unabsorbed tax losses carried forward is available for an unlimited period subject to the conditions imposed by law, except for unabsorbed tax losses of $6,421,000 (2020: $5,289,000) which will expire progressively over the next 5 years up till 2026, subject to the conditions imposed by the Indonesian tax authorities.

Deferred tax not recognised for undistributed earnings

At the end of the financial year, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries for which deferred tax liabilities have not been recognised is $Nil (2020: $43,000). No liability has been recognised in respect of these differences because the Group is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

13. INVENTORIES

	Group	
	2021	2020
	$'000	$'000
Trading stocks	**8,382**	15,453
Goods-in-transit	**2,572**	559
Work-in-progress	**446**	541
Raw materials	**119**	113
	11,519	16,666
Income statement:		
Inventories recognised as an expense in cost of sales	**45,944**	54,747
Allowance for slow moving inventories	**1,101**	141

The Group has subjected trading stocks amounting to $Nil (2020: $9,313,000) to a floating charge as security for trust receipts and bank overdrafts (Note 25).

14. TRADE RECEIVABLES

	Group	
	2021	2020
	$'000	$'000
Trade receivables		
– Third parties	**46,526**	37,952
Less: impairment loss	**(9,955)**	(9,967)
Trade receivables, net	**36,571**	27,985

Included in trade receivables is an amount of $11,818,000 (2020: $91,000) relating to advance billing issued to customer.

15. OTHER RECEIVABLES (CURRENT)

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Amount due from an investee company	**1,131**	1,224	**234**	346
Goods and Services Tax and Value Added Tax recoverable	**356**	1,283	**–**	–
Sundry debtors	**644**	1,049	**–**	216
	2,131	3,556	**234**	562

Except for an amount due from an investee company of $202,000 (2020: $330,000) which bear interest at 8% per annum and repayable within next 12 months, all other amounts are non-trade in nature, unsecured, non-interest bearing and repayable on demand.

Sundry debtors are unsecured and non-interest bearing.

16. FINANCIAL RECEIVABLE

Financial receivable is stated after netting off impairment loss allowance of $3,553,000 (2020: $3,389,000). The impairment loss allowance has been provided for as there is slow repayment from the receivable.

The Group has entered into a service concession arrangement with the local government of Xinjin for the construction of water treatment facility and provision of raw water and industrial tap water services over a concession period of 30 years (from year 2009 till year 2039) via its 58.5% owned subsidiary Federal Water (Chengdu) Co., Ltd., incorporated in the PRC. Based on the concession agreement, the Group is entitled to receive fixed minimum guaranteed fees during the concession period. Such concession arrangement falls within the scope of SFRS(I) INT 12 and the Group has accordingly recognised a financial receivable as the Group has a right to receive a fixed and determinable amount of payments during the concession period irrespective of the utilisation of the water treatment facility.

17. AMOUNTS DUE FROM SUBSIDIARIES

	Company	
	2021	**2020**
	$'000	**$'000**
Trade	**2,031**	1,202
Non-trade	**3,625**	4,282
	5,656	5,484
Allowance for impairment	**(2,178)**	(2,182)
	3,478	3,302

The trade balances and transactions mainly relate to management fees while the non-trade balances and transactions mainly relate to loans, interest on loans and payments made on behalf of the subsidiaries.

Non-trade amounts due from subsidiaries are unsecured, interest-free and repayable on demand.

Amounts due from subsidiaries are denominated in the following currencies:

	Company	
	2021	**2020**
	$'000	**$'000**
Singapore Dollar	**2,390**	1,712
United States Dollar	**1,088**	1,590
	3,478	3,302

18. AMOUNTS DUE FROM ASSOCIATES

	Group	
	2021	**2020**
	$'000	**$'000**
Non-trade	**2,898**	2,840

Amounts due from associates are interest-free, unsecured and repayable on demand. The non-trade balances and transactions mainly relate to loans and payments made on behalf of the associates.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

19. AMOUNTS DUE FROM RELATED PARTIES

	Group	
	2021 $'000	2020 $'000
Amount due from a non-controlling interest of a subsidiary	–	3,649
Amount due from a director of certain subsidiaries	200	–
	200	3,649

Amount due from a non-controlling interest of a subsidiary was secured by corporate guarantee provided by the holding company of the related party, interest-free and was expected to be settled within the next twelve months. During the current financial year, the amount was offset against the share reduction exercise carried out by the subsidiary.

Amount due from a director of certain subsidiaries is unsecured, interest-free and is expected to be settled within the next twelve months.

20. OTHER PAYABLES

	Group		Company	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Accruals	2,499	2,536	359	463
Sundry creditors	1,500	1,328	164	106
Accrual for foreign tax liabilities	227	191	–	–
Amount payable to a non-controlling shareholder	12	12	–	–
	4,238	4,067	523	569

21. CONTRACT LIABILITIES

Contract liabilities relate to advance consideration received from customers.

The following table provides information about receivables and contract liabilities from contracts with customers:

	Group		
	2021 $'000	2020 $'000	1.1.2020 $'000
Trade receivables from contracts with customers	36,571	27,985	29,050
Contract liabilities	18,917	1,962	1,512

Significant changes in the contract liabilities during the financial year mainly relate to advance consideration received from customers, partially offset by revenue recognised that was included in the contract liability balance at the beginning of the year.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

22. AMOUNTS DUE TO SUBSIDIARIES

Non-current

The amount is non-trade related, unsecured, interest-free and repayment of this amount is neither planned nor likely to occur in the foreseeable future.

Current

Amounts due to subsidiaries are unsecured, interest-free and is repayable on demand.

The non-trade balance mainly relates to payments made on behalf of the Company by the subsidiaries.

Amounts due to subsidiaries are denominated in the following currencies:

	Company	
	2021	**2020**
	$'000	**$'000**
Singapore Dollar	**481**	485
United States Dollar	**8,792**	15,958
	9,273	16,443

23. AMOUNTS DUE TO ASSOCIATES

	Group	
	2021	**2020**
	$'000	**$'000**
Trade	**–**	10

24. AMOUNTS DUE TO RELATED PARTIES

	Group	
	2021	**2020**
	$'000	**$'000**
Advances from a director of the Company	**20**	–
Amount owing to a director of certain subsidiaries	**2,164**	1,686
	2,184	1,686

Amounts due to related parties are unsecured, interest-free except for an amount of $424,000 (2020: $Nil) which bear interest at rate of 1.5% per month, and expected to be settled in cash within the next twelve months.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

25. AMOUNTS DUE TO BANKS

	Group	
	2021	**2020**
	$'000	**$'000**
Bank overdrafts, secured	**3,270**	2,697
Trust receipts, secured	**3,955**	16,050
	7,225	18,747

Bank overdrafts bear interest at 3.15% – 6.00% (2020: 2.75% – 6.00%) per annum ("p.a.") and are repayable on demand. Trust receipts bear interest at 1.40% – 2.84% (2020: 1.25% – 3.68%) p.a..

Securities

Bank overdrafts and trust receipts are secured by:

(i) legal mortgages on the Group's leasehold buildings (Note 4);

(ii) legal mortgages on the Group's investment properties (Note 6);

(iii) floating charge on inventories, which was discharged during the financial year (Note 13);

(iv) corporate guarantee provided by the Company (Note 38);

(v) charge over the contracts and contract proceeds & first fixed charge over account in respect of certain sales proceeds; and

(vi) first floating charge over certain receivables of a subsidiary.

The Group obtained other credit facilities from various financial institutions. Among others, one of the financial institutions, in its financial covenants requirements, sets a threshold of $60,000,000 (2020: $60,000,000) of minimum consolidated total net worth (defined as paid-up capital and capital reserves/revaluation reserves/accumulated losses/retained earnings) for the Group.

Amounts due to banks are denominated in the following currencies:

	Group	
	2021	**2020**
	$'000	**$'000**
Singapore Dollar	**3,339**	5,189
United States Dollar	**3,423**	9,941
Euro	**151**	3,357
Great Britain Pound	**312**	260
	7,225	18,747

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

25. AMOUNTS DUE TO BANKS (CONTINUED)

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Bank overdrafts $'000	Trust receipts $'000	Sub-total $'000	Bank overdrafts, trust receipts – Accrued interest* $'000	Total $'000
At 1 January 2021	**2,697**	**16,050**	**18,747**	**54**	**18,801**
Changes from financing cash flows:					
– Proceeds	**–**	**20,107**	**20,107**	**–**	**20,107**
– Repayments	**–**	**(32,271)**	**(32,271)**	**–**	**(32,271)**
– Changes in bank overdrafts	**574**	**–**	**574**	**–**	**574**
– Interest paid	**–**	**–**	**–**	**(424)**	**(424)**
Non-cash changes:					
– Interest expense	**–**	**–**	**–**	**382**	**382**
Effect of changes in foreign exchange rates	**(1)**	**69**	**68**	**–**	**68**
At 31 December 2021	**3,270**	**3,955**	**7,225**	**12**	**7,237**
At 1 January 2020	2,908	8,615	11,523	72	11,595
Changes from financing cash flows:					
– Proceeds	–	30,463	30,463	–	30,463
– Repayments	–	(22,724)	(22,724)	–	(22,724)
– Changes in bank overdrafts	(211)	–	(211)	–	(211)
– Interest paid	–	–	–	(398)	(398)
Non-cash changes:					
– Interest expense	–	–	–	380	380
Effect of changes in foreign exchange rates	–	(304)	(304)	–	(304)
At 31 December 2020	2,697	16,050	18,747	54	18,801

* Included as accruals (Note 20)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

26. TERM LOANS

	Group 2021 $'000	Group 2020 $'000
Amounts repayable within one year		
– secured	**7,418**	7,804
Amounts repayable after one year		
– secured	**4,327**	7,445

Reconciliation of movements of liabilities to cash flows arising from financing activities:

	Term loans $'000	Term loans – Accrued interest* $'000	Total $'000
At 1 January 2021	**15,249**	**11**	**15,260**
Changes from financing cash flows:			
– Proceeds	**1,031**	**–**	**1,031**
– Repayments	**(4,617)**	**–**	**(4,617)**
– Interest paid	**–**	**(514)**	**(514)**
Non-cash changes:			
– Interest expense	**–**	**508**	**508**
Effect of changes in foreign exchange rates	**82**	**–**	**82**
At 31 December 2021	**11,745**	**5**	**11,750**
At 1 January 2020	12,566	15	12,581
Changes from financing cash flows:			
– Proceeds	6,826	–	6,826
– Repayments	(4,230)	–	(4,230)
– Interest paid	–	(593)	(593)
Non-cash changes:			
– Interest expense	–	589	589
Effect of changes in foreign exchange rates	87	–	87
At 31 December 2020	15,249	11	15,260

In addition to the basic loan terms and specific clauses defining default events, certain term loans with amount $Nil (2020: $809,000) also include an overriding repayment on demand clause which gives the lender the right to demand repayment at any time at their sole discretion irrespective of whether a default event has occurred. These loans are scheduled for repayment within twelve months and have been classified as current liabilities.

* Included as accruals (Note 20)

26. TERM LOANS (CONTINUED)

Securities

The term loans are secured by:

(i) legal mortgage on the Group's leasehold buildings (Note 4);

(ii) legal mortgage on the Group's investment properties (Note 6);

(iii) bank deposits pledged by the Company (Note 37), which were released during the financial year;

(iv) corporate guarantee provided by the Company (Note 38);

(v) Standby Letter of Credit issued by financial institution and guaranteed by related companies;

(vi) personal guarantee and pledge of real property by a director of a subsidiary;

(vii) charge over the contracts and contract proceeds & first fixed charge over account in respect of certain sales proceeds; and

(viii) first floating charge over certain receivables of a subsidiary.

Interest rate

The interest rates of the term loans at the end of the reporting period range from 1.95% to 5.50% (2020: 1.55% to 6.53%) per annum.

27. SHARE CAPITAL AND TREASURY SHARES

(a) Share capital

	Group and Company			
	2021		2020	
	No. of shares '000	$'000	No. of shares '000	$'000
Issued and fully paid ordinary shares				
At 1 January and 31 December	**140,767**	**144,099**	140,767	144,099

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

(b) Treasury shares

	Group and Company			
	2021		2020	
	No. of shares '000	$'000	No. of shares '000	$'000
At 1 January and 31 December	**100**	**25**	100	25

Treasury shares relate to ordinary shares of the Company that is held by the Company.

There are no acquisition of shares for the financial year ended 31 December 2021 and 31 December 2020.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

28. FOREIGN CURRENCY TRANSLATION RESERVE

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

	Group	
	2021	**2020**
	$'000	**$'000**
At 1 January	**(4,357)**	(3,892)
Net effect of exchange differences arising from translation of financial statements of foreign operations	**1,228**	(376)
Share of other comprehensive income/(loss) of associates	**15**	(89)
At 31 December	**(3,114)**	(4,357)

29. CAPITAL RESERVE

The capital reserve relates mainly to an adjustment for changes in an associate's equity arising from other reserve.

30. REVALUATION RESERVE

The revaluation reserve represents increases in the fair value of freehold land and buildings, and leasehold buildings net of tax, and decreases to the extent that such decrease relates to an increase on the same asset previously recognised in other comprehensive income.

	Group	
	2021	**2020**
	$'000	**$'000**
At 1 January	**18,409**	18,301
(Deficit)/surplus on revaluation of leasehold buildings (Note 4)	**(182)**	129
Deferred tax liabilities on revaluation surplus of leasehold buildings (Note 12)	**766**	(21)
At 31 December	**18,993**	18,409

31. OTHER RESERVES

	Group		Company	
	2021	**2020**	**2021**	**2020**
	$'000	**$'000**	**$'000**	**$'000**
Fair value reserve	**(157)**	(157)	**(157)**	(157)
Statutory reserve fund	**248**	248	**–**	–
Premium paid on acquisition of non-controlling interests	**(1,223)**	(1,223)	**–**	–
Share of other reserve of an associate	**(1)**	(1)	**–**	–
	(1,133)	(1,133)	**(157)**	(157)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

31. OTHER RESERVES (CONTINUED)

Fair value reserve

The fair value reserve represents the cumulative net change in the fair value of equity investments designated at fair value through other comprehensive income.

Statutory reserve fund

In accordance with the Foreign Enterprise Law applicable to the subsidiaries in the PRC, the subsidiary is required to make appropriation to a Statutory Reserve Fund ("SRF"). At least 10% of the statutory after tax profits as determined in accordance with the applicable PRC accounting standards and regulations must be allocated to the SRF until the cumulative total of the SRF reaches 50% of the subsidiary's registered capital. Subject to approval from the relevant PRC authorities, the SRF may be used to offset any accumulated losses or increase the registered capital of the subsidiary. The SRF is not available for dividend distribution to shareholders.

Premium paid on acquisition of non-controlling interests

This represents the differences between consideration paid and the carrying value of the additional interest acquired from non-controlling interests without a change in control.

32. REVENUE

	Group	
	2021	2020
	$'000	$'000
Point in time		
Sale of products	**58,116**	67,103
Over time		
Service concession income	**513**	540
Provision of wastewater treatment services	**1,187**	499
	59,816	68,142

Sale of products include trading of flowline control products, fire detection/protection systems and environmental protection systems.

The Group applies the practical expedient in SFRS(I) 15 *Revenue from Contracts with Customers* and does not disclose information about its remaining performance obligation as the Group has a right to invoice a customer in an amount that corresponds directly with its performance to date, and it recognises revenue in that amount.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

33. PROFIT/(LOSS) BEFORE TAX

	Group	
	2021	**2020**
	$'000	**$'000**
Other income		
Fair value gain on investment properties	**2,300**	–
Gain on disposal of property, plant and equipment	**11**	11
Implicit interest income	**4**	4
Interest income from banks and fixed deposits	**5**	26
Interest on trade overdue	**127**	201
Interest on guaranteed repayment due from a related party	**44**	–
Other rental income	**186**	216
Rental income from investment properties	**276**	233
Grant income	**313**	1,028
Selling and distribution costs		
Depreciation of property, plant and equipment	**(26)**	(28)
Staff costs (including directors)		
– salaries and other emoluments	**(3,482)**	(3,551)
– employer's contribution to defined contribution plans including Central Provident Fund in Singapore	**(446)**	(385)
Administrative and general costs		
Amortisation of intangible assets	**(136)**	(136)
Depreciation of property, plant and equipment	**(1,886)**	(1,941)
Depreciation of right-of-use assets	**(262)**	(336)
Directors' fees	**(189)**	(230)
Staff costs (including directors)		
– salaries and other emoluments	**(3,234)**	(3,887)
– employer's contribution to defined contribution plans including Central Provident Fund in Singapore	**(307)**	(233)
Audit fees		
– auditor of the Company	**(263)**	(282)
– other auditors	**(64)**	(76)
Non-audit fees		
– auditor of the Company	**(39)**	(43)
– other auditors	**(55)**	(42)
Operating lease expense	**(149)**	(97)

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

33. PROFIT/(LOSS) BEFORE TAX (CONTINUED)

	Group 2021 $'000	Group 2020 $'000
Other operating expenses		
Allowance for slow moving inventories	**(1,101)**	(141)
Amount due from a related party written off	**(1)**	–
Bad debts recovered	**1,365**	102
Foreign currency exchange loss	**(1,127)**	(142)
Inventories written off	**(220)**	(7)
Impairment loss on intangible assets	**–**	(696)
Loss on disposal of a subsidiary	**–**	(16)
Loss on disposal of property, plant and equipment	**(13)**	–
Other expenses	**(41)**	(247)
	(1,138)	(1,147)
Net (impairment loss)/writeback of impairment loss on financial assets		
Non-cash adjustment:		
Impairment loss on receivables (current)	**(301)**	(5,030)
Write back of impairment loss on financial receivables	**–**	65
Write back of impairment loss on receivables (current)	**174**	163
	(127)	(4,802)
Finance costs		
Interest expense on:		
Bank overdrafts	**(193)**	(147)
Term loans	**(508)**	(589)
Trust receipts	**(189)**	(233)
Lease liabilities	**(184)**	(193)
Amount owing to a related party	**(14)**	–
	(1,088)	(1,162)

Government grant of $311,000 (2020: $1,006,000) was recognised during the financial year under the Jobs Support Scheme (the "JSS"). Under the JSS, the Singapore Government will co-fund gross monthly wages paid to each local employee through cash subsidies with the objective of helping employers retain local employees. The JSS is a temporary scheme introduced in the Singapore Budget 2020 and had been extended up to 2021 by the Government.

34. EMPLOYEE BENEFITS

The breakdown of employee benefits expense (including directors) is as follows:

	Group 2021 $'000	Group 2020 $'000
Salaries and bonuses	**6,716**	7,438
Employer's contribution to defined contribution plans including Central Provident Fund in Singapore	**753**	618
	7,469	8,056

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

35. INCOME TAX EXPENSE/(CREDIT)

The major components of income tax expense/(credit) for the years ended 31 December 2021 and 2020 are:

	Group	
	2021 $'000	**2020 $'000**
Income statement		
Current income tax		
– Current income taxation	**88**	185
– Under provision in respect of previous years	**273**	162
	361	347
Deferred income tax		
– Origination and reversal of temporary differences	**(115)**	(1,128)
– Over provision in respect of previous years	**(53)**	(412)
	(168)	(1,540)
Income tax expense/(credit) recognised in profit or loss	**193**	(1,193)

Tax expense relating to each component of other comprehensive income is as follows:

	2021			2020		
	Before tax $'000	**Tax credit $'000**	**After tax $'000**	**Before tax $'000**	**Tax charge $'000**	**After tax $'000**
Group						
Revaluation adjustment on leasehold buildings	**(182)**	**766**	**584**	129	(21)	108

Relationship between tax expense/(credit) and accounting profit/(loss)

A reconciliation between tax expense/(credit) and the product of accounting profit/(loss) multiplied by the applicable corporate tax rate for the years ended 31 December 2021 and 2020 is as follows:

	Group	
	2021 %	**2020 %**
Tax at the domestic rates applicable to profits in the countries where the Group operates	**8.1**	(22.6)
Adjustments:		
Non-deductible expenses	**95.7**	13.8
Income not subject to taxation	**(128.6)**	(11.5)
Benefits from previously unrecognised deferred tax assets	**–**	(0.4)
Deferred tax assets not recognised	**44.1**	8.7
Effect of partial tax exemption	**(2.1)**	(0.5)
Under/(over) provision in respect of previous years	**26.6**	(4.2)
Share of result of associates	**(21.4)**	(3.6)
Others	**0.9**	0.4
	23.3	(19.9)

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

35. INCOME TAX EXPENSE/(CREDIT) (CONTINUED)

The corporate tax rates applicable to companies incorporated in Singapore and foreign subsidiaries of the Group are 17% (2020: 17%) and from 19% to 25% (2020: 19% to 25%) respectively for the year of assessment 2022 onwards.

36. EARNINGS/(LOSS) PER SHARE

Basic earnings/(loss) per share is calculated by dividing profit/(loss) net of tax attributable to owners of the Company by the weighted average number of ordinary shares on issue (excluding treasury shares) during the financial year.

As at 31 December 2021 and 2020, diluted earnings/(loss) per share is similar to basic earnings/(loss) per share as there were no potential dilutive ordinary shares.

The following tables reflect the profit/(loss) and share data used in the computation of basic and diluted earnings/(loss) per share for the financial year ended 31 December:

	Group	
	2021 **$'000**	**2020** **$'000**
Profit/(loss) net of tax attributable to owners of the Company used in the computation of earnings/(loss) per share	**334**	(5,014)

	2021 **No. of shares** **'000**	**2020** **No. of shares** **'000**
Weighted average number of ordinary shares on issue (excluding treasury shares) for earnings/(loss) per share computation	**140,667**	140,667

37. CASH AND CASH EQUIVALENTS

Cash and bank balances and fixed and bank deposits earn interest at floating rates based on daily bank deposit rates. Fixed deposits are placed with banks and mature within 1 month (2020: 1 month to 12 months) from the reporting date and earn interests at the respective short-term deposit rates.

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise the following at the end of the financial year.

	Group	
	2021 **$'000**	**2020** **$'000**
Cash and bank balances and fixed and bank deposits	**11,490**	8,267
Less: Bank deposits pledged	**(103)**	(1,423)
Cash and cash equivalents	**11,387**	6,844

The deposits are pledged for banking facilities granted to certain subsidiaries of the Group.

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2021

38. COMMITMENTS AND CONTINGENCIES

Contingent liability

Guarantees

The Company has provided corporate guarantees of $17.6 million (2020: $31.3 million) to financial institutions in relation to certain subsidiaries' bank facilities.

39. FAIR VALUE OF ASSETS AND LIABILITIES

A) Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices); and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

B) Assets and liabilities measured at fair value

The following table shows an analysis of each class of assets measured at fair value at each reporting period:

	2021 Fair value measurements at each reporting period			
	Quoted prices in active markets for identical instruments (Level 1) $'000	Significant observable inputs other than quoted prices (Level 2) $'000	Significant unobservable inputs (Level 3) $'000	Total $'000
Group				
Recurring fair value measurements				
Non-financial assets				
Property, plant and equipment				
– Leasehold buildings	–	–	**8,700**	**8,700**
Investment properties	–	–	**17,900**	**17,900**
Financial assets at FVOCI				
Unquoted equity shares	–	–	**381**	**381**
Company				
Recurring fair value measurements				
Financial assets at FVOCI				
Unquoted equity shares	–	–	**381**	**381**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

39. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

B) Assets and liabilities measured at fair value (Continued)

	2020 Fair value measurements at each reporting period			
	Quoted prices in active markets for identical instruments (Level 1) $'000	**Significant observable inputs other than quoted prices (Level 2) $'000**	**Significant unobservable inputs (Level 3) $'000**	**Total $'000**
Group				
Recurring fair value measurements				
Non-financial assets				
Property, plant and equipment				
– Leasehold buildings	–	–	13,650	13,650
Investment properties	–	–	11,500	11,500
Financial assets at FVOCI				
Unquoted equity shares	–	–	381	381
Company				
Recurring fair value measurements				
Financial assets at FVOCI				
Unquoted equity shares	–	–	381	381

Level 3 fair value measurements

Financial assets at FVOCI – Unquoted equity shares

The fair values of the unquoted equity shares are determined by reference to the equity value of the investee company based on valuation performed by an external valuer. The equity value of the investee company is determined by the external valuer based on discounted cash flow analysis from forecast provided by the investee company covering a three-year period, with consideration on the impact of COVID-19 pandemic. The weighted average cost of capital applied to the cash flow projection and forecasted growth rate used to extrapolate cash flow projection beyond three-year period are 12.3% (2020: 15%) and 1.7% (2020: 1.4%) respectively.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

39. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

B) *Assets and liabilities measured at fair value (Continued)*

Level 3 fair value measurements (Continued)

The following table shows the significant unobservable inputs used in the valuation model:

Description	Fair value as at 31 December 2021 $'000	Valuation technique	Significant unobservable input	Range
Investment properties	**17,900**	Direct comparison method	Price per square foot[(1)]	**$125 – $305** **$1,785 – $2,178**
Leasehold buildings	**8,700**	Direct comparison method	Price per square foot[(1)]	**$115 – $195**

Description	Fair value as at 31 December 2020 $'000	Valuation technique	Significant unobservable input	Range
Investment properties	11,500	Direct comparison method	Price per square foot[(1)]	$1,332 – $2,260
Leasehold buildings	13,650	Direct comparison method	Price per square foot[(1)]	$59 – $171

(1) Any significant isolated increases (decreases) in the inputs would result in a significantly higher (lower) fair value measurement.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

39. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

C) *Movements in Level 3 assets and liabilities measured at fair value*

The following table shows a reconciliation from the beginning balances to the ending balances for Level 3 fair value measurements:

	Group			
	2021 Freehold land and buildings, and leasehold buildings $'000	**2020 Freehold land and buildings, and leasehold buildings $'000**	**2021 Equity investments $'000**	**2020 Equity investments $'000**
At beginning of financial year	**25,150**	25,700	**381**	406
Additions	**–**	40	**–**	–
Disposal	**–**	–	**–**	(25)
(Deficit)/surplus recognised in other comprehensive income	**(182)**	129	**–**	–
Fair value gain recognised in profit or loss	**2,300**	–	**–**	–
Depreciation charge	**(668)**	(719)	**–**	–
At end of financial year	**26,600**	25,150	**381**	381
Total gains for the financial year included:				
Other comprehensive income for the year, net of tax:				
Revaluation adjustment on leasehold buildings	**584**	108	**–**	–

	Company	
	2021 Equity investments $'000	**2020 Equity investments $'000**
At beginning and end of financial year	**381**	381

D) *Valuation process applied by the Group*

For all significant financial reporting valuations using valuation models and significant unobservable input, it is the Group's policy to engage external valuation experts to perform the valuation. The management is responsible for selecting and engaging valuation experts that possess the relevant credentials and knowledge on the subject of valuation, valuation methodologies and SFRS(I) 13 fair value measurement guidance.

For valuation performed by external valuation experts, management reviews the appropriateness of the valuation methodologies and assumptions adopted, including the appropriateness and reliability of the inputs used in the valuations.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

39. FAIR VALUE OF ASSETS AND LIABILITIES (CONTINUED)

E) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are reasonable approximation of fair value

The carrying amounts of financial assets and liabilities including current trade and other receivables and payables, deposits, cash and cash equivalents, financial receivable, amounts due to banks, term loans, lease liabilities, amounts due from/to subsidiaries, associates, related parties and other receivables (non-current) are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are repriced to market interest rates on or near the end of the financial year.

The carrying amount of other receivables (non-current) approximates its fair value as the interest rate of 7% (2020: 7%) per annum is similar to the current market interest rate for similar financial instruments.

The carrying amount of floating rate loans approximate fair value as the loans are repriced within 1 to 6 months from the end of the financial year. The fair value determination is classified in Level 3 of the fair value hierarchy.

F) Fair value of financial instruments by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value

The fair value of financial assets and liabilities by classes that are not carried at fair value and whose carrying amounts are not reasonable approximation of fair value are as follows:

	2021		2020	
	Carrying amount $'000	Fair Value $'000	Carrying amount $'000	Fair Value $'000
Company				
Financial asset:				
Loans to subsidiaries	**12,862**	**(a)**	12,808	(a)
Financial liability:				
Amounts due to subsidiaries	**8,402**	**(b)**	15,387	(b)

(a) Fair value information has not been disclosed for the Company's loans to subsidiaries because fair value cannot be measured reliably. Management determined that the loans to subsidiaries are quasi-equity in nature which have no repayment terms and are repayable only when cash flows of the subsidiaries permit.

(b) Fair value information has not been disclosed for the Company's amounts due to subsidiaries because fair value cannot be measured reliably. The amount has no repayment terms and is not expected to be repaid in the near future.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The Group and the Company are exposed to financial risks arising from its operations and the use of financial instruments. The key financial risks comprise credit risk, liquidity risk, interest rate risk and foreign currency risk. The board of directors reviews and agrees policies and procedures for the management of these risks, which are executed by the Chief Financial Officer. The Audit Committee provides independent oversight to the effectiveness of the risk management process.

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

There has been no change to the Group's and the Company's exposure to these financial risks or the manner in which it manages and measures these risks.

(a) Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's and the Company's exposure to credit risk arises primarily from trade and other receivables, amounts due from subsidiaries, associates, related parties and financial receivable. For other financial assets (including fixed and bank deposits and cash and bank balances), the Group and the Company minimise credit risk by dealing exclusively with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure. The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an on-going basis to reduce the Group's exposure to bad debt. For transactions that do not occur in the country of the relevant operating unit, the Group does not offer credit terms without the approval of the directors. Trade receivables are arranged to be settled via letters of credits issued by reputable banks in countries where the customers are based for first-time customers who wish to trade on credit terms in order to mitigate heightened credit risks arising from revenue growth strategies.

The following sets out the Group's internal credit evaluation practices and basis for recognition and measurement of expected credit losses (ECL):

Description of evaluation of financial assets	Basis for recognition and measurement of ECL
Counterparty has a low risk of default and does not have any past due amounts.	12-month ECL
Contractual payments that are more than 60 days past due or where there has been significant increase in credit risk since initial recognition. The presumption of significant increase in credit risk after 30 days past due is not suitable for application in the industries that the Group operates in.	Lifetime ECL – not-credit-impaired
Contractual payments that are more than 120 days past due and there is evidence of credit impairment.	Lifetime ECL – credit-impaired
There is evidence indicating that the Group has no reasonable expectation of recovery of payments such as when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.	Write-off

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Significant increase in credit risk

In assessing whether the credit risk on a financial asset has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial asset as at the reporting date with the risk of a default occurring on the financial asset as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information, such as future economic and industry outlook, that is available without undue cost or effort.

In particular, the Group considers the following information when assessing whether credit risk has increased significantly since initial recognition:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;

- significant deterioration in the value of the security or collateral provided by the debtor; and

- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Regardless of the evaluation of the above factors, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 60 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

The Group also assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial asset is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if the borrower has a strong capacity to meet its contractual cash flow obligations in the near term or the contractual cashflow obligation is secured by the borrower's assets; and adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

Definition of default

The Group considers the following as constituting an event of default for internal credit risk management purposes as historical experience indicates that receivables that meet the following criteria are generally not recoverable.

- Information developed internally or obtained from external sources indicates that the debtor (without collaterals held by the Group) is in significant financial difficulty such that it will have insufficient liquid assets to pay its creditors, including the Group, in full, including:

  – Failure of projects carried out by the debtor, in which the Group is acting as the supplier for the debtor under the project; and

  – Loss of sole or primary source of recurring income by the debtor.

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 120 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk (Continued)*

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred such as evidence that the borrower is in significant financial difficulty, there is a breach of contract such as default or past due event; there is information that it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; the disappearance of an active market for that financial asset because of financial difficulties; or the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Estimation techniques and significant assumptions

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowances.

Exposure to credit risk

As the Group and the Company does not hold any collateral except for the pledged shares as security for the loan to shareholder of an investee company (Note 11), the maximum exposure to credit risk is represented by:

- the carrying amount of each class of financial assets recognised in the statements of financial position; and

- a nominal amount of $17.6 million (2020: $31.3 million) relating to corporate guarantees provided by the Company to financial institutions in relation to certain subsidiaries' bank facilities.

Credit risk concentration profile

The Group determines concentrations of credit risk by monitoring the country and industry sector profile of its trade receivables on an on-going basis. The credit risk concentration profile of the Group's trade receivables at the end of the financial year is as follows:

	Group			
	2021		2020	
	$'000	% of total	$'000	% of total
By country:				
Singapore	**4,470**	**12.2**	3,373	12.1
Indonesia	**22,287**	**61.0**	12,350	44.1
People's Republic of China	**3,423**	**9.4**	2,239	8.0
Thailand	**4,550**	**12.4**	8,175	29.2
Others	**1,841**	**5.0**	1,848	6.6
	36,571	**100.0**	27,985	100.0
By industry sectors:				
Oil and Gas	**29,151**	**79.7**	21,908	78.3
Infrastructure	**1,504**	**4.1**	1,491	5.3
Marine	**2,269**	**6.2**	1,379	4.9
Others	**3,647**	**10.0**	3,207	11.5
	36,571	**100.0**	27,985	100.0

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Credit risk concentration profile (Continued)

At the end of the financial year, approximately:

– 80.7% (2020: 79.2%) of the Group's trade receivables were due from 5 major customers who are from the oil and gas, marine and infrastructure industries located in the Asia Pacific region, of which 54.7% (2020: 34.4%) were due from the Group's largest customer;

– 67% (2020: 52%) of the Group's other receivables and 75% (2020: 74%) of the Company's other receivables were due from one external debtor.

Trade receivables

The Group has applied the simplified approach to measure the lifetime expected credit loss allowance for trade receivables.

Trade receivables that shared the same credit risk characteristics and days past due are grouped together in measuring the expected credit losses.

The Group estimates the expected credit loss rates for each category of past due status of the debtors based on historical credit loss experience, adjusted as appropriate to reflect current conditions and forecasts of future economic conditions with consideration of the impact of COVID-19 pandemic on the ability of the customers to settle the receivables.

There has been no changes in the estimation techniques or significant assumptions made during the current financial year.

The Group recognised a loss allowance of 100% against trade receivables that are regarded as credit impaired where one or more credit impairment events have occurred.

No loss allowance is provided for certain customers as the Group's credit risk is managed through payments from the end customer (who are mainly reputable companies) to the Group's customer into a joint account. Such joint accounts would have the Group as a mandatory payment signatory and hence limit the Group's credit risk exposure.

A trade receivable is written off when there is information indicating that there is no realistic prospect of recovery from the debtor.

NOTES TO THE FINANCIAL STATEMENTS
31 DECEMBER 2021

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk (Continued)*

Trade receivables (Continued)

The Group's credit risk exposure in relation to trade receivables under SFRS(I) 9 *Financial Instruments* as at 31 December 2021 and 31 December 2020 are set out in the provision matrix below:

	Weighted average loss rate %	Gross carrying amount $'000	Credit loss allowance $'000	Net carrying amount $'000
Group				
2021				
Current (not past due)	**–**	**16,694**	**–**	**16,694**
1 – 120 days past due	**0.8**	**6,418**	**(52)**	**6,366**
More than 120 days past due	**42.3**	**23,414**	**(9,903)**	**13,511**
		46,526	**(9,955)**	**36,571**
2020				
Current (not past due)	0.3	9,060	(32)	9,028
1 – 120 days past due	1.0	9,937	(99)	9,838
More than 120 days past due	51.9	18,955	(9,836)	9,119
		37,952	(9,967)	27,985

Credit quality of financial assets

The table below details the credit quality of the Group's financial assets (other than trade receivables) as at 31 December 2021:

Group	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Other receivables	Lifetime	**17,234**	**(4,347)**	**12,887**
Deposits	Not applicable (Exposure limited)	**30**	**–**	**30**
Financial receivable	Lifetime	**3,553**	**(3,553)**	**–**
Amounts due from associates	12-month	**2,898**	**–**	**2,898**
	Lifetime	**91**	**(91)**	**–**
Amounts due from related parties	12-month	**200**	**–**	**200**
Fixed and bank deposits	Not applicable (Exposure limited)	**103**	**–**	**103**
Cash and bank balances	Not applicable (Exposure limited)	**11,387**	**–**	**11,387**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Credit quality of financial assets (Continued)

The table below details the credit quality of the Group's financial assets (other than trade receivables) as at 31 December 2020:

Group	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Other receivables	Lifetime	17,694	(4,317)	13,377
Deposits	Not applicable (Exposure limited)	40	–	40
Financial receivable	Lifetime	3,389	(3,389)	–
Amounts due from associates	12-month	2,840	–	2,840
	Lifetime	90	(90)	–
Amounts due from related parties	12-month	3,649	–	3,649
Fixed and bank deposits	Not applicable (Exposure limited)	1,460	–	1,460
Cash and bank balances	Not applicable (Exposure limited)	6,807	–	6,807

The table below details the credit quality of the Company's financial assets as at 31 December 2021:

Company	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Loans to subsidiaries	Lifetime	**101,029**	**(84,388)**	**16,641**
Other receivables	Lifetime	**13,256**	**(2,000)**	**11,256**
Deposits	Not applicable (Exposure limited)	**4**	**–**	**4**
Amounts due from subsidiaries	12-month	**3,478**	**–**	**3,478**
	Lifetime	**2,178**	**(2,178)**	**–**
Amounts due from associates	Lifetime	**41**	**(41)**	**–**
Cash and bank balances	Not applicable (Exposure limited)	**621**	**–**	**621**

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) *Credit risk (Continued)*

Credit quality of financial assets (Continued)

The table below details the credit quality of the Company's financial assets as at 31 December 2020:

Company	12-month or lifetime ECL	Gross carrying amount $'000	Loss allowance $'000	Net carrying amount $'000
Loans to subsidiaries	Lifetime	100,219	(83,710)	16,509
Other receivables	Lifetime	13,584	(2,000)	11,584
Deposits	Not applicable (Exposure limited)	4	–	4
Amounts due from subsidiaries	12-month	3,302	–	3,302
	Lifetime	2,182	(2,182)	–
Amounts due from associates	Lifetime	41	(41)	–
Fixed and bank deposits	Not applicable (Exposure limited)	1,322	–	1,322
Cash and bank balances	Not applicable (Exposure limited)	131	–	131

The credit loss exposure for cash and bank balances and deposits are immaterial as at 31 December 2021 and 31 December 2020.

Loan to a shareholder of an investee company

In measuring the ECL, management considered the fair value of the pledged shares by reference to the equity value of the investee company based on valuation performed by an external valuer.

There has been no change in the estimation techniques or significant assumptions made during the current financial year for recognition and measurement of credit loss allowance.

Loans to subsidiaries

For the loans to subsidiaries where impairment loss allowance is measured using lifetime ECL, the Company assessed the latest performance and financial position of the respective counterparties, adjusted for the future outlook of the industry in which the counterparties operate in, and concluded that there has been significant increase in the credit risk since the initial recognition of the financial assets. Accordingly, the Company measured the impairment loss allowance using lifetime ECL.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(a) Credit risk (Continued)

Movements in credit loss allowance

There are no movement in the allowance for impairment of financial assets under SFRS(I) 9 *Financial Instruments* during the financial year for the Group and the Company except for the following:

	Trade receivables $'000	Other receivables $'000	Financial receivables $'000	Amount due from associates $'000
Group				
At 1 January 2020	5,221	4,330	3,298	91
Loss allowance measured/(reversed):				
Lifetime ECL				
– Simplified approach	4,992	–	–	–
– Credit impaired	–	38	–	–
Written back	(163)	–	(65)	–
Exchange differences	(83)	(51)	156	(1)
At 31 December 2020 and 1 January 2021	9,967	4,317	3,389	90
Loss allowance measured/(reversed):				
Lifetime ECL				
– Simplified approach	270	–	–	–
– Credit impaired	–	31	–	–
Written back	(174)	–	–	–
Exchange differences	(108)	(1)	164	1
At 31 December 2021	**9,955**	**4,347**	**3,553**	**91**

	Loans to subsidiaries $'000	Other receivables $'000	Amounts due from subsidiaries $'000	Amounts due from associates $'000
Company				
At 1 January 2020	84,252	2,000	2,206	41
Exchange differences	(542)	–	(24)	–
At 31 December 2020 and 1 January 2021	83,710	2,000	2,182	41
Receivables written off as uncollectable	–	–	(44)	–
Exchange differences	678	–	40	–
At 31 December 2021	**84,388**	**2,000**	**2,178**	**41**

Financial guarantee

The Company has issued financial guarantees to banks for borrowings of its subsidiaries. These guarantees are subject to the impairment requirements of SFRS(I) 9 *Financial Instruments*. The Company has assessed that its subsidiaries have strong financial capacity to meet the contractual cash flow obligations and does not expect significant credit losses arising from these guarantees.

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk

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

The Group's and the Company's liquidity risk management policy is that the maturity of loans and borrowings would match that of the estimated future cash flows of the projects and trading activities. The Group maintains sufficient liquid financial assets and stand-by credit facilities with 4 (2020: 7) different financial institutions. At the end of the financial year, approximately 77% (2020: 78%) of the Group's loans and borrowings (Note 25 and Note 26) will mature in less than one year based on the carrying amount reflected in the financial statements.

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the end of the financial year based on contractual undiscounted repayment obligations.

	2021				**2020**			
	1 year or less $'000	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**	**1 year or less $'000**	**1 to 5 years $'000**	**Over 5 years $'000**	**Total $'000**
Group								
Financial liabilities:								
Trade and other payables	**19,669**	**–**	**–**	**19,669**	12,500	–	–	12,500
Amounts due to associates	**–**	**–**	**–**	**–**	10	–	–	10
Amounts due to related parties	**2,190**	**–**	**–**	**2,190**	1,686	–	–	1,686
Loans and borrowings	**14,866**	**4,548**	**–**	**19,414**	26,839	8,034	–	34,873
Lease liabilities	**364**	**1,267**	**3,594**	**5,225**	383	1,372	3,851	5,606
Total undiscounted financial liabilities	**37,089**	**5,815**	**3,594**	**46,498**	41,418	9,406	3,851	54,675
Company								
Financial liabilities:								
Other payables	**414**	**–**	**–**	**414**	443	–	–	443
Amounts due to subsidiaries	**871**	**–**	**8,402**	**9,273**	1,056	–	15,387	16,443
Total undiscounted financial liabilities	**1,285**	**–**	**8,402**	**9,687**	1,499	–	15,387	16,886

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Liquidity risk (Continued)

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

	2021				2020			
	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000	1 year or less $'000	1 to 5 years $'000	Over 5 years $'000	Total $'000
Company								
Financial guarantees*	**17,597**	**–**	**–**	**17,597**	31,313	–	–	31,313

* At each reporting period, the maximum exposure of the Company in respect of the intra-group financial guarantee based on facilities drawndown by the subsidiaries is $17,597,000 (2020: $31,313,000). The Company does not consider it probable that a claim will be made against the Company under the intra-group financial guarantee.

(c) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's and the Company's financial instruments will fluctuate because of changes in market interest rates. The Group's and the Company's exposure to interest rate risk arises primarily from their loans and borrowings and interest-bearing loans given to related parties.

The Group's policy is to manage interest cost by using a mix of fixed and floating rate debts. At the end of the financial year, 45% (2020: 32%) of the Group's borrowings are at fixed rates of interest.

Sensitivity analysis for interest rate risk

The sensitivity analysis for interest rate is not disclosed as the effect on the profit or loss is considered not significant.

(d) Foreign currency risk

The Group has transactional currency exposures arising from sales or purchases that are denominated in a currency other than the respective functional currencies of Group entities, primarily SGD, United States Dollar ("USD") and British Pound ("GBP"). The foreign currencies in which these transactions are denominated are mainly USD and SGD.

The Group and the Company also hold cash and cash equivalents denominated in foreign currencies for working capital purposes. At the end of the financial year, such foreign currency balances are mainly in USD for the Group and the Company.

The Group does not use derivative financial instruments to protect against the volatility associated with its foreign currency investments. The Group is also exposed to currency translation risk arising from its net investments in foreign operations, including United Kingdom, Indonesia, the PRC and Thailand. The Group's investment in its Singapore incorporated subsidiaries are hedged by USD denominated bank loans, which mitigates structural currency in exposures arising from the subsidiaries' net assets. The Group's net investments in subsidiaries in USD, GBP, IDR, Renminbi ("RMB") and Thai Baht ("THB") functional currency are not hedged as these currencies positions are considered to be long-term in nature.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (Continued)

The Group's and the Company's major foreign currency exposure against the respective functional currencies of the Group and the Company entities based on the information provided by management is as follows:

Group

	Denominated in USD $'000
2021	
Financial assets	
– Trade receivables	**23,331**
– Other receivables	**1,286**
– Amounts due from related companies	**4,076**
– Cash and bank balances	**9,101**
	37,794
Financial liabilities	
– Trade payables	**7,354**
– Other payables	**497**
– Amounts due to banks	**3,423**
– Amounts due to related companies	**3,901**
	15,175
Currency exposure on net financial assets	**22,619**
2020	
Financial assets	
– Trade receivables	17,450
– Other receivables	1,215
– Amounts due from related companies	3,875
– Fixed deposits	1,322
– Cash and bank balances	3,549
	27,411
Financial liabilities	
– Trade payables	4,118
– Other payables	363
– Amounts due to banks	9,081
– Amounts due to related companies	9,621
	23,183
Currency exposure on net financial assets	4,228

NOTES TO THE
FINANCIAL STATEMENTS

31 DECEMBER 2021

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) Foreign currency risk (Continued)

Company

	Denominated in USD $'000
2021	
Financial assets	
– Other receivables	**227**
– Amounts due from subsidiaries	**1,088**
– Loans to subsidiaries	**6,349**
– Cash and bank balances	**551**
	8,215
Financial liabilities	
– Other payables	**193**
– Amounts due to subsidiaries	**8,792**
	8,985
Currency exposure on net financial liabilities	**(770)**
2020	
Financial assets	
– Other receivables	339
– Amounts due from subsidiaries	1,590
– Loans to subsidiaries	6,217
– Fixed deposits	1,322
– Cash and bank balances	31
	9,499
Financial liabilities	
– Other payables	189
– Amounts due to subsidiaries	15,958
	16,147
Currency exposure on net financial liabilities	(6,648)

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

40. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(d) *Foreign currency risk (Continued)*

Sensitivity analysis for foreign currency risk

The following table demonstrates the sensitivity of a reasonably possible change in the USD exchange rates (against SGD), with all other variables held constant, of the Group's and the Company's profit/(loss) net of tax.

			Increase/ (decrease) Profit net of tax 2021 $'000	(Decrease)/ increase Loss net of tax 2020 $'000
Group				
USD	–	strengthened 5.0% (2020: 5.0%)	**939**	**(175)**
	–	weakened 5.0% (2020: 5.0%)	**(939)**	**175**

			(Decrease)/ increase Profit net of tax 2021 $'000	(Decrease)/ increase Profit net of tax 2020 $'000
Company				
USD	–	strengthened 5.0% (2020: 5.0%)	(32)	(276)
	–	weakened 5.0% (2020: 5.0%)	32	276

41. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratio in order to support its business and maximise shareholder value.

The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes during the years ended 31 December 2021 and 2020.

As disclosed in Note 31, subsidiaries in the PRC are required by the Foreign Enterprise Law of the PRC to contribute to and maintain a non-distributable statutory reserve fund whose utilisation is subject to approval by the relevant PRC authorities. This externally imposed capital requirement has been complied with by the above-mentioned subsidiaries for the financial years ended 31 December 2021 and 2020.

The Group monitors capital using a gearing ratio, which is total debt divided by equity. The Group's policy is to ensure that the gearing ratio does not exceed 2.0. The Group's total debt includes amounts due to banks and term loans. Equity includes the amount attributable to the owners of the Company less other reserves (Note 31).

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

41. CAPITAL MANAGEMENT (CONTINUED)

	Group	
	2021	2020
	$'000	$'000
Amounts due to banks (Note 25)	**7,225**	18,747
Term loans (Note 26)	**11,745**	15,249
	18,970	33,996
Equity attributable to the owners of the Company	**80,023**	77,862
Less: Other reserves (Note 31)	**1,133**	1,133
Total equity	**81,156**	78,995
Gearing ratio	**0.23**	0.43

42. CATEGORIES OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

Set out below are the carrying amounts of the Group's and the Company's financial assets and financial liabilities that are carried on the statements of financial position:

	Group		Company	
	2021	2020	2021	2020
	$'000	$'000	$'000	$'000
Financial assets				
At fair value through other comprehensive income (Note 10)	**381**	381	**381**	381
At amortised cost	**64,076**	56,158	**19,137**	20,044
At cost	**–**	–	**12,862**	12,808
	64,457	56,539	**32,380**	33,233
Financial liabilities				
At amortised cost	**44,136**	51,695	**1,285**	1,499
At cost	**–**	–	**8,402**	15,387
	44,136	51,695	**9,687**	16,886

43. SEGMENT INFORMATION

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

I. Trading segment is a supply of assembly and distribution of flowline control products, distribution of oilfield drilling equipment for use on onshore and offshore rigs and drilling platforms, provision of complete fire protection and detection systems, as well as electrical products for the marine, coal mining, oil and gas, petrochemical and pharmaceutical industries. In these respects, the Group offers products and related services in the areas of oil and gas, power, petrochemical and pharmaceutical industries.

II. Manufacturing/Design/Research and Development segment is involved in research, development, design and manufacture of flowline control products, high pressure and temperature valves and related oilfield products.

III. Marine Logistics segment is in the business of chartering of vessels to the offshore oil and gas and other related industries.

IV. Energy and Utilities segment is involved in procurement and construction projects of waste water treatment facility and provision of wastewater treatment services to the end-users.

V. Resources segment is in the business of sales and mining of coal and other natural resources.

VI. Corporate and Others segment is involved in Group level corporate services and treasury functions and operating and maintenance of oil and gas facility services.

Geographical Information

The Group's geographical segments are based on the location of the Group's assets. Sales to external customers disclosed in geographical segments are based on the geographical location of its customers. Others include countries such as Malaysia, Philippines, United Kingdom, etc.

Non-current assets consist of property, plant and equipment, investment properties, right-of-use assets, investment in associates and intangible asset as presented in the Group's statements of financial position.

Information about major customers

During the financial year, there were 2 customers (2020: 2 customers) which contributed at least 10% of the Group's revenue at $15,798,000 and $10,425,000 respectively (2020: $11,566,000 and $8,416,000). The revenue is attributable to the trading segment.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

43. SEGMENT INFORMATION (CONTINUED)

Business segments

	Trading		Manufacturing/ Design/Research and Development		Marine Logistics		Energy and Utilities		Resources		Corporate/Others		Eliminations		Note	Group	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000	2021 $'000	2020 $'000		2021 $'000	2020 $'000
Revenue:																	
External customers	**55,732**	64,623	**1,324**	1,714	**–**	–	**2,760**	1,805	**–**	–	**–**	–	**–**	–		**59,816**	68,142
Intersegment sales	**27**	193	**455**	1,217	**–**	–	**–**	–	**–**	–	**2,880**	2,880	**(3,362)**	(4,290)	A	**–**	–
Total revenue	**55,759**	64,816	**1,779**	2,931	**–**	–	**2,760**	1,805	**–**	–	**2,880**	2,880	**(3,362)**	(4,290)		**59,816**	68,142
Result:	**4,498**	1,527	**(35)**	59	**950**	(925)	**19**	241	**199**	(1,040)	**(1,048)**	3,828	**(1,449)**	(2,055)	B	**3,134**	1,635
Depreciation and amortisation	**(1,268)**	(1,498)	**(151)**	(147)	**–**	(5)	**(4)**	(3)	**–**	–	**(1,017)**	(1,026)	**130**	238		**(2,310)**	(2,441)
Other non-cash (expenses)/income	**(1,176)**	(5,746)	**(7)**	136	**(1)**	–	**178**	65	**–**	–	**922**	(9)	**–**	–	C	**(84)**	(5,554)
Finance costs	**(1,302)**	(1,356)	**(29)**	(39)	**–**	(12)	**–**	–	**–**	–	**(1)**	–	**244**	245		**(1,088)**	(1,162)
Interest income																**136**	231
Share of results of associates																**1,038**	1,288
Profit/(loss) before tax																**826**	(6,003)
Income tax (expense)/ credit																**(193)**	1,193
Profit/(loss) net of tax																**633**	(4,810)
Assets:	**130,381**	120,031	**2,226**	2,243	**3,862**	13,889	**4,819**	4,273	**–**	–	**89,226**	96,985	**(115,756)**	(128,906)	D	**114,758**	108,515
Investment in associates	**–**	–	**–**	–	**7,626**	6,308	**–**	–	**–**	–	**1,352**	1,616	**–**	–		**8,978**	7,924
Unallocated assets																**2,328**	2,142
Total assets																**126,064**	118,581
Liabilities:	**(98,478)**	(88,539)	**(6,433)**	(6,189)	**(86,482)**	(86,578)	**(13,106)**	(12,480)	**(54,108)**	(53,667)	**(45,197)**	(53,300)	**240,081**	246,373	E	**(63,723)**	(54,380)
Unallocated liabilities																**(1,548)**	(2,046)
Total liabilities																**(65,271)**	(56,426)
Other segment information:																	
Additions to non-current assets																	
– Property, plant and equipment	**108**	141	**71**	34	**–**	–	**2**	3	**–**	–	**–**	13	**–**	–		**181**	191
– Right-of-use assets	**6**	84	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–		**6**	84
– Investment properties	**4,100**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–	**–**	–		**4,100**	–

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

43. SEGMENT INFORMATION (CONTINUED)

Business segments (Continued)

Notes:

A Inter-segment revenue are eliminated on consolidation.

B The following items are deducted from segment profit/(loss) to arrive at the segment results:

	2021 $'000	2020 $'000
Interest income from inter-segments	**404**	740
Interest expense from inter-segments	**(415)**	(750)
Profit/(loss) from inter-segments operation	**565**	(653)
Exchange differences on quasi-equity loans	**(2,003)**	3,123
Dividend from subsidiaries	**–**	(4,515)
	(1,449)	(2,055)

C Other non-cash (expenses)/income consist of write back of impairment loss on receivables and financial receivables, allowance for slow moving inventories, inventories written off, impairment loss on receivables, impairment loss on intangible assets and bad debts recovered as presented in the respective notes to the financial statements.

D The elimination refers to inter-segment assets.

E The elimination refers to inter-segment liabilities.

Geographical segments

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

	Revenue		Non-current assets	
	2021 $'000	2020 $'000	2021 $'000	2020 $'000
Indonesia	**12,162**	7,697	**9,706**	9,426
Japan	**64**	32	**1,352**	1,616
People's Republic of China	**14,442**	28,150	**15**	16
Singapore	**12,416**	9,402	**30,347**	29,277
Thailand	**16,161**	11,867	**–**	4
Vietnam	**637**	5,858	**–**	–
Others	**3,934**	5,136	**503**	575
	59,816	68,142	**41,923**	40,914

Non-current assets information presented above consist of property, plant and equipment, investment properties, right-of-use assets, investment in associates and intangible assets as presented in the Group's statement of financial position.

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2021

44. RELATED PARTY TRANSACTIONS

(a) *Sale and purchase of goods and services*

In addition to those related party information disclosed elsewhere in the financial statements, the following significant transactions between the Group and related parties took place at terms agreed between the parties during the financial year:

	Group 2021 $'000	Group 2020 $'000
Advances from a director of the Company	**20**	–
Additions to/(repayments of) amount owing to a director of certain subsidiaries	**376**	(276)
Amount recovered from a director of certain subsidiaries(1)	**922**	–
Rental paid to a director of certain subsidiaries	**(38)**	(37)
Secretarial and professional fee paid to director-related firms(2)	**(27)**	(45)
Settlement of amount due from a related party(3)	**(3,773)**	–

(1) The amount recovered related to a debt guaranteed by the director.

(2) During the financial year, secretarial and professional services were provided by entities where one of the independent directors of the Company is also the director of the secretarial and professional entities. Approximately $3,000 (2020: $Nil) was outstanding at the end of current financial year.

(3) The related party refers to a non-controlling interest (NCI) of a subsidiary where the Group and the NCI each took up a loan from the subsidiary. The loans were settled through a capital reduction of the subsidiary.

(b) *Compensation of key management personnel*

	Group 2021 $'000	Group 2020 $'000
Directors' fees	**189**	230
Short-term employee benefits	**1,586**	1,839
Defined contributions	**75**	92
Other short-term benefits	**65**	78
Total compensation paid to key management personnel	**1,915**	2,239
Comprise of amounts paid to:		
Directors of the Company	**1,231**	1,447
Other key management personnel	**684**	792
	1,915	2,239

NOTES TO THE
FINANCIAL STATEMENTS
31 DECEMBER 2021

45. SUBSEQUENT EVENT

On 3 January 2022, the Company's wholly owned subsidiary, Federal Hardware Engineering Co Ltd, has entered into a sales and purchase agreement ("SPA") with an independent third party for the sale of an investment property for a consideration of $4,030,000. The sale of the investment property is expected to be completed within the next 12 months. The investment property is classified within the "trading" segment of the Group.

The completion of the disposal of the investment property is conditional upon, inter alia, the following salient conditions being satisfied:

(a) approval of the Shareholders for the sale and purchase of the investment property on the terms and conditions set out in the SPA; and
(b) the in-principle and final approval from the Jurong Town Corporation.

Upon the completion of the disposal, the estimated financial impact would be a loss on disposal of $70,000.

46. AUTHORISATION OF FINANCIAL STATEMENT FOR ISSUE

The financial statements for the year ended 31 December 2021 were authorised for issue in accordance with a resolution of the directors on 31 March 2022.

STATISTICS OF SHAREHOLDINGS

AS AT 31 MARCH 2022

Class of shares	:	Ordinary shares
Total number of shares (including treasury shares)	:	140,767,484 ordinary shares
Total number of shares (excluding treasury shares)	:	140,667,484 ordinary shares
Number and Percentage of treasury shares held	:	100,000 (0.07%)
Number of subsidiary holdings held	:	Nil
Voting rights (excluding treasury shares)	:	One vote per ordinary share

DISTRIBUTION OF SHAREHOLDINGS

Size of Shareholding	Number of Shareholders	%	Number of Shares	%
1 – 99	195	5.08	3,029	0.00
100 – 1,000	698	18.20	376,879	0.27
1,001 – 10,000	1,953	50.93	8,758,696	6.23
10,001 – 1,000,000	976	25.45	50,274,495	35.74
1,000,001 and above	13	0.34	81,254,385	57.76
Total	3,835	100.00	140,667,484	100.00

TWENTY LARGEST SHAREHOLDERS

No.	Name of Shareholders	Number of Shares	%
1.	Citibank Nominees Singapore Pte Ltd	17,829,966	12.68
2.	Phillip Securities Pte Ltd	15,375,620	10.93
3.	DBS Nominees Pte Ltd	14,041,978	9.98
4.	Koh Kian Kiong	10,704,400	7.61
5.	United Overseas Bank Nominees Pte Ltd	8,313,170	5.91
6.	KGI Securities (Singapore) Pte. Ltd	3,663,400	2.60
7.	Gu Jian Lin	2,698,500	1.92
8.	Koh May Ling Judy (Xu Meiling Judy)	2,264,200	1.61
9.	Ling Kee Poh	1,650,000	1.17
10.	Koh Tin Yock	1,450,300	1.03
11.	UOB Kay Hian Pte Ltd	1,194,065	0.85
12.	Yang, Kai – Ting	1,055,700	0.75
13.	OCBC Securities Private Ltd	1,013,086	0.72
14.	Raffles Nominees (Pte) Limited	933,304	0.66
15.	Foo Tiang Ann	800,000	0.57
16.	Chan Keng Mun	798,500	0.57
17.	Tang Joo Kok	787,700	0.56
18.	Chan Tat Soon	780,000	0.55
19.	Phang Yeh Fenn	754,300	0.54
20.	OCBC Nominees Singapore Pte Ltd	721,112	0.51
	Total	86,829,301	61.72

STATISTICS OF SHAREHOLDINGS
AS AT 31 MARCH 2022

SHAREHOLDING OF THE SUBSTANTIAL SHAREHOLDERS
(As recorded in the Register of Substantial Shareholders as at 31 March 2022)

Name	Direct Interest	%	Deemed Interest	%
Fame Asia Limited[(i)]	16,055,989	11.41	–	–
Leung Kwok Hung, Jonathan[(ii)]	–	–	16,055,989	11.41
Yang Yi-Chung[(iii)]	9,736,174	6.92	–	–
Koh Kian Kiong[(iv)]	10,704,400	7.61	18,150,000	12.90

Notes:

(i) Fame Asia Limited has 16,055,989 ordinary shares held under the name of Citibank Nominees Singapore Pte Ltd.
(ii) Mr Leung Kwok Hung, Jonathan has a deemed interest in 16,055,989 ordinary shares held by Fame Asia Limited.
(iii) Mr Yang Yi-Chung has 9,736,174 ordinary shares held under the name of DBS Nominees Pte Ltd.
(iv) Mr Koh Kian Kiong has 6,750,000 ordinary shares held under the name of United Overseas Bank Nominees Pte Ltd and 11,400,000 ordinary shares held under the name of Philip Securities Pte Ltd.

PERCENTAGE OF SHAREHOLDING IN PUBLIC'S HANDS

Based on information available to the Company as at 31 March 2022, there were approximately 57.01% of the Company's total number of issued ordinary shares (excluding preference shares, convertible equity securities and treasury shares) held in the hands of public. Accordingly, the Company has complied with Rule 723 of the Listing Manual of the Singapore Exchange Securities Trading Limited.

NOTICE OF
ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Annual General Meeting of FEDERAL INTERNATIONAL (2000) LTD (the "**Company**") will be held by way of electronic means on Thursday, 28 April 2022 at 10:00 a.m. for the following purposes:

AS ORDINARY BUSINESS

1. To receive and adopt the Directors' Statement and the Audited Financial Statements of the Company for the financial year ended 31 December 2021 together with the Auditor's Report thereon. **(Resolution 1)**

2. (a) To re-elect Mr Koh Kian Kiong, a Director of the Company retiring pursuant to Regulation 91 of the Constitution of the Company. **(Resolution 2)**

   (b) To note the retirement of Mr Khoo Boo Yeow, Andrew, a Director of the Company retiring pursuant to Regulation 91 of the Constitution of the Company. Mr Khoo Boo Yeow, Andrew has decided not to seek for re-election and will retire at the conclusion of the forthcoming Annual General Meeting. [See Explanatory Note (i)]

   (c) To re-elect Mr Murali Krishna Ramachandra, a Director of the Company retiring pursuant to Regulation 97 of the Constitution of the Company. [See Explanatory Note (ii)] **(Resolution 3)**

3. To approve the Directors' fees of S$190,000 to Non-Executive and Independent Directors of the Company for the financial year ending 31 December 2022, to be paid quarterly in arrears (FY2021: S$206,400). **(Resolution 4)**

4. To re-appoint Baker Tilly TFW LLP as the Auditor of the Company and to authorise the Directors of the Company to fix its remuneration. **(Resolution 5)**

5. To transact any other ordinary business which may be properly transacted at the Annual General Meeting of the Company.

AS SPECIAL BUSINESS

To consider and if thought fit, to pass the following resolution as Ordinary Resolution, with or without any modifications:

6. **Authority to issue shares**

   That pursuant to Section 161 of the Companies Act 1967 ("**Companies Act**") and Rule 806 of the Listing Manual of the Singapore Exchange Securities Trading Limited ("**SGX-ST**"), the Directors of the Company be authorised and empowered to:

   (a) (i) issue shares in the Company ("**shares**") whether by way of rights, bonus or otherwise; and/or

   (ii) make or grant offers, agreements or options (collectively, "**Instruments**") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) options, warrants, debentures or other instruments convertible into shares,

   at any time and upon such terms and conditions and for such purposes and to such persons as the Directors of the Company may in their absolute discretion deem fit; and

   (b) (notwithstanding the authority conferred by this Resolution may have ceased to be in force) issue shares in pursuance of any Instruments made or granted by the Directors of the Company while this Resolution was in force,

NOTICE OF ANNUAL GENERAL MEETING

provided that:

(1) the aggregate number of shares (including shares to be issued in pursuance of the Instruments, made or granted pursuant to this Resolution) to be issued pursuant to this Resolution shall not exceed 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a pro rata basis to shareholders of the Company shall not exceed 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company (as calculated in accordance with sub-paragraph (2) below);

(2) (subject to such calculation as may be prescribed by the SGX-ST for the purpose of determining the aggregate number of shares that may be issued, the total number of issued shares (excluding treasury shares and subsidiary holdings) shall be based on the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company at the time of the passing of this Resolution, after adjusting for:

(a) new shares arising from the conversion or exercise of any convertible securities;

(b) new shares arising from exercising share options or vesting of share awards which are outstanding or subsisting at the time of the passing of this Resolution, provided the share options or share awards were granted in compliance with Part VIII of Chapter 8 of the Listing Manual of the SGX-ST; and

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

(3) in exercising the authority conferred by this Resolution, the Company shall comply with the provisions of the Listing Manual of the SGX-ST for the time being in force (unless such compliance has been waived by the SGX-ST) and the Constitution of the Company; and

(4) unless revoked or varied by the Company in a general meeting, such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law to be held, whichever is earlier.
[See Explanatory Note (iii)] **(Resolution 6)**

By Order of the Board

Sam Kwai Hoong
Noraini Binte Noor Mohamed Abdul Latiff
Company Secretaries

Singapore, 12 April 2022

NOTICE OF ANNUAL GENERAL MEETING

Explanatory Note

(i) Mr Khoo Boo Yeow, Andrew who is due to retire pursuant to Regulation 91 of the Constitution of the Company has decided not to seek for re-election and will therefore retire as a Director at the conclusion of the forthcoming Annual General Meeting. Upon his cessation as a Director, Mr Khoo Boo Yeow, Andrew will also cease to be the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee.

(ii) Mr Murali Krishna Ramachandra will, upon re-election as a Director of the Company, remain as an Independent Director, the Chairman of the Remuneration Committee and a member of the Audit Committee and Nominating Committee of the Company. Mr Murali Krishna Ramachandra will be considered independent for the purpose of Rule 704(8) of the Listing Manual of the SGX-ST.

(iii) Resolution 6, if passed, will empower the Directors of the Company, effective until the conclusion of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to issue shares, make or grant instruments convertible into shares and to issue shares pursuant to such Instruments, up to a number not exceeding the aggregate 50% of the total number of issued shares (excluding treasury shares and subsidiary holdings) in the capital of the Company, of which up to 20% of the total number of issued shares (excluding treasury shares and subsidiary holdings) may be issued other than on a pro-rata basis to shareholders of the Company, after adjusting for new shares arising from the conversion or exercise of any convertible securities or share options or vesting of share awards which are outstanding or subsisting at the time when Resolution 6 is passed and any subsequent bonus issue, consolidation or subdivision of shares.

Measures To Minimize Risk Of COVID-19

1. Pursuant to the COVID-19 (Temporary Measures) (Alternative Arrangements for Meetings for Companies, Variable Capital Companies, Business Trusts, Unit Trusts and Debenture Holders) Order 2020, the AGM will be held by way of electronic means and shareholders will NOT be allowed to attend the AGM in person. Printed copies of this Notice will not be sent to members. Instead, this Notice will be sent to members by electronic means via publication on the Company's corporate website www.federal-int.com.sg. This Notice will also be made available on the SGXNet.

2. Alternative arrangements are instead put in place to allow shareholders to participate in the AGM by: (a) observing and/or listening to the AGM proceedings via a live streaming. Shareholders who wish to participate as such will have to pre-register in the manner outlined in paragraphs 3 to 5 below; (b) submitting questions ahead of the AGM. Please refer to paragraphs 6 to 10 below for further details; and (c) voting by proxy at the AGM. Please refer to paragraphs 11 to 14 below for further details.

Participate in the AGM via live streaming

3. Shareholders or their corporate representatives (in the case of shareholders which are legal entities) will be able to observe and/or listen the AGM proceedings through a live streaming via their mobile phones, tablets or computers. To do so, they will need to complete the attached pre-registration form and mail the completed pre-registration form to the Company Secretary for verification of their status as shareholders (or the corporate representatives of such shareholders). All completed pre-registration forms must be submitted no later than 10.00 a.m. on 22 April 2022 ("**Registration Deadline**") by mailing or emailing to the following addresses:

   Mailing address: Federal International (2000) Ltd, 12 Chin Bee Drive, Singapore 619868

   Email Address: federal-agm@federal-int.com.sg

4. Upon successful pre-registration, each such shareholder or its corporate representative will receive an email contain a link to access the streaming of the AGM proceedings, together with the relevant log in details and instructions. Shareholders (or corporate representatives) who do not receive an email by 12 p.m. 26 April 2022, but have pre-registered by the Registration Deadline should contact the Company at (65) 67478118.

5. Shareholders are reminded that the AGM proceedings are private. Instructions on access to the live streaming of the AGM proceedings should therefore not be shared with anyone who is not a shareholder of the Company or otherwise not authorised to attend the AGM. Recording of the live streaming in whatever form is also strictly prohibited.

Submission of questions ahead of AGM

6. Shareholders may submit questions related to the resolutions to be tabled for approval at the AGM or the Company's businesses and operations they wish for the Company to consider addressing during the live streaming of the AGM proceedings.

7. All questions must be submitted no later than 10.00 a.m. on 20 April 2022 ("**Submission Deadline**") by mailing or emailing such questions to the following addresses:

   Mailing address: Federal International (2000) Ltd, 12 Chin Bee Drive, Singapore 619868

   Email Address: federal-agm@federal-int.com.sg

   Attention to: Sam Kwai Hoong, Group CFO

NOTICE OF ANNUAL GENERAL MEETING

Shareholders are also reminded to provide their full names and identification numbers when writing in, along with their email addresses and mobile contact numbers.

8. Please note that shareholders will not be able to ask questions at the AGM and accordingly, it is important for shareholders to submit their questions by the Submission Deadline.

9. Please note that the Company will provide responses to substantial questions and relevant comments from shareholders, so submitted by shareholders in advance prior to the AGM, no later than 10.00 a.m. on 24 April 2022 by publishing the responses on SGXNet at www.sgx.com/securities/company-announcements.

10. The Company will publish the minutes of the AGM on SGXNet and the Company's website within one month after the date of AGM.

Voting by proxy

11. Shareholders will not be able to vote online at the AGM. Instead, if shareholders (whether individuals or corporates) wish to exercise their votes, they must submit a proxy form to appoint the "Chairman of the Meeting" to vote on their behalf.

12. Shareholders (whether individuals or corporates) appointing the "Chairman of the Meeting" as proxy must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the proxy form, failing which the appointment and votes will be treated as invalid.

13. The proxy form must be submitted to the Company no later than 10.00 a.m. on 26 April 2022 (being 48 hours before the time appointed for the AGM) by mailing or emailing the proxy form to the following addresses:

    Registered address: 12 Chin Bee Drive, Singapore 619868

    Email Address: federal-agm@federal-int.com.sg

14. Shareholders who hold their shares through relevant intermediaries and who wish to exercise their votes by appointing the "Chairman of the Meeting" as proxy should approach their respective relevant intermediaries (including their respective CPF Agent Banks or SRS Approved Banks) to submit their voting instructions at least seven (7) working days prior to the date of the AGM.

Notes:

(1) A member of the Company who is entitled to attend and vote at the AGM is entitled to appoint the "Chairman of the Meeting" as a proxy to vote in his/her/its stead.

(2) The instrument appointing the "Chairman of the Meeting" as proxy must be duly deposited at the registered office of the Company at 12 Chin Bee Drive, Singapore 619868 not less than forty-eight (48) hours before the time appointed for holding the Annual General Meeting of the Company.

PERSONAL DATA PRIVACY

By (a) submitting any question ahead of the AGM or (b) submitting an instrument appointing the "Chairman of the Meeting" as proxy to vote at the AGM and/or any adjournment thereof in accordance with paragraphs 6 to 14 of the section "Measures to Minimize Risk of COVID-19 " (the "**COVID-19 Notice**") or (c) submitting the pre-registration form in accordance with paragraphs 3 to 5 of the COVID-19 Notice, a member of the Company consents to the collection, use and disclosure of the member's personal data by the Company (or its agents or service providers) for the purposes of:

(i) the processing and administration by the Company (or its agents or service providers) of proxy forms appointing the "Chairman of the Meeting" as proxy for the AGM (including any adjournment thereof);

(ii) processing the pre-registration forms for purposes of granting access to members (or their corporate representatives in the case of members who are legal entities) to view the live streaming of the AGM proceedings and providing viewers with any technical assistance where necessary;

(iii) addressing selected questions from members received before the AGM and if necessary, following up with the relevant members in relation to such questions;

(iv) the preparation and compilation of the attendance lists, minutes and other documents relating to the AGM (including any adjournment thereof); and

(v) enabling the Company (or its agents or service providers) to comply with any applicable laws, listing rules, regulations and/or guidelines.

SUPPLEMENTAL INFORMATION ON **DIRECTORS SEEKING RE-ELECTION**

AT THE 2022 AGM ON THURSDAY, 28 APRIL 2022
[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1.]

Name of Director	**Mr Koh Kian Kiong**	**Mr Murali Krishna Ramachandra**
Date of Appointment	13 November 1999	1 July 2021
Date of last re-appointment (if applicable)	19 June 2020	N/A
Age	75	51
Country of principal residence	Singapore	Singapore
The Board's comments on this appointment (including rationale, selection criteria, and the search and nomination process)	The Board has considered the Nominating Committee recommendation and assessments of Mr Koh's qualifications and experiences and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.	The Board has considered the Nominating Committee recommendation and assessments of Mr Krishna Ramachandra's qualifications and experiences and is satisfied that he will continue to contribute relevant knowledge, skills and experience to the Board.
Whether appointment is executive, and if so, the area of responsibility	Executive Mr Koh is the Executive Chairman and Chief Executive Officer of the Company. He is one of the founders of the Group and has more than 45 years of experience in the oil and gas industry. Mr Koh oversees the formulation of the Group's corporate strategies and expansion plans.	Non-executive
Job Title (e.g. Lead ID, AC Chairman, AC Member etc.)	Executive Committee Nominating Committee (Member)	Independent Director Remuneration Committee (Chairman) Audit Committee (Member) Nominating Committee (Member)
Professional qualifications	–	Master of Laws (LL.M.)
Working experience and occupation(s) during the past 10 years	From 1999 to present: Chairman of the Company From 1999 to present: Director of Subsidiaries and associated companies of the Federal Group From 1999 to present: Director of Gunanusa Utama Pte Ltd	From 2011 to present: Managing Director of Duane Morris & Selvam LLP From 2005 to present: Chairman of Selvam LLC
Shareholding interest in the listed issuer and its subsidiaries	Yes	No
Any relationship (including immediate family relationships) with any existing director, existing executive officer, the issuer and/or substantial shareholder of the listed issuer or of any of its principal subsidiaries	Yes	No
Conflict of interest (including any competing business)	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 2022 AGM ON THURSDAY, 28 APRIL 2022
[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1.]

Name of Director	**Mr Koh Kian Kiong**	**Mr Murali Krishna Ramachandra**
Undertaking (in the format set out in Appendix 7.7) under Rule 720(1) has been submitted to the listed issuer	Yes	Yes
Other Principal Commitments: including Directorships	No	Managing Director of Duane Morris & Selvam LLP Chairman of Selvam LLC
Past (for the last 5 years)	No	No
Present	Listed companies: Federal International (2000) Ltd Other principal directorships: Subsidiaries and associated companies of the Federal Group Gunanusa Utama Pte Ltd Major Appointments (other than directorships): Nil	Listed companies: Federal International (2000) Ltd Other principal directorships: Duane Morris & Selvam LLP Selvam LLC Digital Insights Ventures Limited Major Appointments (other than directorships): Nil
Information required Disclose the following matters concerning an appointment of director, chief executive officer, chief financial officer, chief operating officer, general manager or other officer of equivalent rank. If the answer to any question is "yes", full details must be given.		
(a) Whether at any time during the last 10 years, an application or a petition under any bankruptcy law of any jurisdiction was filed against him/her or against a partnership of which he/she was a partner at the time when he/she was a partner or at any time within 2 years from the date he/she ceased to be a partner?	No	No
(b) Whether at any time during the last 10 years, an application or a petition under any law of any jurisdiction was filed against an entity (not being a partnership) of which he/she was a director or an equivalent person or a key executive, at the time when he/she was a director or an equivalent person or a key executive of that entity or at any time within 2 years from the date he/she ceased to be a director or an equivalent person or a key executive of that entity, for the winding up or dissolution of that entity or, where that entity is the trustee of a business trust, that business trust, on the ground of insolvency?	No	No
(c) Whether there is any unsatisfied judgment against him/her?	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 2022 AGM ON THURSDAY, 28 APRIL 2022
[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1.]

Name of Director	Mr Koh Kian Kiong	Mr Murali Krishna Ramachandra
(d) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving fraud or dishonesty which is punishable with imprisonment, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such purpose?	No	No
(e) Whether he/she has ever been convicted of any offence, in Singapore or elsewhere, involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or has been the subject of any criminal proceedings (including any pending criminal proceedings of which he/she is aware) for such breach?	No	No
(f) Whether at any time during the last 10 years, judgment has been entered against him/her in any civil proceedings in Singapore or elsewhere involving a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, or a finding of fraud, misrepresentation or dishonesty on his/her part, or he/she has been the subject of any civil proceedings (including any pending civil proceedings of which he/she is aware) involving an allegation of fraud, misrepresentation or dishonesty on his/her part?	No	No
(g) Whether he/she has ever been convicted in Singapore or elsewhere of any offence in connection with the formation or management of any entity or business trust?	No	No
(h) Whether he/she has ever been disqualified from acting as a director or an equivalent person of any entity (including the trustee of a business trust), or from taking part directly or indirectly in the management of any entity or business trust?	No	No

SUPPLEMENTAL INFORMATION ON DIRECTORS SEEKING RE-ELECTION

AT THE 2022 AGM ON THURSDAY, 28 APRIL 2022
[PURSUANT TO SGX-ST LISTING MANUAL – RULE 720(6) AND APPENDIX 7.4.1.]

Name of Director	Mr Koh Kian Kiong	Mr Murali Krishna Ramachandra
(i) Whether he/she has ever been the subject of any order, judgment or ruling of any court, tribunal or governmental body, permanently or temporarily enjoining him/her from engaging in any type of business practice or activity?	No	No
(j) Whether he/she has ever, to his/her knowledge, been concerned with the management or conduct, in Singapore or elsewhere, of the affairs of:		
(i) any corporation which has been investigated for a breach of any law or regulatory requirement governing corporations in Singapore or elsewhere; or	No	No
(ii) any entity (not being a corporation) which has been investigated for a breach of any law or regulatory requirement governing such entities in Singapore or elsewhere; or	No	No
(iii) any business trust which has been investigated for a breach of any law or regulatory requirement governing business trusts in Singapore or elsewhere; or	No	No
(iv) any entity or business trust which has been investigated for a breach of any law or regulatory requirement that relates to the securities or futures industry in Singapore or elsewhere, in connection with any matter occurring or arising during that period when he/she was so concerned with the entity or business trust?	No	No
(k) Whether he/she has been the subject of any current or past investigation or disciplinary proceedings, or has been reprimanded or issued any warning, by the Monetary Authority of Singapore or any other regulatory authority, exchange, professional body or government agency, whether in Singapore or elsewhere?	No	No

Note:

1 "Principal Commitments" has the same meaning as defined in the Code.

This page has been intentionally left blank

Pre-Registration Form

FEDERAL INTERNATIONAL (2000) LTD (the "Company")
(Incorporated in the Republic of Singapore)
(Company Registration No.: 199907113K)

Please complete all sections of this pre-registration form and mail or email the completed and signed pre-registration form to:

The Company Secretary
FEDERAL INTERNATIONAL (2000) LTD
12 Chin Bee Drive
Singapore 619868
E-mail: federal-agm@federal-int.com.sg

All completed and signed pre-registration forms must be received by the Company no later than 10 a.m. on 22 April 2022. Any forms received after 10 a.m. on 22 April 2022 will not be processed by the Company for purposes of granting access to the live streaming of the AGM proceedings.

If shareholder is an individual:

Name:	
NRIC Number/FIN/Passport Number:	
Contact Number:	
Address:	
Email Address(1):	

If shareholder is a legal entity:

Name:	
Company Registration Number:	
Company Address:	
Name of Representative and Title(2):	
Contact Number of Representative:	
Email Address of Representative(1):	

By signing this pre-registration form, I acknowledge that:

(a) I have read and understood the sections "Measures to Minimize Risk of COVID-19" and "Personal Data Privacy" of the Company's Notice of the Annual General Meeting;

(b) I agree to be bound by the terms set out in the section "Personal Data Privacy" of the Company's Notice of the Annual General Meeting; and

(c) the details provided in this pre-registration form are true and accurate.

Date:	
Signature[3]:	

Notes:

(1) Confirmation of a shareholder's successful pre-registration for the live streaming of the AGM proceedings will be sent by email to the shareholder's email address provided or if the shareholder is a legal entity, the representative's email address provided.

(2) A shareholder which is a legal entity may authorise, by resolution of its directors or other governing body, such person as it thinks fit to act as its representative, in accordance with its Constitution and Section 179 of the Companies Act 1967.

(3) Where the shareholder is a legal entity, the representative of such shareholder as indicated on this pre-registration form shall sign.

FEDERAL INTERNATIONAL (2000) LTD
(Incorporated In the Republic of Singapore)
(Company Registration No. 199907113K)

IMPORTANT:
For CPF/SRS investors who have used their CPF monies to buy Federal International (2000) Ltd's shares, and who wish to appoint the "**Chairman of the Meeting**" as proxy should approach their respective agents to submit their votes at least seven (7) working days before the Meeting.

PROXY FORM

(Please see notes overleaf before completing this Proxy Form)

*I/We, ______________________________ NRIC/Passport/Registration No. ____________________

Of ____
of being a member/members of FEDERAL INTERNATIONAL (2000) LTD (the "**Company**"), hereby appoint:

Name	Proportion of shareholdings to be by proxy (%)
Chairman of the Meeting	

as *my/our proxy to vote for *me/us on *my/our behalf at the Annual General Meeting (the "**Meeting**") of the Company to be held by way of electronic means on Thursday, 28 April 2022 at 10:00 a.m. and at any adjournment thereof. *I/We direct *my/our proxy to vote for or against or abstain on the Resolutions proposed at the Meeting as indicated hereunder.

Shareholders (whether individuals or corporates) appointing the "Chairman of the Meeting" as proxy must give specific instructions as to his/her/its manner of voting, or abstentions from voting, in the proxy form, failing which the appointment and votes will be treated as invalid.

No.	Ordinary Resolutions relating to	No. of Shares For**	No. of Shares Against**	No. of Shares Abstain**
1.	To receive and adopt Directors' Statement and Audited Financial Statements of the Company for financial year ended 31 December 2021 together with Auditor's Report thereon			
2.	To re-elect Mr Koh Kian Kiong as a Director of the Company			
3.	To re-elect Mr Murali Krishna Ramachandra as a Director of the Company			
4.	To approve the Directors' fees of S$190,000 to Non-Executive and Independent Directors of the Company for financial year ending 31 December 2022, to be paid quarterly in arrears			
5.	To re-appoint Baker Tilly TFW LLP as Auditor of the Company and to authorise the Directors to fix its remuneration			
6.	To approve the authority to issue shares			

* *Delete where inapplicable*
** *Voting will be conducted by poll. If you wish to exercise all your votes "For" or "Against", please tick within the box provided. Alternatively, please indicate the number of votes as appropriate. If you tick the abstain box for a particular resolution, you are directing your proxy not to vote on that resolution.*

Dated this ________ day of ____________________ 2022

Total No. of Shares in:	No. of Shares
(a) Depository Register	
(b) Register of Members	

____
Signature of Shareholder(s)/
Common Seal of Corporate Shareholder

Notes

1. Please insert the total number of Shares held by you. If you have Shares entered against your name in the Depository Register, you should insert that number of Shares. If you have Shares registered in your name in the Register of Members, you should insert that number of Shares. If you have Shares entered against your name in the Depository Register and Shares registered in your name in the Register of Members, you should insert the aggregate number of Shares entered against your name in the Depository Register and registered in your name in the Register of Members. If no number is inserted, the instrument appointing a proxy shall be deemed to relate to all the Shares held by you.

2. The instrument appointing the "Chairman of the Meeting" as proxy must be deposited at the registered office of the Company not less than forty-eight (48) hours before the time appointed for the holding the Annual General Meeting of the Company to the following address:

   Registered office address: 12 Chin Bee Drive, Singapore 619868

   Email address: federal-agm@federal-int.com.sg

3. The instrument appointing the "Chairman of the Meeting" as proxy must be under the hand of the appointor or of his/her attorney duly authorised in writing. Where the instrument appointing the "Chairman of the Meeting" as proxy is executed by a corporation, it must be executed either under its seal or under the hand of an officer or attorney duly authorised in writing.

4. Where the instrument appointing the "Chairman of the Meeting" as proxy is executed by an attorney on behalf of the appointor, the letter or power of attorney or a duly certified copy thereof must be lodged with the instrument appointing the "Chairman of the Meeting" as proxy, failing which, the instrument appointing the "Chairman of the Meeting" as proxy may be treated as invalid.

5. Please take note of the section "Measures to Minimize Risk of COVID-19" in the Notice of Annual General Meeting.

General

The Company shall be entitled to reject the instrument appointing the "Chairman of the Meeting" as proxy if it is incomplete, improperly completed or illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified in the instrument appointing the "Chairman of the Meeting" as proxy. In addition, in the case of Shares entered in the Depository Register, the Company may reject any instrument appointing the "Chairman of the Meeting" as proxy lodged if the member, being the appointor, is not shown to have Shares entered against his/her name in the Depository Register as at seventy-two (72) hours before the time appointed for holding the Annual General Meeting of the Company, as certified by The Central Depository (Pte) Limited to the Company.

PERSONAL DATA PRIVACY

By (a) or submitting any question ahead of the AGM(b) submitting an instrument appointing the "Chairman of the Meeting" as proxy to vote at the AGM and/or any adjournment thereof in accordance with paragraphs 6 to 14 of the section "Measures to Minimize Risk of COVID-19 " (the "COVID-19 Notice") or (c) submitting the pre-registration form in accordance with paragraphs 3 to 5 of the COVID-19 Notice, the member of the Company accepts and agrees to the personal data privacy terms set out in the Notice of Annual General Meeting dated 12 April 2022.

(REGISTRATION NO. 199907113K)

12 Chin Bee Drive, Singapore 619868
Tel: (65) 6747 8118
Fax: (65) 6743 0690
www.federal-int.com.sg