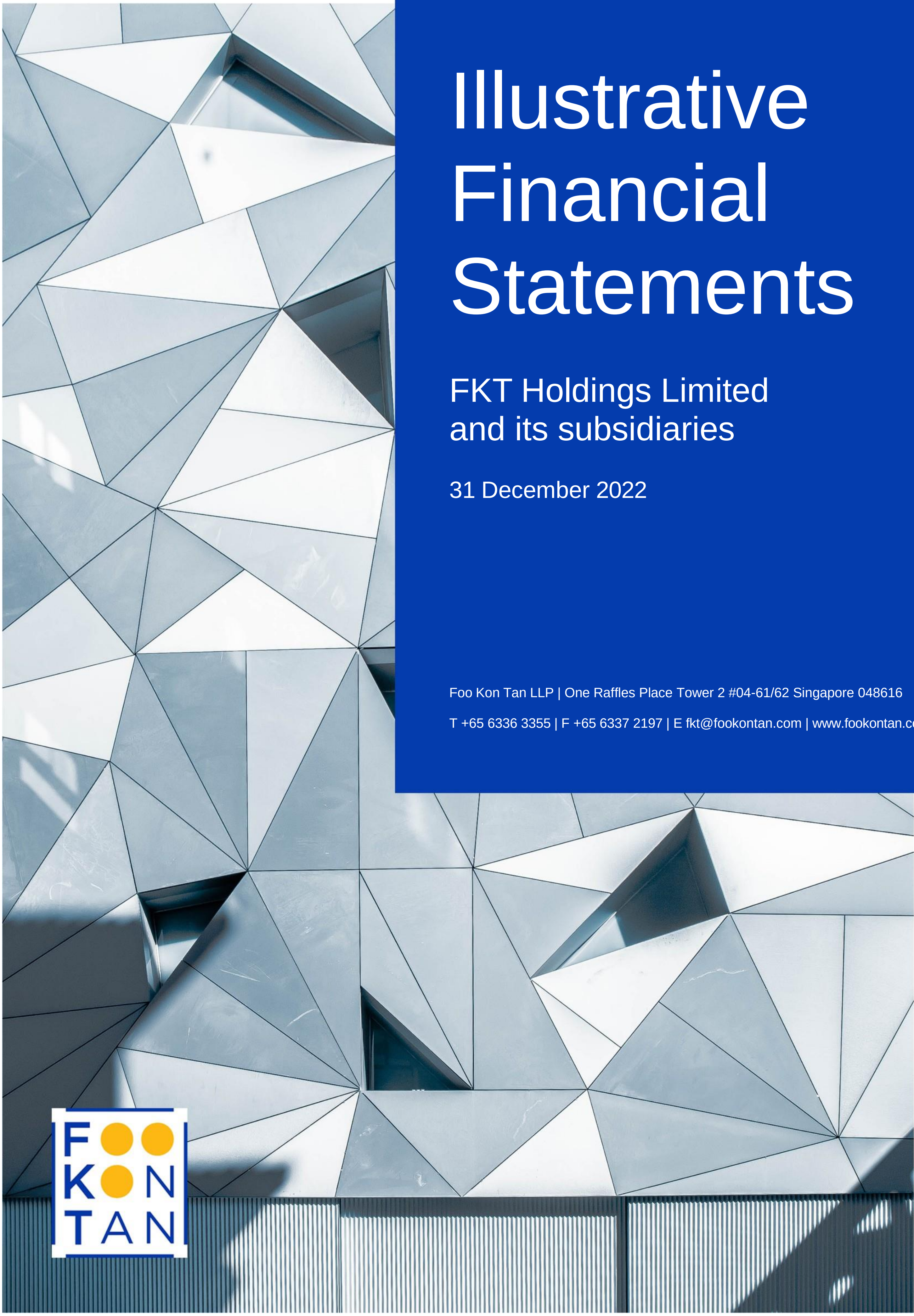

Illustrative Financial Statements

FKT Holdings Limited and its subsidiaries

31 December 2022

Foo Kon Tan LLP | One Raffles Place Tower 2 #04-61/62 Singapore 048616

T +65 6336 3355 | F +65 6337 2197 | E fkt@fookontan.com | www.fookontan.com

Illustrative financial statements
FKT Holdings Limited and its subsidiaries

31 December 2022

PUBLICATION NOTE:

This publication is prepared to facilitate preparers of financial statements in complying with the disclosure requirements of Singapore Companies Act 1967, Singapore Financial Reporting Standards (International), and Rulebooks issued by Singapore Exchange Securities Trading Limited. These illustrative financial statements contain general information and are not intended to be a substitute for reading the legislation or accounting standards themselves, or for professional judgement as to adequacy of disclosures and fairness of presentation. They do not encompass all possible disclosures required. Depending on the circumstances, further specific information may be required in order to ensure fair presentation and compliance with laws and accounting standards and securities exchange regulations.

Readers should seek appropriate professional advice regarding the application of its contents to their specific situations and circumstances. The illustrative financial statements should not be relied on as a substitute for such professional advice. While all reasonable care has been taken in the preparation of these illustrative financial statements, Foo Kon Tan LLP accepts no responsibility for any errors it might contain, whether caused by negligence or otherwise, or for any loss, howsoever caused, incurred by any person as a result of relying on it.

Direct references to the source of disclosure requirements are included in the reference column on each page of these illustrative financial statements. Guidance notes are provided where additional or specific matters may need to be considered in relation to a particular disclosure. These guidance notes are inserted within the relevant section of or note to the financial statements and, where applicable, include examples illustrating the necessary disclosures. Illustrative disclosures not applicable to the subject group are also included only for illustration purpose.

This 2022 edition includes illustrations of disclosures which are effective for annual periods beginning on or after 1 January 2022. Standards issued, but not yet effective, for the year ended 31 December 2022 have not been early adopted in these illustrative financial statements. These new illustrations arising from the new and revised Standards and Interpretations adopted are sidelined in this publication.

List of **new and revised SFRS(I) issued that are mandatorily effective** for the annual period beginning on or after 1 January 2022:

- Amendment to SFRS(I) 16 COVID-19-Related Rent Concessions beyond 30 June 2021
- Amendments to SFRS(I) 1-16 Property, Plant and Equipment – Proceeds before Intended Use
- Amendments to SFRS(I) 3 Reference to the Conceptual Framework
- Amendments to SFRS(I) 1-37 Onerous Contracts – Cost of Fulfilling a Contract
- Amendment to SFRS(I) 1 Subsidiary as a First-time Adopter
- Amendment to SFRS(I) 9 Fees in the '10 per cent' Test for Derecognition of Financial Liabilities
- Amendment to SFRS(I) 1-41 Taxation in Fair Value Measurements

List of **new and revised SFRS(I) issued that are not yet mandatorily effective** for the year ended 31 December 2022:

- SFRS(I) 17 Insurance Contracts
- Amendments to SFRS(I) 1-1 Classification of Liabilities as Current or Non-current
- Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2 Disclosure of Accounting Policies
- Amendments to SFRS(I) 1-8 Definition of Accounting Estimates
- Amendments to SFRS(I) 1-12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction
- Amendments to SFRS(I) 10 and SFRS(I) 1-28 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

List of new and revised IFRS issued that are not yet mandatorily effective for the year ended 31 December 2022 and have not yet been adopted into SFRS(I) by ASC as at the date of this publication:

- Amendments to IFRS 16 Lease Liability in a Sale and Leaseback
- Amendments to IAS 1 Non-current Liabilities with Covenants

Other areas of interests illustrated (as highlighted) in this publication include:

- Climate change (Appendix H)
- COVID-19 (Appendix I)
- Interest rate benchmark reform (Appendix J)

The abbreviations used in this publication include:

ASC: Accounting Standards Council Singapore
CA: Singapore Companies Act 1967
IAS: International Accounting Standards
IFRS: International Financial Reporting Standards
IFRIC: Interpretations of IFRS
ISA: International Standards on Auditing
SGX: Rulebooks of SGX-ST
SFRS(I): Singapore Financial Reporting Standards (International)
SFRS(I) INT: Interpretations of SFRS(I)
SSA: Singapore Standards on Auditing

Contents

Reference

Company information

Company Registration Number	198001234R	CA 144.1A
Registered Office	20 FKT Road #02-00 FKT Building Singapore 888820	SGX 1207.2
Directors	Tan Kian Beng (Non-Independent and Non-Executive Chairman) Yeo Heng Hian (Executive Director) (appointed on 1 May 2022) Chia Boon Tong (Executive Director) Koh Yao Meng (Non-Independent and Non-Executive Director) (resigned on 1 March 2022) Cheong Chee Mei (Independent and Non-Executive Director) Lok Soh Yun (Independent and Non-Executive Director) Lee Boon Fui (Independent and Non-Executive Director)	SGX 210.5.c SGX 1207.10B
Audit Committee	Lok Soh Yun (Chairman) Cheong Chee Mei Lee Boon Fui	CA 201B SGX 210.5.e
Nominating Committee	Lee Boon Fui (Chairman) Tan Kian Beng Lok Soh Yun	SGX 210.5.e
Remuneration Committee	Cheong Chee Mei (Chairman) Lok Soh Yun Lee Boon Fui	SGX 210.5.e
Company Secretary	Chan Gek Yoke	SGX 1207.1
Share Registrar	Tan Associates Pte Ltd 5 Registrar Road #11-88 Singapore 123456	SGX 1207.3
Bankers	ABC Bank Limited XYZ Bank Limited	
Solicitor	Solicitors & Partners, LLC	
Auditor	Foo Kon Tan LLP Public Accountants and Chartered Accountants 1 Raffles Place One Raffles Place Tower 2 #04-61/62 Singapore 048616	SGX 712
	Partner-in-charge: Mr Foo Lee Lim (since the financial year ended 31 December 2020)	SGX 713

Directors' statement

for the financial year ended 31 December 2022

CA 12thSch

The directors are pleased to present their statement to the members together with the audited financial statements of FKT Holdings Limited (the "Company") and its subsidiaries (collectively, the "Group") for the financial year ended 31 December 2022. CA 201.16

In the opinion of the directors, CA 12thSch.1

(a) the consolidated financial statements of the Group and statement of financial position of the Company are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and the financial performance, changes in equity and cash flows of the Group for the financial year ended on that date, in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International); and CA 12thSch.1.a SGX 1207.5.d

(b) 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. (1) CA 12thSch.1.b

The Board of Directors has, on the date of this statement, authorised these financial statements for issue. SFRS(I) 1-10.17

Directors

The directors of the Company in office at the date of this statement are: (2) CA 12thSch.7

Tan Kian Beng
Yeo Heng Hian (appointed on 1 May 2022)
Chia Boon Tong
Cheong Chee Mei
Lok Soh Yun
Lee Boon Fui

Arrangements to enable directors to acquire benefits by means of the acquisition of shares or 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 in, or debentures of, the Company or any other body corporate, other than as disclosed in this statement. CA 164.1.d CA 12thSch.8 SGX 1207.8

Directors' interests in shares or debentures (3)

According to the register of directors' shareholdings kept by the Company under Section 164 of the Act, the directors of the Company who held office at the end of the financial year had no interests in the shares or debentures of the Company and its related corporations(4), except as set out below: (5) (6) CA 164.1.a,b CA 12thSch.9

	Holdings registered in name of director or nominee		Holdings in which director or nominee deemed to have interest	
	At 1.1.2022 or date of appointment, if later	**At 31.12.2022**	At 1.1.2022 or date of appointment, if later	**At 31.12.2022**
The Company - FKT Holdings Limited	Number of ordinary shares			
Tan Kian Beng	* 56,000	**** 12,270,000**	127,650,000	**127,650,000**
Yeo Heng Hian	-	**20,000**	-	**-**
Chia Boon Tong	40,000	**40,000**	-	**-**
Koh Yao Meng (resigned on 1 March 2023)	5,000	**5,000**	-	**-**

* Held in name of nominee.
** 16,000 shares held in name of nominee.

Directors' interests in shares or debentures (cont'd)

	Holdings registered in name of director or nominee		Holdings in which director or nominee deemed to have interest	
	At 1.1.2022 or date of appointment, if later	**At 31.12.2022**	At 1.1.2022 or date of appointment, if later	**At 31.12.2022**
Ultimate holding corporation - FKT Global Ltd	Number of 8% convertible unsecured loan stock of £1.00 each			
Tan Kian Beng	-	**-**	8,255,627	**-**
Ultimate holding corporation - FKT Global Ltd	Number of shares of £1.00 each			
Tan Kian Beng	871,068	**4,126,695**	33,272,607	**38,272,607**

By virtue of the provisions of Section 7 of the Act, Mr Tan Kian Beng is deemed to have an interest in the whole of the share capital of the wholly-owned subsidiaries of FKT Holdings Limited and FKT Global Ltd, and in the shares held by the Company in the following subsidiaries that are not wholly owned by the Group: CA 7.4,4A

	At 1.1.2022 or date of appointment, if later	**At 31.12.2022**
	Number of ordinary shares	
FKT International Pte Ltd	4,000,000	**4,000,000**
FKT Hotel (Pte.) Ltd	9,000,000	**9,000,000**
FKT Properties Sdn Bhd	5,000,000	**5,000,000**

According to the register of directors' shareholdings, certain directors holding office at the end of the financial year had interests in options to subscribe for ordinary shares of the Company granted pursuant to the Employee Share Option Scheme, as set out below and in the "Share option scheme" section of this statement. CA 164.1.c

	At 1.1.2022 or date of appointment, if later	**At 31.12.2022**
The Company - FKT Holdings Limited	Number of unissued ordinary shares under option	
Yeo Heng Hian	-	**20,000**
Chia Boon Tong	-	**20,000**

There were no changes to any of the above-mentioned directors' interests between the end of the financial year and 21 January 2023. (7) SGX 1207.7

Share option scheme (8)

SGX 852
SGX 1207.16
SGX 843.3

At the Extraordinary General Meeting of the Company held on 13 May 2012, the shareholders approved the FKT Holdings Limited Employee Share Option Scheme (the "Scheme").

Under the Scheme, the Company may grant options to directors and employees of the parent company who have contributed to the success and development of the Group; employees of the Company and its subsidiaries holding office of the rank (or equivalent) of Executive or Section Head and above; or directors of the Company and its subsidiaries, whether holding office in executive or non-executive capacity or who are also controlling shareholders (as defined in the SGX Listing Manual), to subscribe for ordinary shares of the Company, provided that the following limits on entitlements for participants of the Scheme are not exceeded: CA 12th Sch.4 SGX 844.2

(i) number of shares available to any individual employee or director shall not exceed 25% of total number of shares in respect of which the Company may grant options pursuant to the Scheme; SGX 845
(ii) aggregate number of shares available to all controlling shareholders and their associates (as defined in the SGX Listing Manual) shall not exceed 25% of total number of shares in respect of which the Company may grant options pursuant to the Scheme;
(iii) number of shares available to any individual controlling shareholder or his associate shall not exceed 10% of total number of shares in respect of which the Company may grant options pursuant to the Scheme;
(iv) number of shares available to any individual employee in any one year shall not exceed these limits as follows;

Rank (or equivalent)	Number of shares
Executive Director / Division Manager	60,000
Department Manager / Project Manager	15,000
Section Head / Executive	7,000

(v) aggregate number of shares available to all directors and employees of the parent company shall not exceed 20% of total number of shares in respect of which the Company may grant options pursuant to the Scheme;

Share option scheme (cont'd)

(vi) aggregate number of shares available under the Scheme shall not exceed 15% of the issued share capital of the Company; and
(vii) maximum discount under the Scheme, which must be approved by shareholders in a separate resolution, shall not exceed 20%.

The Scheme does not extend to directors and employees of associated companies of the Company and the Group. SGX 844.1

The Scheme is administered by the Remuneration Committee comprising Ms Cheong Chee Mei (Chairman), Ms Lok Soh Yun and Mr Lee Boon Hui, all of whom are independent and non-executive directors of the Company. SGX 852.1.a

Share options (9) (9a)

On 30 June 2022, the Company granted options to subscribe 110,000 ordinary shares of the Company at exercise price of $1.30 per share ("2022 Options"). The 2022 Options are exercisable from 1 July 2022 and will expire on 30 June 2027. Fair value of the 2022 Options granted was estimated to be $112,249 based on the Black-Scholes Pricing Model. Details of the 2022 Options granted to the directors during the financial year are as follows: CA 12thSch.4 CA 12thSch.2,5,6

SGX 852.1.b.i

	Number of options to subscribe for ordinary shares of the Company				
Name of director	Options granted during the financial year ended 31.12.2022	Aggregate options granted since commencement of the Scheme to 31.12.2022	Aggregate options exercised since commencement of the Scheme to 31.12.2022	Aggregate options lapsed since commencement of the Scheme to 31.12.2022	Aggregate options outstanding as at 31.12.2022
Yeo Heng Hian	-	40,000	(20,000)	-	20,000
Chia Boon Tiong	20,000	60,000	(40,000)	-	20,000

The options may be exercised in full or in respect of 1,000 shares or a multiple thereof, on payment of the exercise price at any time after the second anniversary, but before the fifth anniversary, of the grant. CA 12thSch.2.c

The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company. CA 12thSch.2.d

Since commencement of the Scheme, there have been no options granted to controlling shareholders of the Company and their associates (as defined in the SGX Listing Manual) or to directors and employees of the parent company. SGX 852.1.b.ii SGX 852.1.c.ii

No participants under the Scheme have received 5% or more of the total number of options available under the Scheme since its commencement, other than Mr Yeo Heng Hian and Mr Chia Boon Tong as disclosed above. SGX 852.1.b.iii SGX 852.1.c.i

No options had been granted under the Scheme at a discount since its commencement. SGX 852.1.d

Details of the options granted under the Scheme on the unissued ordinary shares of the Company at the end of the financial year are as follows: CA 12thSch.4 CA 12thSch.2,5,6

Date options granted	Balance at 1.1.2022	Granted /(Forfeited) during the year	Exercised during the year	Balance at 31.12.2022	Exercise price per share	Number of option holders at 31.12.2022	Period exercisable
30.6.2019	10,000	(6,000)	-	4,000	$1.70	2	1.7.2019 to 30.6.2024
30.6.2020	51,000	(19,000)	(2,000)	30,000	$1.60	10	1.7.2020 to 30.6.2025
30.6.2021	108,000	(18,000)	(10,000)	80,000	$1.40	21	1.7.2021 to 30.6.2026
30.6.2022	-	110,000	(20,000)	90,000	$1.30	22	1.7.2022 to 30.6.2027
	169,000	67,000	(32,000)	204,000			

No options to subscribe for unissued shares of the subsidiaries were granted during the financial year. No shares were issued by virtue of the exercise of options to take up unissued shares of the subsidiaries during the financial year. There were no unissued shares of the subsidiaries under option at the end of the financial year. (10) CA 12thSch.2,4

Particulars of the options granted in 2019, 2020 and 2021 under the Scheme were stated respectively in the directors' statement for the previous financial years ended 31 December 2019, 2020 and 2021. CA 12thSch.3

Audit Committee [11]

The Audit Committee during the financial year and at the date of this statement comprises the following members, all of whom are independent and non-executive directors of the Company: CA 201B.1,2,3 SGX 210.5e

Ms Lok Soh Yun (Chairman)
Ms Cheong Chee Mei
Mr Lee Boon Fui

The Audit Committee performs the functions set out in Section 201B(5) of the Act, the SGX Listing Manual and the Code of Corporate Governance. In performing those functions, the Audit Committee has met four times since the last Annual General Meeting and has reviewed the following, where relevant, with the executive directors and external and internal auditors of the Company: CA 201B.5.a CA 201B.9

(i) audit plans and results of the internal auditor's examination and evaluation of the Group's systems of internal accounting controls;
(ii) the Group's financial and operating results and accounting policies;
(iii) audit plans of the external auditors;
(iv) financial statements of the Company and consolidated financial statements of the Group before their submission to the directors of the Company and the external auditor's report on those financial statements;
(v) quarterly, half-yearly and annual announcements as well as the related press releases on the results and financial position of the Company and the Group;
(vi) legal and regulatory matters that may have a material impact on the financial statements and related compliance policies, programmes and reports received from regulators;
(vii) interested person transactions (as defined in Chapter 9 of the SGX Listing Manual);
(viii) co-operation and assistance given by management to the Group's external auditors; and
(ix) re-appointment of the external auditors of the Group.

The Audit Committee has full access to management and is given the resources required for it to discharge its functions. It has full authority and discretion to invite any director or executive officer, and the internal and external auditors, to attend its meetings. CA 201B.6,7

The Audit Committee also recommends on the appointment of the external auditor and reviews the level of audit and non-audit fees. It is satisfied with the independence and objectivity of the external auditor and has recommended to the Board of Directors that the external auditor, Foo Kon Tan LLP, is to be nominated for re-appointment at the forthcoming Annual General Meeting of the Company. [12] CA 201B.5.b SGX 1207.6.b

Full details regarding the Audit Committee are provided in the Report on Corporate Governance. SGX 210.5.e

In appointing the auditors for the Company, the subsidiaries and the significant associated companies, Rules 712, 715 and 716 of the SGX Listing Manual have been compiled. [13] SGX 1207.6.c

Independent auditor

The independent auditor, Foo Kon Tan LLP, has expressed its willingness to accept re-appointment.

On behalf of the directors [14] CA 201.16

....	....
Tan Kian Beng	Chia Boon Tiong

Dated: 15 March 2023 [15] [16]

Guidance Notes – Directors' Statement

Companies Act 1967

On 31 December 2021, the Law Revision Commissioners published the 2020 Revised Edition of the Acts in Singapore. This follows the Universal Law Revision Exercise carried out by the Law Revision Commissioners.

The objective of the exercise is to modernise and simplify the language used in Singapore legislation. The changes are:
(a) Name of Act: Acts have been renamed based on their year of enactment and not their chapter numbers. For example, the Companies Act (Chapter 50) is now the Companies Act 1967.
(b) Removal of roman numerals: Parts within Acts are no longer numbered using Roman numerals. For example, Parts I, II and III, will now be referred to as Parts 1, 2 and 3.
(c) Renumbering of sections: Some section numbers and sub-section numbers in Acts have also been revised so they run in numerical order. For example, sections 1, 1A, 1B, and 2, are now be renumbered as sections 1, 2, 3 and 4.

Opinion of the directors

(1) If there are events or conditions which may significantly affect the Company's ability to pay its debts as and when they fall due, it may be appropriate for the opinion of the directors to be updated accordingly to include relevant information, such as follows: SFRS(I) 1-1.25

"(b) at the date of this statement, having regard to information as disclosed in Note XX to the financial statements, there are reasonable grounds to believe that the Company will be able to pay its debts as and when they fall due."

Directors in office at the date of the statement

(2) The names of the directors who are holding office at the date of the directors' statement are required to be disclosed. If a director is appointed subsequent to the end of the previous financial year, the date of appointment, although not mandatory, is recommended to be disclosed to clearly identify the new director. There are no requirements to give details of directors who have resigned during the financial year and up to the date of the directors' statement. CA 12thSch.7

Directors' interests in shares or debentures

(3) Directors' interests include personal holdings, beneficial interest of their immediate family and deemed interests as defined by Section 7 of the Act. Directors' interests in rights or share options are also to be disclosed accordingly. Directors' interests in shares/debentures include: CA 12thSch.8 CA 12thSch.4 CA 164.15.a CA 164.16

- each director's personal holdings and beneficial interests of his immediate family. Immediate family includes the spouse and children (of less than 18 years), including step-children and adopted children, provided none of them are directors; and
- other deemed interests as defined under Section 7 of the Act (e.g. interests under trust, and interests through associated persons or corporations).

(4) Related corporations include the Company's holding companies, subsidiaries and fellow subsidiaries. CA 6

(5) If a director who holds interests at the end of the financial year was appointed during the year, his interests at the date of appointment is disclosed instead of his interests at the beginning of the year. If a director resigns after the end of the financial year but before the date of the directors' statement, his interests at the end of the financial year should still be disclosed. CA 12thSch.9

If none of the directors has any interests in shares or debentures in the Company or any related corporations, the following disclosure shall be appropriate:

"None of the directors of the Company holding office at the reporting date had any interest in the shares or debentures of the Company or any related corporations either at the beginning or end of financial year."

(6) Where the Company is a wholly owned subsidiary of another company (the "holding company"), the Company may be deemed to have complied with Section 164 of the Act in relation to a director who is also a director of that other company if the particulars required by Section 164 to be shown in the register of the Company are shown in the register of the holding company. The following should be disclosed: CA 164.3

"The directors, Mr/Ms _________ and Mr/Ms __________ are also directors of (name of holding company), incorporated in Singapore, which owns all the shares of the Company. Their interests in shares are recorded in the register of directors' shareholdings kept under Section 164 of the Act by the holding company and are therefore not disclosed in this statement."

(7) For listed companies, directors' interests as at the 21st day after the end of the financial year shall be disclosed. This disclosure can be made in any part of the annual report. This is required for listed companies only and only for interests in the Company. There is no necessity to refer to interests in related corporations. Interest refers to holdings of the Company's shares and convertible securities. SGX 1207.7

Guidance Notes – Directors' Statement (cont'd)

Share options

(8) The following disclosure requirements relating to share option schemes are applicable to listed companies and their subsidiaries: SGX 852

1. names of the members of the Committee administering the scheme;
2. information required in the table below for the following participants:
(i) directors of the issuer;
(ii) participants who are controlling shareholders of the issuer and their associates; and
(iii) participants, other than those in (i) and (ii) above, who receive 5% or more of total number of options available under scheme.

Name of participant	Options granted during financial year under review (including terms)	Aggregate options granted since commencement of scheme to end of financial year under review	Aggregate options exercised since commencement of scheme to end of financial year under review	Aggregate options outstanding as at end of financial year under review

3. (i) names of and number and terms of options granted to each director or employee of the Company and its subsidiaries (the Group) who receives 5% or more of the total number of options available to all directors and employees of the Group under the scheme, during the financial year under review; and
(ii) aggregate number of options granted to all directors and employees of the Group for the financial year under review, and since the commencement of the scheme to the end of the financial year under review.
4. number and proportion of options granted to the directors and employees of the Group for the financial year under review in respect of every 10% discount range, up to the maximum quantum of discount granted.

A negative statement must be made if any of the disclosure details above are not applicable.

(9) Particulars of share options issued by the Company to be disclosed include: CA 12thSch.2

(i) where any option has been granted by a Company, other than a parent company for which consolidated financial statements are required, during the period covered by the financial statements to take up unissued shares of a Company —
(a) the number and class of shares in respect of which the option has been granted;
(b) the date of expiration of the option;
(c) the basis upon which the option may be exercised; and
(d) whether the person to whom the option has been granted has any right to participate by virtue of the option in any share issue of any other company.

(ii) where any of the above particulars have been disclosed in a previous directors' statement, reference may be made to that statement. CA 12thSch.3

(iii) the particulars of shares issued during the period to which the statement relates by virtue of the exercise of options to take up unissued shares of the Company, whether granted before or during that period. CA 12thSch.5

(iv) the number and class of unissued shares of the Company under option as at the end of the period to which the statement relates, the price, or method of fixing the price, of issue of those shares, the date of expiration of the option and the rights, if any, of the persons to whom the options have been granted to participate by virtue of the options in any share issue of any other company. CA 12thSch.6

(9a) With respect to the Company or any corporation in the Group, (i) if there are no options to take up unissued shares during the financial year; (ii) if no options were exercised during the financial year; and (iii) there are no unissued shares under option at the end of the financial year, the following statements shall be disclosed as and whichever applicable:

"During the financial year, no options to take up unissued shares of the Company or any corporation in the Group were granted." CA 12thSch.2

"During the financial year, there were no shares of the Company or any corporation in the Group issued by virtue of the exercise of options to take up unissued shares." CA 12thSch.5

"At the end of the financial year, there were no unissued shares of the Company or any corporation in the Group under option." CA 12thSch.6

(10) Where there are share options of subsidiary corporations, the following should be disclosed: CA 12thSch.4

"At the end of the financial year, there were XX,XXX ordinary shares of (name of subsidiary corporation) under option relating to the (name of option scheme) Share Option Scheme. Details and terms of the options have been disclosed in the directors' statement of (name of subsidiary corporation)." CA 12thSch.2

Guidance Notes – Directors' Statement (cont'd)

Audit committee

(11) Every listed company shall have an audit committee. For listed companies, the details and functions of the audit committee shall be described in the directors' statement. CA 201B.1 CA 201B.9

(12) A public company shall, under prescribed circumstances, undertake a review of the fees, expenses and emoluments of its auditor to determine whether the independence of the auditor has been compromised, and the outcome of the review shall be sent to all persons entitled to receive notice of general meetings of the Company. CA 206.1A

(13) Listed companies shall make a statement that the Company complies with SGX Rules 712 and 715 and/or 716 in relation to its auditors. SGX 1207.6.c

- Rule 715 states:
  (1) subject to Rule 716, an issuer must engage the same auditing firm based in Singapore to audit its accounts, and its Singapore-incorporated subsidiaries and significant associated companies.
  (2) an issuer must engage a suitable auditing firm for its significant foreign-incorporated subsidiaries and associated companies.
- Rule 716 states an issuer may appoint different auditing firms for its subsidiaries or significant associated companies (referred to in Rule 715(1)) provided:
  (1) the issuer's board and audit committee are satisfied that the appointment would not compromise the standard and effectiveness of the audit of the issuer; or
  (2) the issuer's subsidiary or associated company is listed on a stock exchange.

Dating and signing of the directors' statement

(14) The phrase "On behalf of the directors" is not necessary if the Company has two or fewer directors.

(15) The directors' statement shall be made out and sent to all persons entitled to receive notice of general meetings of the Company not less than 14 days before the date of the AGM. The statement may be sent less than 14 days before the date of the AGM if all the persons entitled to receive notice of general meetings of the Company so agree. The directors' statement shall be made in accordance with a resolution of the directors specifying the day on which it was made out and be signed on behalf of the directors by two directors of the Company containing the information set out in the Twelfth Schedule of the Act. CA 203.1,2 CA 201.16

(16) AGMs should be held within 4 and 6 months of the end of each financial year for listed and non-listed companies respectively. CA 175.1.a,b SGX 707.1,2

Adequacy and effectiveness of internal controls

For listed companies, the Board of Directors must comment in the annual report on the adequacy and effectiveness of the issuer's internal controls (including financial, operational, compliance and information technology controls) and risk management systems. A statement on whether the Audit Committee concurs with the Board's comment must also be provided. Where material weaknesses are identified by the Board or Audit Committee, they must be disclosed together with the steps taken to address them. SGX 1207.10

Revision of defective financial statements

Directors are able to revise the Company's financial statements in respect of any financial year of the Company. The revision is confined to those aspects in which the financial statements did not comply with the requirements of the Act (including compliance with the relevant accounting standards) and any necessary consequential revisions. A new directors' statement and auditor's report must be attached to the revised financial statements. Appendix 4 of the guidance, *Revision of Defective Financial Statements, or Consolidated Financial Statements or Balance-Sheet Under Sections 202A and 202B of the Companies Act 1967 – Guidance for Companies*, issued by ACRA provides an illustrative example of such a new directors' statement. CA 202A CA 202B

Reference

Independent auditor's report
to the members of FKT Holdings Limited (1)

CA 207.1
SSA 700.21-22

Report on the Audit of the Financial Statements

SSA 700.45

Opinion

SSA 700.23

SSA 700.24-27

We have audited the financial statements of FKT Holdings Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated statement of financial position of the Group and the statement of financial position of the Company as at 31 December 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows of the Group 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 of the Company are properly drawn up in accordance with the provisions of the Singapore Companies Act 1967 (the "Act") and Singapore Financial Reporting Standards (International) ("SFRS(I)") so as to give a true and fair view of the consolidated financial position of the Group and the financial position of the Company as at 31 December 2022 and of the consolidated financial performance, consolidated changes in equity and consolidated cash flows of the Group for the year ended on that date.

Basis for Opinion

SSA 700.28

We conducted our audit in accordance with Singapore Standards on Auditing ("SSA"). 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.

[Material Uncertainty Related to Going Concern] (1a)

SSA 570.22

[Include 'Material Uncertainty Related to Going Concern' section and the related disclosures, if applicable.]

[Emphasis of Matter] (3a)

SSA 706.8-9

[Include 'Emphasis of Matter' section and the related disclosures, if applicable.]

Key Audit Matters (1b) (2)

SSA 700.30-31

SSA 701.11

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

Independent auditor's report
to the members of FKT Holdings Limited (cont'd)

Key Audit Matters (cont'd)

Key audit matter No. 1:

Valuation of investment properties (refer to Note 6 and Note 2(d) to the financial statements) SSA 701.13

The Group's investment properties are stated at fair value, determined based on professional external valuers engaged by the Group. The valuation process involves significant judgement and estimation. The valuations are dependent on the valuation methodology applied and these are underpinned by a number of assumptions which include price per square metre of market comparable used, gross development value per square metre, net income margin and capitalisation rate. A change in the key assumptions applied may have a significant impact to the valuation.

The valuation reports obtained from external valuers have highlighted that given the unprecedented set of circumstances due to the COVID-19 pandemic on which to base a judgement, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. Due to the unknown future impact that COVID-19 might have on the real estate market, the external valuers have also recommended to keep the valuation of these properties under frequent review.

Climate risks are also taken into consideration by the external valuers. A climate change risk exposure analysis has indicated a heightened risk of flooding in some locations within 10 years which has the potential to breach impending changes to local building regulations for acceptable flood risk level for new developments. This discovery has led to a decision to discontinue or replace some of the market comparable information from the prior period assessment.

How the matter was addressed in the audit:

We considered the objectivity and independence of the external valuers engaged by the Group, including their qualifications and competency. Through engaging our auditor's property valuation expert and considering their work and findings, we considered the appropriateness of the valuation techniques used by the external valuers for the respective investment properties taking into account the profile and type of these properties, discussed with the external valuers on the results of their work, and compared the key assumptions used in their valuations by reference to externally published benchmarks where available and considered whether these assumptions are consistent with the current market environment.

We also discussed with management and the external valuers to understand how they have considered the implications of the COVID-19 pandemic and climate risks in the valuations. We also assessed whether the disclosures in the financial statements appropriately described the impact of COVID-19 and climate risks on the valuation of investment properties.

We found that the external valuers were recognised professionals with the appropriate level of qualifications and experience. The valuation methodologies adopted were in line with generally accepted market practices for similar properties. The key assumptions used were within reasonable range, taking into account historical rates and available industry data for comparable markets and properties. We also found that the related disclosures in the financial statements to be adequate.

Disclosures about the Group's investment properties are made in Note 6 to the financial statements.

Independent auditor's report
to the members of FKT Holdings Limited (cont'd)

Key Audit Matters (cont'd)

Key audit matter No. 2: <u>**Net realisable value of development properties**</u> (refer to Note 12 and Note 2(d) to the financial statements) SSA 701.13

The Group's development properties are stated at the lower of cost and net realisable values. The determination of the estimated net realisable value of these development properties is dependent upon the Group's expectations of future selling prices. There is a risk that the estimates of net realisable values may exceed future selling prices, resulting in losses when properties are sold.

The COVID-19 pandemic has resulted in significant economic uncertainty in current and future economic environment and there is heightened uncertainty inherent in estimating the impact of COVID-19 on future selling prices of the development properties.

Climate change has also affected the net realisable value assessment of development properties. In connection with issuance of a bond with sustainability-linked features, the Group embarks on a business plan to meet a sustainability performance target to deliver properties that are certified to a third-party multi-attribute green building standard. The future costs of sustainability-linked developments such as improvements in drainage and pumping techniques and new flood mitigation measures, could result in changes to the estimated net realisable value.

How the matter was addressed in the audit: We discussed with and evaluated management's basis used in their assessment in determining whether the Group's development properties are impaired and the amount of impairment to be recorded if any, based on the Group's estimated selling prices of these properties, by comparing where available, to recently transacted prices of comparable properties in surrounding locations. We also performed sensitivity analysis on the estimated selling prices used by management in their assessment.

We also considered the potential impact of the COVID-19 pandemic and climate change on the net realisable value through discussion with management, observation of the subsequent sales and assessment of the budgeted total costs to complete the development properties.

In conjunction with the work and findings of our auditor's property valuation expert, we found management's estimates to be reasonable based on supportable information available, and that management had applied their knowledge of the business in determining the estimated selling prices of the development properties, by taking into consideration the selling prices of recent sales of comparable properties, and expectations of the property market conditions. We also found that the related disclosures in the financial statements to be adequate.

Disclosures about the Group's development properties are made in Note 12 to the financial statements.

Independent auditor's report
to the members of FKT Holdings Limited (cont'd)

Key Audit Matters (cont'd)

Key audit matter No. 3: <u>**Revenue recognition for development properties**</u> (refer to Note 28 and Note 2(d) to the financial statements) SSA 701.13

The Group enters into contracts with customers to sell specified development properties based on the terms and specifications as set out in the contracts. The analysis of whether the contract comprises one or more performance obligations, determination of whether the performance obligations are satisfied over time and the method used to measure progress for revenue recognition for these development properties requires estimate by management.

The stage of completion is measured by reference to certifications of the value of work performed to date by third party quantity surveyors as compared to the estimated total construction costs of the development project as approved by management. Significant judgements are required to determine the total construction costs which include estimation for variation works and any other claims from contractors. Any changes to the estimated total construction costs will impact the percentage of completion and consequentially the revenue recognised.

The COVID-19 pandemic has brought on increased volatility in market and economic conditions. Events and circumstances may not occur as expected. Even if the events anticipated under the assumptions occur, actual results may be materially different from estimates. Significant management judgement is required to estimate the impact of COVID-19 on these anticipated events and circumstances.

How the matter was addressed in the audit: We discussed with management to understand the relevant terms of the agreements and the basis of management's identification of performance obligations to determine whether the criteria for recognising revenue over time were met.

We performed procedures to evaluate the design and implementation of the relevant controls put in place by the Group in respect of revenue recognition from the development properties. We also reviewed management's estimated total construction cost for the development projects, and assessed the reasonableness of the assumptions and estimates applied by management which included key elements such as construction costs and variation works, taking also into consideration the need by management to account for any effects of significant or unusual events that occurred during the year which may impact the estimated total construction cost. In addition, we also used the value of the work performed to date as provided by third party quantity surveyors, compared to the estimated total construction cost and performed arithmetic computations of the percentage of completion and revenue to be recognised for the year.

We also had discussion with management to obtain understanding on the status and impact of the COVID-19 pandemic on the development projects to collaborate the changes in the key assumptions used in forming any revised completion timeline and estimated development costs.

We found management's basis of identifying performance obligations and the basis of revenue recognition for these development properties to be appropriate. We also found management to have the relevant controls in place and that the key assumptions applied by management for estimated total construction costs to be reasonable based on supportable information available.

Disclosures about the Group's revenue from development properties are made in Note 28 to the financial statements.

Independent auditor's report
to the members of FKT Holdings Limited (cont'd)

Key Audit Matters (cont'd)

Key audit matter No. 4:	<u>**Accounting for construction contracts**</u> (refer to Note 28 and Note 2(d) to the financial statements) The Group uses the input method (i.e. "cost-to-cost" method) to measure project progress and recognise contract revenue in accordance with SFRS(I) 15 *Revenue from Contracts with Customers*. We focused on the accuracy of revenue recognition and adequacy of provision for onerous contracts due to the significant management judgement required in determining the total contract sum and the total contract costs. There is an increase in the level of estimation uncertainty and judgement in determining the total estimated construction contract costs for ongoing contracts as at the reporting date arising from the disruption to the supply chain for construction materials, supply of foreign construction workers and volatile economic conditions brought on by the COVID-19 pandemic.	SSA 701.13
How the matter was addressed in the audit:	We obtained an understanding of the projects under construction through discussions with management and project managers, assessed the appropriateness of the method selected for individual projects to measure project progress and recognise contract revenue, and examined project documentation (including contracts, correspondences with customers on delays or extension of time). In relation to total contract sum for project in progress, our audit procedures include the following: • traced total contract sums to contract entered into by the Group and its customers; • traced variation orders included in total contract sums to surveyor's certification; and • assessed the adequacy of the amount of liquidated damages to be net off against contract sums, based on our understanding of the projects. In relation to total contract costs, our audit procedures include the following: • traced the cost to complete for each project by substantiating costs that have been committed to quotations and contracts entered; • tested the reasonableness of the cost to complete for selected projects, focusing on those with significant activities during the year; and • assessed the reasonableness of cost incurred against our understanding of the project. Based on the audit procedures performed above, we assessed management's estimates to be reasonable. We then recomputed the percentage of completion based on actual cumulative contract cost incurred as a portion of total contract costs, cumulative contract revenue and the contract revenue for the current financial year as well as the amount of provision for onerous contract (where relevant) for each project, and traced to the accounting records and found it to be appropriate. We also reviewed the revisions made to budgeted project costs by project quantity surveyors and management due to impact of the COVID-19 pandemic and assessed the reasonableness of such revisions. We also assessed the adequacy of the disclosures of the key accounting estimates and the sensitivity and found the disclosures in the financial statements to be appropriate. Disclosures about the Group's revenue from construction contracts are made in Note 28 to the financial statements.	

Independent auditor's report
to the members of FKT Holdings Limited (cont'd)

Key Audit Matters (cont'd)

Key audit matter No. XX:	**<u>Going concern assessment</u>** (refer to Note XX to the financial statements) The Group incurred a net loss of $XXX and net cash outflows from operating activities of $XXX during the financial year ended [date]. As disclosed in Note XX to the financial statements, the COVID-19 pandemic has adversely affected the business of the Group, resulting in the deterioration of earnings and cash flows of the Group, and may continue to significantly disrupt the business activities of the Group. The prolonged result of which may materially affect the Group's ability to generate sufficient cash flows from operations. These financial statements have been prepared on a going concern basis. Management's assessment of the Group's ability to generate sufficient operating cash flows and availability of sufficient funds for its operations amidst the disruptions caused by the COVID-19 pandemic are important considerations in our assessment of the appropriateness of the going concern assumption used in the preparation of these financial statements. As the going concern assessment is a significant risk area of our audit and involves significant judgement, we have identified this as a key audit matter.	SSA 701.13
How the matter was addressed in the audit:	We obtained an understanding of management's going concern assessment, taking into consideration the current business environment to corroborate our review of the key assumptions used by management. In our assessment, we considered past, current and anticipated changes in the business and economic environment and the effects of COVID-19 pandemic. We evaluated the reasonableness of the key assumptions, such as revenue projections, and timing of significant cash flows used in the forecasts as approved by the directors, and taking into consideration the Group's plans on return of operations to normalcy using different possible scenarios. We also performed sensitivity analysis on management's sales recovery assumptions, operating costs and potential changes in COVID-19 related grants to assess the potential headroom on the Group's cash flows. We found that the significant judgements and estimates applied by management and the directors, after including further sensitivity analysis by us where appropriate, supported the Group's cash flow forecast. We also assessed the adequacy of the disclosures related to the going concern assessment to be appropriate. Disclosures about the going concern assessment are made in Note XX to the financial statements.	

Independent auditor's report
to the members of FKT Holdings Limited (cont'd)

[Other Matter] [(3b)] SSA 706.10-11

[Include 'Other Matter' section and the related disclosures, if applicable.]

Other Information [(4)] SSA 700.32

Management is responsible for the other information. The other information comprises the financial section of the annual report but does not include the financial statements and our auditor's report thereon, which we obtained prior to the date of this auditor's report, and the remaining sections of the annual report, which are expected to be made available to us after that date. SSA 720.21-22 SSA 720.A53

Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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.

When we read the remaining sections of the annual report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate actions in accordance with SSA.

Responsibilities of Management and Directors for the Financial Statements SSA 700.33

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. SSA 700.34-36

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.

Independent auditor's report to the members of FKT Holdings Limited (cont'd)

Auditor's Responsibilities for the Audit of the Financial Statements SSA 700.37

SSA 700.38-40

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 SSA 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 SSA, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

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

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

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

(d) Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern. [(5)]

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

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

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

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

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

Reference

Independent auditor's report to the members of FKT Holdings Limited (cont'd)

Report on Other Legal and Regulatory Requirements SSA 700.43

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. CA 207.2.b SSA 700.A58

The engagement partner on the audit resulting in this independent auditor's report is Mr Foo Lee Lim. SSA 700.46

Foo Kon Tan LLP
Public Accountants and
Chartered Accountants

Singapore, 15 March 2023 (6)

Guidance Notes – Independent Auditor's Report

(1) **Addressee** SSA 700.22 CA 207.1

The independent auditor's report should be appropriately addressed as required by the circumstances of the engagement and local regulations. The report is ordinarily addressed to those for whom the report is prepared, often either to the shareholders or to those charged with governance of the Company. For Singapore-incorporated companies, the report is required to be addressed to members of the Company in accordance with the Singapore Companies Act 1967.

(1a) **Material uncertainty related to going concern** SSA 570.22

When the use of going concern basis of accounting is appropriate but a material uncertainty exists, and if adequate disclosure about the material uncertainty is made in the financial statements, a separate section under the heading "Material Uncertainty Related to Going Concern" shall be required to be made in the auditor's report. This section would ordinarily be included before the section of Key Audit Matters.

The following is an illustrative example for a situation where there is material uncertainty related to going concern arising from the events and conditions caused by the COVID-19 pandemic.

"We draw attention to Note XX to the financial statements, which describes the economic consequences the Group is facing as a result of the COVID-19 pandemic which has caused an adverse impact on the retail and construction sectors, the main business operations of the Group. The basis of management's going concern assessment in the preparation of these financial statements has taken into consideration the current and future potential impact of the COVID-19 pandemic.

As at [date], the Group reported net liabilities of $XXX and net current liabilities of $XXX. The Group also reported net loss of $XXX and net cash outflows from operating activities of $XXX for the financial year then ended. These negative financial conditions had arisen mainly from the decrease in the Group's revenue due to lower demand for its products as well as the suspension of the Group's operations during the mandatory lockdown periods in various countries.

Furthermore, in response to a liquidity concern caused by slower cash receipts from customers, the Group had increased drawdown of its available loan facilities. During the financial year, the Group also entered into various arrangements with its institutional lenders to amend the terms and conditions of borrowings owing to them, including deferment or extension of repayment due dates and setup of instalment plans. Consequent to these actions, the Group is expecting cash outflows of $XXX subsequent to the reporting date to settle its borrowings, of which $XXX is expected to be settled within 12 months from the reporting date.

The aforementioned events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern and the Group may not realise its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements.

Notwithstanding the above indications, the directors have prepared these financial statements on a going concern basis on the following premises:
- *Ability of the Group to generate sufficient cash flows from their operations;*
- *Continued loan facilities of $XXX from the Group's institutional lenders;*
- *Financial support amounting to maximum of $XXX from an executive director cum controlling shareholder of the Group; and*
- *Potential new injections of capital for $XXX via rights issue.*

In the event that the Group is unable to continue as a going concern, adjustments may have to be made to reflect the situation that assets may need to realise other than in the amounts at which they are currently recorded in the statement of financial position. In addition, the Group may have to provide for further liabilities that might arise and to reclassify non-current assets and liabilities as current. Our opinion is not modified in respect of this matter."

(1b) **"Close call" related to going concern** SSA 570.20 SSA 570.A24 SSA 570.A25 SSA 701.A41

When there are events or conditions identified that may cast significant doubt on the Group's ability to continue as a going concern, but based on the audit evidence obtained, the auditor concludes that no material uncertainty exists, the auditor may determine that one or more matters relating to this conclusion arising from the auditor's work effort under SSA 570 are key audit matters.

Further guidance information is provided in **Appendix A: Implication of going concern on auditor's report**.

(2) **Key audit matters** SSA 700.30-31

The Key Audit Matters section is required for listed entities only. When the auditor is otherwise required by law or regulation or decides to communicate key audit matters in the independent auditor's report, the auditor shall do so in accordance with SSA 701.

The auditor shall determine, from the matters communicated with those charged with governance, those matters that required significant auditor attention in performing the audit. In making this determination, the auditor shall take into account the following: SSA 701.9
(a) Areas of higher assessed risk of material misstatement, or significant risks identified in accordance with SSA 315.
(b) Significant auditor judgements relating to areas in the financial statements that involved significant management judgement, including accounting estimates that have been identified as having high estimation uncertainty.
(c) The effect on the audit of significant events or transactions that occurred during the period.

The auditor shall determine which of the matters as determined above were of most significance in the audit of the financial statements of the current period and therefore are the key audit matters. SSA 701.10

Guidance Notes – Independent Auditor's Report (cont'd)

Factors that the auditor shall consider in determining which matters are of most significance are as follows: SSA 701.A27-A30

- Significance of interactions between the auditor, the management and the audit committee;
- The importance of the matter to understanding the financial statements as a whole;
- The materiality of the matter;
- Corrected and uncorrected misstatements relating to the matter and the nature of these;
- Complexities relating to the accounting policy, e.g. subjectivity in selecting the accounting policy or difference in the policy compared to industry norms;
- The nature and extent of audit effort to address the matter, e.g. use of experts;
- Difficulties in performing audit procedures and obtaining sufficient audit evidence;
- Severe control deficiencies; and
- Inter-relatedness with other matters, e.g. long-term contracts which affect revenue recognition, impairments, etc.

The description of the key audit matter in the auditor's report shall include the following: SSA 701.13

- Explanation of why the matter was considered as a key audit matter;
- Explanation of how the matter was addressed in the audit; and
- Reference to the related disclosure in the financial statements.

When there is material uncertainty related to going concern, the following paragraph shall be used under the Key Audit Matters section instead: SSA 570.App

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

When a qualified or adverse opinion on the financial statements is issued, the following paragraph shall be used under the Key Audit Matters section instead: SSA 705.App

"Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. In addition to the matter described in the Basis for Qualified/Adverse Opinion section, we have determined the matters described below to be the key audit matters to be communicated in our report."

When a qualified or adverse opinion is expressed, and/or Material Uncertainty Related to Going Concern section is included, there may be no other matters identified as key audit matters. In such a situation, the following paragraph should be used under the Key Audit Matters section: SSA 701.A6 SSA 701.A58

"Except for the matter described in the Basis for Qualified/Adverse Opinion section and/or Material Uncertainty Related to Going Concern section, we have determined that there are no other key audit matters to communicate in our report."

When a disclaimer of opinion on the financial statements is issued, the independent auditor's report shall not include a Key Audit Matters section in accordance with SSA 701 or an Other Information section in accordance with SSA 720. SSA 705.29

Further illustrative examples of KAM are included in **Appendix B: Illustrative examples of key audit matters**.

(3a) **Emphasis of matter**

The placement ordering of an Emphasis of Matter paragraph or Other Matter paragraph in the auditor's report depends on the nature of the information to be communicated and the auditor's judgement as to the relative significance of such information to intended users compared to other elements required to be reported in accordance with SSA 700. SSA 706.A16-A17

(3b) **Other matter – First year engagement**

For first year engagement, the following shall be added to the Other Matter section in the independent auditor's report: SSA 710.17

(a) if the financial statements for the preceding year had an unmodified opinion issued by the predecessor auditor:

"The financial statements of the Group and the Company for the financial year ended [preceding year-end date] were audited by another auditor who expressed an unmodified opinion on those financial statements on (date of predecessor auditor's report)."

(b) if the financial statements for the preceding year had a modified opinion issued by the predecessor auditor:

"The financial statements of the Group and the Company for the financial year ended [preceding year-end date] were audited by another auditor who expressed a/an qualified/adverse/disclaimer of opinion on those financial statements on (date of predecessor auditor's report) as extracted below:
[Quote modification by predecessor auditor]"

SSA 706 Appendix 3 illustrates the interaction and placement ordering of a Key Audit Matters section, an Emphasis of Matter paragraph and an Other Matter paragraph in an auditor's report with an unmodified opinion. SSA 706.A16-A17 SSA 706.App.3

Guidance Notes – Independent Auditor's Report (cont'd)

(4) **Other information**

SSA 720 requires an identification of other information, if any, obtained by the auditor prior to the date of the auditor's report; and for an audit of financial statements of a listed entity, other information, if any, expected to be obtained after the date of the auditor's report. For many private companies, the directors' statement may be the only document that constitutes other information. When the Company issues a full annual report (i.e. in accordance with Rule 1207 of the SGX Listing Manual), the Other Information section should be customised accordingly such that the description of contents constituting other information is complete. SSA 720.22

SSA 720 provides illustrations of auditor's reports relating to other information depending on various circumstances as listed below. (N.B. The Other Information section in this illustrative independent auditor's report is based on Illustration 2.) SSA 720.App.2

- ***Illustration 1***: An auditor's report of any Singapore incorporated company, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has not identified a material misstatement of the other information.
- ***Illustration 2***: An auditor's report of a Singapore incorporated listed company containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.
- ***Illustration 3***: An auditor's report of a Singapore incorporated company other than a listed entity containing an unmodified opinion when the auditor has obtained part of the other information prior to the date of the auditor's report, has not identified a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.
- ***Illustration 4***: An auditor's report of a Singapore incorporated listed company containing an unmodified opinion when the auditor has obtained none of other information prior to the date of the auditor's report but expects to obtain other information after the date of the auditor's report.
- ***Illustration 5***: An auditor's report of any Singapore incorporated company, whether listed or other than listed, containing an unmodified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and has concluded that a material misstatement of the other information exists.
- ***Illustration 6***: An auditor's report of any Singapore incorporated company, whether listed or other than listed, containing a qualified opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and there is a limitation of scope with respect to a material item in the financial statements which also affects the other information.
- ***Illustration 7***: An auditor's report of any Singapore incorporated company, whether listed or other than listed, containing an adverse opinion when the auditor has obtained all of the other information prior to the date of the auditor's report and the adverse opinion on the financial statements also affects the other information.

The Other Information section should be amended accordingly when the auditor concludes that a material misstatement of the other information exists. Further guidance information is provided in **Appendix C: Illustrations relating to other information in auditor's report**.

(5) **Auditor's responsibilities for the audit of the financial statements**
- Financial statements prepared on a basis other than going concern

For paragraph (d) under the 'Auditor's Responsibilities for the Audit of the Financial Statements' section, where the financial statements are prepared on a basis other than going concern, the description of the auditor's responsibilities relating to going concern should be tailored accordingly. An illustrative example of how the auditor's responsibilities can be tailored is provided below: SSA 570.A27

"Conclude on the appropriateness of management's use of the going concern basis of accounting. When such use is inappropriate and management uses an alternative basis of accounting, we conclude whether the alternative basis used by management is acceptable in the circumstances. We also evaluate the adequacy of the disclosures describing the alternative basis of accounting and reasons for its use. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report."

(6) **Date of the independent auditor's report**

The auditor should date the report on the financial statements no earlier than the date on which the auditor has obtained sufficient appropriate audit evidence on which to base the auditor's opinion on the financial statements and those with the recognised authority have asserted that they have taken responsibility for those financial statements. SSA 700.49

The directors shall take reasonable steps to ensure that the financial statements are audited not less than 14 days before the AGM of the Company. CA 201.9.a

Name and date of appointment of the audit partner in charge

The SGX Listing Manual requires an issuer to disclose in its annual report the name and date of appointment of the audit partner in charge of auditing the issuer and its group of companies. An issuer may typically disclose this information in the corporate information section of its annual report. SGX 713.1

Reference

Statements of financial position [1] [2]
as at 31 December 2022

SFRS(I) 1-1.10,54
SGX 1207.5.a,b
CA 201.5.a,b

	Note	The Group **31 December 2022** $	The Group 31 December 2021 $ (Restated) [3]	The Group 1 January 2021 $ (Restated) [3]	The Company **31 December 2022** $	The Company 31 December 2021 $	Reference
							SFRS(I) 1-1.38,38A SFRS(I) 1-1.113
ASSETS							
Non-Current Assets [2a]							SFRS(I) 1-1.60,66
Intangible assets	3	**480,000**	520,000	550,000	**-**	-	SFRS(I) 1-1.54.c
Property, plant and equipment	4	**9,042,320**	10,043,122	11,654,294	**-**	-	SFRS(I) 1-1.54.a
Right-of-use assets [5]	5	**1,905,280**	2,252,398	2,385,881	**-**	-	SFRS(I) 16.47.a
Investment properties	6	**26,485,516**	18,471,449	23,686,533	**-**	-	SFRS(I) 1-1.54.b
Subsidiaries	7	**-**	-	-	**33,705,331**	30,752,905	SFRS(I) 1-1.55
Associates	8	**56,976,604**	53,253,995	54,784,745	**49,300,793**	49,129,047	SFRS(I) 1-1.54.e
Other investments	9	**2,952,000**	2,289,200	2,276,800	**2,952,000**	2,289,200	SFRS(I) 1-1.54.d
Finance lease receivables	10	**791,401**	330,467	377,606	**-**	-	SFRS(I) 1-1.55
Deferred tax assets [2d]	11	**300,000**	450,000	200,000	**-**	-	SFRS(I) 1-1.54.o,56
		98,933,121	87,610,631	95,915,859	**85,958,124**	82,171,152	
Current Assets [2a]							SFRS(I) 1-1.60,66
Development properties	12	**31,515,291**	22,832,766	20,311,822	**-**	-	SFRS(I) 1-1.55
Inventories	13	**3,288,758**	3,333,414	3,756,985	**-**	-	SFRS(I) 1-1.54.g
Other investments	9	**1,816,600**	1,372,000	1,304,000	**1,816,600**	1,372,000	SFRS(I) 1-1.54.d
Finance lease receivables	10	**157,130**	52,377	47,139	**-**	-	SFRS(I) 1-1.55
Derivative financial instruments	14	**720,983**	405,587	381,009	**-**	-	SFRS(I) 1-1.55
Contract assets [4a]	15	**11,283,798**	13,631,593	12,438,178	**-**	-	SFRS(I) 15.105
Contract costs [4b]	16	**114,910**	113,568	111,008	**-**	-	SFRS(I) 15.91
Trade and other receivables	17	**23,478,226**	27,585,405	12,933,534	**13,032,695**	15,712,482	SFRS(I) 1-1.54.h
Cash and bank balances	18	**20,149,185**	35,293,076	24,210,188	**11,924,853**	18,975,540	SFRS(I) 1-1.54.i
		92,524,881	104,619,786	75,493,863	**26,774,148**	36,060,022	
Assets of disposal group classified as held-for-sale [6]	19	**2,955,822**	-	-	**-**	-	SFRS(I) 1-1.54.j SFRS(I) 5.38,40
		95,480,703	104,619,786	75,493,863	**26,774,148**	36,060,022	
Total assets		**194,413,824**	192,230,417	171,409,722	**112,732,272**	118,231,174	
EQUITY AND LIABILITIES							
Capital and Reserves							SFRS(I) 1-1.54.r
Share capital	20	**58,919,205**	56,882,005	35,000,000	**72,919,205**	70,882,005	SFRS(I) 1-1.78.e
Treasury shares	21	**(1,418,000)**	-	-	**(1,418,000)**	-	SFRS(I) 1-1.78.e
Reserves	22	**48,840,328**	52,121,577	48,929,229	**12,758,362**	24,895,525	SFRS(I) 1-1.78.e
Equity attributable to owners of the Company		**106,341,533**	109,003,582	83,929,229	**84,259,567**	95,777,530	SFRS(I) 1-1.54.r
Non-controlling interests		**3,058,153**	1,253,455	339,078	**-**	-	SFRS(I) 1-1.54.q
Total equity		**109,399,686**	110,257,037	84,268,307	**84,259,567**	95,777,530	
Non-Current Liabilities [2b]							SFRS(I) 1-1.60,69
Borrowings [2c]	23	**27,727,259**	29,962,083	22,323,401	**25,096,250**	17,453,750	SFRS(I) 1-1.54.m
Lease liabilities [5]	24	**2,142,359**	2,704,726	3,152,696	**-**	-	SFRS(I) 16.47.b
Provisions	25	**534,984**	412,865	306,428	**-**	-	SFRS(I) 1-1.54.l
Deferred tax liabilities [2d]	11	**1,645,583**	1,262,518	642,431	**-**	-	SFRS(I) 1-1.54.o,56
		32,050,185	34,342,192	26,424,956	**25,096,250**	17,453,750	
Current Liabilities [2b]							SFRS(I) 1-1.60,69
Borrowings [2c]	23	**12,211,992**	12,370,703	14,168,454	**1,273,222**	1,082,888	SFRS(I) 1-1.54.m
Lease liabilities [5]	24	**665,515**	754,980	827,642	**-**	-	SFRS(I) 16.47.b
Provisions	25	**283,122**	269,640	256,800	**-**	-	SFRS(I) 1-1.54.l
Derivative financial instruments	14	**689,500**	349,800	282,700	**-**	-	SFRS(I) 1-1.55
Contract liabilities [4a]	26	**12,012,141**	11,429,684	11,528,232	**-**	-	SFRS(I) 15.105
Trade and other payables	27	**23,325,126**	19,799,354	30,045,523	**2,103,233**	3,917,006	SFRS(I) 1-1.54.k
Current tax liabilities		**1,521,557**	2,657,027	3,607,108	**-**	-	SFRS(I) 1-1.54.n
		50,708,953	47,631,188	60,716,459	**3,376,455**	4,999,894	
Liabilities directly associated with disposal group classified as held-for-sale [6]	19	**2,255,000**	-	-	**-**	-	SFRS(I) 1-1.54.p SFRS(I) 5.38,40
		52,963,953	47,631,188	60,716,459	**3,376,455**	4,999,894	
Total liabilities		**85,014,138**	81,973,380	87,141,415	**28,472,705**	22,453,644	
Total equity and liabilities		**194,413,824**	192,230,417	171,409,722	**112,732,272**	118,231,174	

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Guidance Notes – Statements of Financial Position

Titles for the statements

(1) An entity may use titles for the statements other than those used in SFRS(I) 1-1. For example, an entity may use the title 'Balance Sheet' instead of 'Statement of Financial Position'. (N.B. References made in the independent auditor's report shall be updated to be consistent accordingly.) SFRS(I) 1-1.10

Line items in the statement of financial position

(2) The statement of financial position shall include line items that present the following amounts: SFRS(I) 1-1.54

(a) property, plant and equipment;
(b) investment property;
(c) intangible assets;
(d) financial assets (excluding amounts shown under (e), (h) and (i));
(e) investments accounted for using the equity method;
(f) biological assets within the scope of SFRS(I) 1-41;
(g) inventories;
(h) trade and other receivables;
(i) cash and cash equivalents;
(j) the total of assets classified as held-for-sale and assets included in disposal groups classified as held-for-sale in accordance with SFRS(I) 5;
(k) trade and other payables;
(l) provisions;
(m) financial liabilities (excluding amounts shown under (k) and (l));
(n) liabilities and assets for current tax, as defined in SFRS(I) 1-12;
(o) deferred tax liabilities and deferred tax assets, as defined in SFRS(I) 1-12;
(p) liabilities included in disposal groups classified as held-for-sale in accordance with SFRS(I) 5;
(q) non-controlling interests, presented within equity; and
(r) issued capital and reserves attributable to owners of the parent.

Current / Non-Current distinction of assets and liabilities

(2a) An entity shall classify an asset as current when: SFRS(I) 1-1.66
(a) it expects to realise the asset, or intends to sell or consume it, in its normal operating cycle;
(b) it holds the asset primarily for the purpose of trading;
(c) it expects to realise the asset within 12 months after the reporting period; or
(d) the asset is cash or a cash equivalent (as defined in SFRS(I) 1-7) unless the asset is restricted from being exchanged or used to settle a liability for at least 12 months after the reporting period.

An entity shall classify all other assets as non-current.

Operating cycle of an entity is the time between acquisition of assets for processing and their realisation in cash or cash equivalents. When the entity's normal operating cycle is not clearly identifiable, it is assumed to be 12 months. Current assets include: (i) assets (e.g. inventories, trade receivables) sold, consumed or realised as part of normal operating cycle even when they are not expected to be realised within 12 months after the reporting period; and (ii) assets held primarily for purpose of trading (e.g. financial assets that meet definition of held for trading in SFRS(I) 9) and the current portion of non-current financial assets. SFRS(I) 1-1.68

(2b) An entity shall classify a liability as current when: SFRS(I) 1-1.69
(a) it expects to settle the liability in its normal operating cycle;
(b) it holds the liability primarily for the purpose of trading;
(c) the liability is due to be settled within 12 months after the reporting period; or
(d) it does not have an unconditional right to defer settlement of the liability for at least 12 months after the reporting period. Terms of a liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification.

An entity shall classify all other liabilities as non-current.

Some current liabilities, such as trade payables and some accruals for employee and other operating costs, are part of working capital used in the normal operating cycle. Such operating items are current liabilities even if due to be settled more than 12 months after the reporting period. Other current liabilities are not settled as part of the normal operating cycle, but are due for settlement within 12 months after the reporting period, or held primarily for purpose of trading. Examples are some financial liabilities that meet definition of held for trading in SFRS(I) 9, bank overdrafts, and the current portion of non-current financial liabilities, dividends payable, income taxes and other non-trade payables. Financial liabilities that provide financing on a long-term basis (i.e. not part of working capital used in the normal operating cycle) and not due for settlement within 12 months after the reporting period are non-current liabilities. SFRS(I) 1-1.70,71

(2c) An entity classifies its financial liabilities as current when they are due to be settled within 12 months after the reporting period, even if the original term was for a period longer than 12 months, and an agreement to refinance, or to reschedule payments, to a long-term basis is completed after the reporting period but before the financial statements are authorised for issue. If an entity expects, and has the discretion, to refinance or roll over an obligation for at least 12 months after the reporting period under an existing loan facility, it classifies the obligation as non-current, even if it would otherwise be due within a shorter period. SFRS(I) 1-1.72,73

When an entity breaches provision of long-term loan arrangement on or before end of the reporting period such that the liability becomes payable on demand, it classifies the liability as current, even if the lender agreed, after the reporting period but before authorisation of the financial statements for issue, not to demand payment as consequence of the breach. However, an entity classifies the liability as non-current if the lender agrees by end of the reporting period to provide grace period ending at least 12 months after the reporting period, within which the entity can rectify the breach and during which the lender cannot demand immediate repayment. SFRS(I) 1-1.74,75

(2d) When an entity presents current and non-current assets, and current and non-current liabilities, as separate classifications in its statement of financial position, it shall not classify deferred tax assets (liabilities) as current assets (liabilities). SFRS(I) 1-1.56

For each asset and liability line item that combines amounts expected to be recovered or settled within (a) no more than 12 months after the reporting date, and (b) more than 12 months after the reporting date, an entity discloses in the notes the amount expected to be recovered or settled after more than 12 months. SFRS(I) 1-1.61

Guidance Notes – Statements of Financial Position (cont'd)

Change in accounting policy, retrospective restatement or reclassification

(3) An entity shall present a third statement of financial position as at beginning of the preceding period if: SFRS(I) 1-1.40A

(a) it applies an accounting policy retrospectively, makes a retrospective restatement of items in its financial statements or reclassifies items in its financial statements; and SFRS(I) 1-1.40B

(b) the retrospective application, retrospective restatement or the reclassification has a material effect on the information in the statement of financial position at beginning of the preceding period.

When an entity is required to present an additional statement of financial position, it must disclose the information required by SFRS(I) 1-1.41-44 and SFRS(I) 1-8. However, it need not present the related notes to the additional statement of financial position. SFRS(I) 1-1.40C

If an entity changes the presentation or classification of items in its financial statements, it shall reclassify comparative amounts unless it is impracticable. When an entity reclassifies comparative amounts, it shall disclose (including as at beginning of the preceding period) nature of the reclassification, amount of each item or class of items that is reclassified and reason for the reclassification. When it is impracticable to reclassify comparative amounts, an entity shall disclose the reason for not reclassifying the amounts, and the nature of the adjustments that would have been made if the amounts had been reclassified. SFRS(I) 1-1.41,42

Contract assets / Contract costs / Contract liabilities

(4a) When either party to a contract has performed, an entity shall present the contract in statement of financial position as a contract asset or a contract liability, depending on the relationship between the entity's performance and the customer's payment. An entity shall present any unconditional rights to consideration separately as a receivable. SFRS(I) 15 uses the terms 'contract asset' and 'contract liability' but does not prohibit alternative description for those items. If an entity uses an alternative description for contract asset, the entity shall provide sufficient information for user of the financial statements to distinguish between receivables and contract assets. SFRS(I) 15.105-107 SFRS(I) 15.109

(4b) An asset arising from the costs of obtaining a contract is presented separately from the contract asset or liability. SFRS(I) 15.BC301

Right-of-use assets / Lease liabilities

(5) A lessee shall either present in the statement of financial position, or disclose in the notes: SFRS(I) 16.47.a

(a) ROU assets separately from other assets. If a lessee does not present ROU assets separately in the statement of financial position, the lessee shall:
    (i) include ROU assets within the same line item as that within which the corresponding underlying assets would be presented if they were owned; and
    (ii) disclose which line items in the statement of financial position include those ROU assets.

(b) lease liabilities separately from other liabilities. If the lessee does not present lease liabilities separately in the statement of financial position, the lessee shall disclose which line items in the statement of financial position include those liabilities.

The above requirement in SFRS(I) 16.47.a does not apply to ROU assets that meet the definition of investment property, which shall be presented in the statement of financial position as investment property. SFRS(I) 16.47.b

A ROU asset shall be classified in its entirety as a single unit of account as current or non-current in accordance with SFRS(I) 1-1.66. This typically results in a ROU asset being classified similarly to the underlying asset in the lease. Assets that are subject to depreciation or amortisation are typically non-current. If an entity elects not to use the short-term lease recognition exemption, the resulting ROU asset is classified as current because the ROU asset will be realised within 12 months after the reporting period. SFRS(I) 1-1.66,67

Disposal group classified as held-for-sale

(6) Assets classified as non-current in accordance with SFRS(I) 1-1 shall not be reclassified as current assets until they meet the criteria to be classified as held-for-sale in accordance with SFRS(I) 5. Assets of a class that an entity would normally regard as non-current that are acquired exclusively with a view to resale shall not be classified as current unless they meet the criteria to be classified as held-for-sale in accordance with SFRS(I) 5. SFRS(I) 5.3

The classification, presentation and measurement requirements in SFRS(I) 5 also apply to a non-current asset (or disposal group) that is classified as held for distribution to owners acting in their capacity as owners (held for distribution to owners). SFRS(I) 5.5A

An entity shall not reclassify or re-present amounts presented for non-current assets or for the assets and liabilities of disposal groups classified as held-for-sale in the statements of financial position for prior periods to reflect the classification in the statement of financial position for the latest period presented. SFRS(I) 5.40

Reference

Consolidated statement of profit or loss and other comprehensive income (1) (2)

for the financial year ended 31 December 2022

SFRS(I) 1-1.10,82,82A
SGX 1207.5.a
CA 201.5.a

(N.B. 'One-statement' approach / Classification of expenses by 'nature')

	Note	The Group Year ended 31 December 2022 $	Year ended 31 December 2021 $ (Restated)	Reference
				SFRS(I) 1-1.38,38A SFRS(I) 1-1.113
Continuing operations				
Revenue	28	**102,648,927**	82,171,093	SFRS(I) 1-1.82.a
Interest income	29	**713,266**	556,758	SFRS(I) 1-1.82.a
Other income	30	**418,952**	281,986	SFRS(I) 1-1.85
Other gains and losses	31	**1,122,166**	211,232	SFRS(I) 1-1.85
Changes in inventories of finished goods and work-in-progress		**(71,203)**	408,214	SFRS(I) 1-1.99,102
Changes in development properties		**8,682,525**	2,520,944	SFRS(I) 1-1.99,102
Raw materials and subcontract costs		**(74,651,200)**	(47,297,259)	SFRS(I) 1-1.99,102
Depreciation and amortisation (6)	34	**(2,386,314)**	(2,257,712)	SFRS(I) 1-1.99,102
Employee benefits	34	**(26,321,734)**	(24,222,604)	SFRS(I) 1-1.99,102
Impairment loss on financial assets and contract assets	34	**(891,242)**	(130,800)	SFRS(I) 1-1.82.ba
Other expenses	32	**(5,229,834)**	(4,246,179)	SFRS(I) 1-1.99,102
Finance costs (6)	33	**(2,198,419)**	(1,962,577)	SFRS(I) 1-1.82.b
Share of results of associates, net of tax	8	**3,097,812**	1,981,606	SFRS(I) 1-1.82.c
Profit from continuing operations, before tax		**4,933,702**	8,014,702	SFRS(I) 1-1.85
Tax expense	35	**(621,652)**	(1,428,828)	SFRS(I) 1-1.82.d
Profit from continuing operations, net of tax		**4,312,050**	6,585,874	SFRS(I) 1-1.85
Loss from discontinued operations, net of tax (4)	19	**(1,198,898)**	(1,347,849)	SFRS(I) 1-1.82.ea
Profit for the year	34	**3,113,152**	5,238,025	SFRS(I) 1-1.81A.a
Other comprehensive income, after tax: (3)	36			SFRS(I) 1-1.91.a
Items that may be reclassified subsequently to profit or loss (3a)				SFRS(I) 1-1.82A.a.ii
Change in fair value of debt investments at FVOCI		**(190,500)**	12,400	SFRS(I) 7.20.a.viii
Change in fair value of interest rate swaps entered into for cash flow hedges		**315,396**	24,578	SFRS(I) 7.24C.b.i
Share of fair value reserve of associates		**426,824**	141,328	SFRS(I) 1-1.82A.b.ii
Currency translation differences arising from foreign operations		**268,335**	207,224	SFRS(I) 1-21.52.b
		820,055	385,530	
Items that will not be reclassified subsequently to profit or loss (3b)				SFRS(I) 1-1.82A.a.i
Change in fair value of equity investments at FVOCI		**200,000**	68,000	SFRS(I) 7.20.a.vii
Currency translation differences arising from foreign operations		**48,193**	81,417	SFRS(I) 1-21.48B
		248,193	149,417	
Other comprehensive income for the year, net of tax		**1,068,248**	534,947	SFRS(I) 1-1.82A.b
Total comprehensive income for the year		**4,181,400**	5,772,972	SFRS(I) 1-1.82A.c
Profit attributable to:				
Owners of the Company				
- Profit from continuing operations		**3,355,545**	5,752,914	SFRS(I) 5.33.d
- Loss from discontinued operation		**(1,198,898)**	(1,347,849)	SFRS(I) 5.33.d
		2,156,647	4,405,065	SFRS(I) 1-1.81B.a.ii
Non-controlling interests				
- Profit from continuing operations		**956,505**	832,960	SFRS(I) 1-1.85
- Loss from discontinued operation		**-**	-	SFRS(I) 1-1.85
		956,505	832,960	SFRS(I) 1-1.81B.a.i
Profit for the year		**3,113,152**	5,238,025	
Total comprehensive income attributable to:				
Owners of the Company		**3,176,702**	4,858,595	SFRS(I) 1-1.81B.b.ii
Non-controlling interests		**1,004,698**	914,377	SFRS(I) 1-1.81B.b.i
Total comprehensive income for the year		**4,181,400**	5,772,972	
Earnings per share: (5)	37	**Cents**	Cents	SFRS(I) 1-33.4
From continuing and discontinued operations				
- Basic		**2.37**	5.44	SFRS(I) 1-33.66
- Diluted		**2.35**	4.74	SFRS(I) 1-33.66
From continuing operations				
- Basic		**3.69**	7.10	SFRS(I) 1-33.66
- Diluted		**3.42**	6.06	SFRS(I) 1-33.66

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Guidance Notes – Consolidated Statement of Profit or Loss and Other Comprehensive Income

(1) **Presentation**

An entity may use the title 'Statement of Comprehensive Income' instead of 'Statement of Profit or Loss and Other Comprehensive Income'. (N.B. References made in the independent auditor's report shall be updated to be consistent accordingly.) SFRS(I) 1-1.10

'One-statement' or 'Two-statement' approach

An entity may present a single statement of profit or loss and OCI, with profit or loss and OCI presented in two sections. The sections shall be presented together, with the profit or loss section presented first followed directly by the OCI section. An entity may present the profit or loss section in a separate statement of profit or loss. If so, the separate statement of profit or loss shall immediately precede the statement presenting comprehensive income, which shall begin with profit or loss. SFRS(I) 1-1.10A

Classification of expenses by 'nature' or 'function'

An analysis of expenses shall be presented using a classification based on either the nature of expenses or their function within the entity. The choice of classification between nature and function will depend on historical and industry factors and the nature of the entity. The entity should choose the classification that provides the most relevant and reliable information about its financial performance. Entities classifying expenses by function shall disclose additional information about the nature of their expenses in the notes to the financial statements. These include disclosures of depreciation, amortisation and employee benefits expense. SFRS(I) 1-1.99 SFRS(I) 1-1.104,105

(N.B. The Group has opted for 'one-statement' approach and classification of expenses by 'nature' presentation. An alternative based on 'two-statement' approach and classification of expenses by 'function' is shown below for illustration purposes.)

Consolidated statement of profit or loss
for the financial year ended 31 December 2022

(N.B. 'Two-statement' approach / Classification of expenses by 'function')

	The Group	
	Year ended 31 December 2022 $	Year ended 31 December 2021 $ (Restated)
Continuing operations		
Revenue	**102,648,927**	82,171,093
Cost of sales *	**(63,165,284)**	(47,056,476)
Gross profit	**39,483,643**	35,114,617
Interest income	**713,266**	556,758
Other income	**418,952**	281,986
Other gains and losses	**1,122,166**	211,232
Impairment loss on financial assets and contract assets	**(891,242)**	(130,800)
Distribution costs	**(18,949,585)**	(14,116,943)
Administrative expenses	**(13,640,123)**	(10,330,143)
Other expenses	**(4,222,768)**	(3,591,034)
Finance costs	**(2,198,419)**	(1,962,577)
Share of results of associates, net of tax	**3,097,812**	1,981,606
Profit from continuing operations, before tax	**4,933,702**	8,014,702
Tax expense	**(621,652)**	(1,428,828)
Profit from continuing operations, net of tax	**4,312,050**	6,585,874
Loss from discontinued operations, net of tax	**(1,198,898)**	(1,347,849)
Profit for the year **	**3,113,152**	5,238,025
Profit attributable to:		
Owners of the Company		
- Profit from continuing operations	**3,355,545**	5,752,914
- Loss from discontinued operation	**(1,198,898)**	(1,347,849)
	2,156,647	4,405,065
Non-controlling interests		
- Profit from continuing operations	**956,505**	832,960
- Loss from discontinued operation	**-**	-
	956,505	832,960
Profit for the year	**3,113,152**	5,238,025
Earnings per share:	**Cents**	Cents
From continuing and discontinued operations		
- Basic	**2.37**	5.44
- Diluted	**2.35**	4.74
From continuing operations		
- Basic	**3.69**	7.10
- Diluted	**3.42**	6.06

* Within a functional statement of profit or loss, costs directly associated with generating revenues should be included in cost of sales. Cost of sales should include not only direct material and labour costs but also indirect costs that can be directly attributed to generating revenue, for example, depreciation of assets used in the production. Impairment charges should be classified according to how the depreciation or amortisation of the particular asset is classified.

** If the Group does not have any OCI in current and prior years, the total comprehensive income can be disclosed as follows:

Profit for the year, representing total comprehensive income for the year	**3,113,152**	5,238,025

Guidance Notes – Consolidated Statement of Profit or Loss and Other Comprehensive Income (cont'd)

Consolidated statement of comprehensive income
for the financial year ended 31 December 2022

(N.B. 'Two-statement' approach / Classification of expenses by 'function') (cont'd)

	The Group	
	Year ended 31 December 2022 $	Year ended 31 December 2021 $ (Restated)
Profit for the year	**3,113,152**	5,238,025
Other comprehensive income, after tax:		
Items that may be reclassified subsequently to profit or loss		
Change in fair value of debt investments at FVOCI	**(190,500)**	12,400
Change in fair value of interest rate swaps entered into for cash flow hedges	**315,396**	24,578
Share of fair value reserve of associates	**426,824**	141,328
Currency translation differences arising from foreign operations	**268,335**	207,224
	820,055	385,530
Items that will not be reclassified subsequently to profit or loss		
Change in fair value of equity investments at FVOCI	**200,000**	68,000
Currency translation differences arising from foreign operations	**48,193**	81,417
	248,193	149,417
Other comprehensive income for the year, net of tax	**1,068,248**	534,947
Total comprehensive income for the year	**4,181,400**	5,772,972
Total comprehensive income attributable to:		
Owners of the Company	**3,176,702**	4,858,595
Non-controlling interests	**1,004,698**	914,377
Total comprehensive income for the year	**4,181,400**	5,772,972

(2) **Contents**

Profit or loss

In addition to items required by other SFRS(I)s, the profit or loss section or the statement of profit or loss shall include line items that present the following amounts for the period: SFRS(I) 1-1.82

- revenue, presenting separately interest revenue calculated using the effective interest method
- gains and losses arising from the derecognition of financial assets measured at amortised cost
- finance costs
- impairment losses (including reversals of impairment losses or impairment gains) determined in accordance with Section 5.5 of SFRS(I) 9
- share of the profit or loss of associates and joint ventures accounted for using the equity method
- if a financial asset is reclassified out of the amortised cost measurement category so that it is measured at FVPL, any gain or loss arising from a difference between the previous amortised cost of the financial asset and its fair value at the reclassification date (as defined in SFRS(I) 9)
- if a financial asset is reclassified out of the FVOCI measurement category so that it is measured at FVPL, any cumulative gain or loss previously recognised in other comprehensive income that is reclassified to profit or loss
- tax expense
- a single amount for the total of discontinued operations (SFRS(I) 5)

Depending on materiality, it may not always be necessary to present these items separately in the primary financial statements. However, items that are of a dissimilar nature or function can only be aggregated if they are immaterial. SFRS(I) 1-1.29 SFRS(I) 1-1.30,30A

The entity shall not present any items of income and expense as 'extraordinary' items, either in the statement of comprehensive income or the separate income statement, or in the notes to the financial statements. SFRS(I) 1-1.87

Other comprehensive income

The other comprehensive income section shall present line items for the amounts for the period of: SFRS(I) 1-1.82A

(a) items of OCI (excluding amounts in (b)), classified by nature and grouped into those that, in accordance with other SFRS(I)s:
  (i) will not be reclassified subsequently to profit or loss; and
  (ii) will be reclassified subsequently to profit or loss when specific conditions are met.
(b) share of the OCI of associates and joint ventures accounted for using the equity method, separated into the share of items that, in accordance with other SFRS(I)s:
  (i) will not be reclassified subsequently to profit or loss; and
  (ii) will be reclassified subsequently to profit or loss when specific conditions are met.

Finance income / Finance costs

SFRS(I) 1-1 requires an entity to present finance costs on the face of the statement of profit or loss, but it does not require the separate presentation of finance income. The classification of finance income will depend on an entity's accounting policy for such items. SFRS(I) 1-1.82.b

Guidance Notes – Consolidated Statement of Profit or Loss and Other Comprehensive Income (cont'd)

Additional line items

Additional line items, headings and subtotals shall be presented in the statement of comprehensive income and the statement of profit or loss (where applicable) where such presentation is relevant to an understanding of the entity's financial performance. SFRS(I) 1-1.85,85A

SFRS(I) 1-1 specifically provides that additional subtotals must:
(a) be comprised of items that are recognised and measured in accordance with SFRS(I)
(b) be presented and labelled such that they are clear and understandable
(c) be consistent from period to period
(d) not be displayed with more prominence than the mandatory subtotals and totals.

Material items of income and expenses

When items of income or expense are material, an entity shall disclose their nature and amount separately. Circumstances that would give rise to the separate disclosure of items of income and expense include: SFRS(I) 1-1.97,98

(i) write-downs of inventories to net realisable value or of property, plant and equipment to recoverable amount, as well as reversals of such write-downs;
(ii) restructurings of the activities of an entity and reversals of any provisions for the costs of restructuring;
(iii) disposals of items of property, plant and equipment;
(iv) disposals of investments;
(v) discontinued operations;
(vi) litigation settlements; and
(vii) other reversals of provisions.

Offsetting

An entity shall not offset assets and liabilities or income and expenses, unless required or permitted by a SFRS(I). SFRS(I) 1-1.32

Examples of income and expenses that are required or permitted to be offset include:
- an entity presents gains and losses on the disposal of non-current assets, including investments and operating assets, by deducting from the amount of consideration on disposal the carrying amount of the asset and related selling expenses SFRS(I) 1-1.34.a
- an entity may net expenditure related to a provision that is recognised in accordance with SFRS(I) 1-37 and reimbursed under a contractual arrangement with a third party (for example, a supplier's warranty agreement) against the related reimbursement SFRS(I) 1-1.34.b
- an entity presents on a net basis gains and losses arising from a group of similar transactions, for example, foreign exchange gains and losses or gains and losses arising on financial instruments held for trading (however, an entity presents such gains and losses separately if they are material) SFRS(I) 1-1.35

(3) **Components of other comprehensive income**

Components of OCI are items of income and expense (including reclassification adjustments) that are specifically required or permitted by other SFRS(I) to be included in OCI and are not recognised in profit or loss. They include: SFRS(I) 1-1.7
- revaluation gains and losses relating to property, plant and equipment (SFRS(I) 1-16) or intangible assets (SFRS(I) 1-38)
- remeasurements of net defined benefit liabilities or assets (SFRS(I) 1-19)
- gains and losses arising from translating the financial statements of a foreign operation (SFRS(I) 1-21)
- gains and losses on remeasuring financial assets that are measured or designated as at FVOCI (SFRS(I) 9)
- the effective portion of gains and losses on hedging instruments in a cash flow hedge (SFRS(I) 9)
- for particular liabilities designated as at FVPL, the change in the fair value that is attributable to changes in the liability's credit risk (SFRS(I) 9)
- changes in the value of the time value of options, in the value of the forward elements of forward contracts and in the value of the foreign currency basis spread of financial instruments, where these are not included in the designation of the related instruments as hedging instruments (SFRS(I) 9)
- the investor's share of the OCI of equity-accounted investments (SFRS(I) 1-28)
- current and deferred tax credits and charges in respect of items recognised in OCI (SFRS(I) 1-12)

(3a) *Examples of items of OCI that **may be reclassified** subsequently to profit or loss include:* SFRS(I) 1-1.95

- foreign currency translation differences – on foreign operations (attributable to owners of the Company) SFRS(I) 1-21.32
- debt investments measured at FVOCI – net change in fair value SFRS(I) 9.5.7.10
- cash flows hedges – effective portion of changes in fair value SFRS(I) 9.6.5.11.d.ii
- hedge of net investment in foreign operations – net change in fair value SFRS(I) 9.6.5.14

(3b) *Examples of items of OCI that **will not be reclassified** subsequently to profit or loss include:* SFRS(I) 1-1.96

- revaluation gain or loss on property, plant and equipment SFRS(I) 1-16.41
- revaluation gain or loss on intangible assets SFRS(I) 1-38.87
- remeasurement gain or loss on defined benefit obligations SFRS(I) 1-19.122
- foreign currency translation differences – on foreign operations (attributable to non-controlling interests) SFRS(I) 1-21.48B
- equity investments measured at FVOCI – net change in fair value SFRS(I) 9.B5.7.1
- financial liabilities designated at FVPL – net change in fair value attributable to changes in credit risk SFRS(I) 9.B5.7.9

Guidance Notes – Consolidated Statement of Profit or Loss and Other Comprehensive Income (cont'd)

Tax effects on components of OCI

Individual components of OCI may be presented either net of related tax effects, or before related tax effects, with an aggregate amount presented for tax. (N.B. The Group has elected to present the components of OCI, net of tax, in the statement of comprehensive income and consequently, disclosures related to tax on each component of OCI are presented in Note 37.) SFRS(I) 1-1.90,91

Reclassification adjustments

Reclassification adjustments are adjustments for amounts previously recognised in other comprehensive income now reclassified to profit or loss. For reclassification adjustments, an aggregated presentation can be adopted, with separate disclosure of the current year gain or loss and reclassification adjustments in the notes. Alternatively, using a disaggregated presentation, the current year gain or loss and reclassification adjustments can be shown separately in the statement of comprehensive income. An entity may present the analysis of reclassification adjustments in other comprehensive income by item either in the statement of comprehensive income or in the notes to the financial statements. An entity presenting reclassification adjustments in the notes presents items of other comprehensive income after any related reclassification adjustments. (N.B. The Group has opted for aggregated presentation and to present the analysis of reclassification adjustments in the notes.) SFRS(I) 1-1.92,94

(4) **Discontinued operations**

Entities shall disclose a single amount in the statement of comprehensive income (or separate statement of profit or loss) comprising the total of (i) the post-tax profit or loss of discontinued operations and (ii) the post-tax gain or loss recognised on the measurement to fair value less costs to sell or on the disposal of the assets or disposal group constituting the discontinued operation. An analysis of this single amount is required by SFRS(I) 5.33. This analysis may be presented in the notes or in the statement of comprehensive income (separate statement of profit or loss). If it is presented in the statement of profit or loss, it must be presented in a section identified as relating to discontinued operations, that is, separately from continuing operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held-for-sale on acquisition. SFRS(I) 1-1.82.ea SFRS(I) 5.33.a,b SFRS(I) 5.11

SFRS(I) 5 specifies the disclosures required in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations. Disclosures in other SFRS(I)s do not apply to such assets (or disposal groups) unless those SFRS(I)s require: SFRS(I) 5.5B

(a) specific disclosures in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations; or
(b) disclosures about measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirement of SFRS(I) 5 and such disclosures are not already provided in the other notes to the financial statements.

(5) **Earnings per share**

An entity should present both basic and diluted earnings per share on the statement of comprehensive income for each class of ordinary shares that has a different right to share in the net profit for the year. If the entity presents the components of profit or loss in a separate statement, it presents basic and diluted earnings per share only in that separate statement. An entity shall present basic and diluted earnings per share with equal prominence for all periods presented, even should the amounts disclosed be the same or be negative. SFRS(I) 1-33.66 SFRS(I) 1-33.67A SFRS(I) 1-33.69

For the purpose of calculating basic earnings per share, the amounts attributable to ordinary equity holders of the parent entity in respect of: (a) profit or loss from continuing operations attributable to the parent entity; and (b) profit or loss attributable to the parent entity, shall be the amounts in (a) and (b) adjusted for the after-tax amounts of preference dividends, differences arising on the settlement of preference shares, and other similar effects of preference shares classified as equity. SFRS(I) 1-33.12

Where an entity reports a discontinued operation, it shall disclose the basic and diluted earnings per share in the statement of comprehensive income or in the notes to the financial statements. If the entity presents the components of profit or loss in a separate statement, it presents basic and diluted earnings per share for the discontinued operation, in that separate statement or in the notes. SFRS(I) 1-33.68 SFRS(I) 1-33.68A

Entities are permitted to disclose earnings per share based on alternative measures of earnings, provided that: SFRS(I) 1-33.73

- such amounts are calculated using the weighted average number of ordinary shares determined in accordance with SFRS(I) 1-33; SFRS(I) 1-33.73A
- basic and diluted amounts per share relating to such a component are disclosed with equal prominence and presented in the notes to the financial statements only;
- the entity discloses basis on which the numerator is determined, including if amounts per share are before tax or after tax; and
- if a component of the statement of comprehensive income is used that is not reported as a line item in the statement of comprehensive income, a reconciliation shall be provided between the component used and a line item that is reported in the statement of comprehensive income.

(6) **Lease liabilities interest expense / ROU assets depreciation expense**

A lessee shall present interest expense on the lease liability separately from the depreciation charge for the ROU asset. Interest expense on the lease liability is a component of finance costs. SFRS(I) 16.49

Any rental payments not included in the initial measurement of the liability (e.g. variable lease payments) are classified within operating activities, as well as the expenses relating to short-term and low-value lease contracts for which the lessee makes use of the available recognition exemption in SFRS(I) 16. SFRS(I) 16.50.c

Reference

Consolidated statement of changes in equity [(1)]
for the financial year ended 31 December 2022

SFRS(I) 1-1.10,106

The Group	Note	Share capital $	Treasury shares [(3)] $	Capital reserve $	Currency translation reserve $	Share option reserve [(4)] $	Fair value reserve $	Cash flow hedging reserve $	Equity component of convertible bond $	Reserve of disposal group classified as held-for-sale [(7)] $	Retained earnings $	Total $	Non-controlling interests $	Total equity $	
		Equity attributable to owners of the Company													SFRS(I) 1-1.38,38A SFRS(I) 1-1.113
At 1 January 2022, as previously reported		**56,882,005**	**-**	**5,156,250**	**524,364**	**129,910**	**402,128**	**405,587**	**235,600**	**-**	**45,655,182**	**109,391,026**	**1,253,455**	**110,644,481**	SFRS(I) 1-1.106.d SFRS(I) 1-1.106.b
Prior year adjustment [(5)]	49	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(387,444)**	**(387,444)**	**-**	**(387,444)**	SFRS(I) 1-1.110
At 1 January 2022, as restated		**56,882,005**	**-**	**5,156,250**	**524,364**	**129,910**	**402,128**	**405,587**	**235,600**	**-**	**45,267,738**	**109,003,582**	**1,253,455**	**110,257,037**	SFRS(I) 1-1.106.d
Profit for the year		**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**2,156,647**	**2,156,647**	**956,505**	**3,113,152**	SFRS(I) 1-1.106.d.i
Other comprehensive income for the year		**-**	**-**	**-**	**268,335**	**-**	**436,324**	**315,396**	**-**	**-**	**-**	**1,020,055**	**48,193**	**1,068,248**	SFRS(I) 1-1.106.d.ii
Total comprehensive income for the year		**-**	**-**	**-**	**268,335**	**-**	**436,324**	**315,396**	**-**	**-**	**2,156,647**	**3,176,702**	**1,004,698**	**4,181,400**	SFRS(I) 1-1.106.a
Issue of new shares	20	**1,994,000**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**1,994,000**	**-**	**1,994,000**	SFRS(I) 1-1.106.d.iii
Purchase of treasury shares	21	**-**	**(1,418,000)**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(1,418,000)**	**-**	**(1,418,000)**	SFRS(I) 1-32.33
Recognition of share-based payments	39	**-**	**-**	**-**	**-**	**112,249**	**-**	**-**	**-**	**-**	**-**	**112,249**	**-**	**112,249**	SFRS(I) 2.50
Exercise of share options	39	**43,200**	**-**	**-**	**-**	**(22,200)**	**-**	**-**	**-**	**-**	**-**	**21,000**	**-**	**21,000**	SFRS(I) 2.50
Dividends paid [(6)]	38	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(6,548,000)**	**(6,548,000)**	**-**	**(6,548,000)**	SFRS(I) 1-1.107
Non-controlling interests arising from business combination	7(a)	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**800,000**	**800,000**	SFRS(I) 1-1.106.d.iii
Transactions with owners, recognised directly in equity		**2,037,200**	**(1,418,000)**	**-**	**-**	**90,049**	**-**	**-**	**-**	**-**	**(6,548,000)**	**(5,838,751)**	**800,000**	**(5,038,751)**	SFRS(I) 1-1.106.d.iii
Reclassification of currency translation reserve related to disposal group classified as held-for-sale [(2)]	19	**-**	**-**	**-**	**(104,302)**	**-**	**-**	**-**	**-**	**104,302**	**-**	**-**	**-**	**-**	SFRS(I) 5.38
At 31 December 2022		**58,919,205**	**(1,418,000)**	**5,156,250**	**688,397**	**219,959**	**838,452**	**720,983**	**235,600**	**104,302**	**40,876,385**	**106,341,533**	**3,058,153**	**109,399,686**	SFRS(I) 1-1.106.d

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Reference

Consolidated statement of changes in equity

for the financial year ended 31 December 2022 (cont'd)

SFRS(I) 1-1.10,106

		Equity attributable to owners of the Company													
The Group	Note	Share capital $	Treasury shares (3) $	Capital reserve $	Currency translation reserve $	Share option (4) reserve $	Fair value reserve $	Cash flow hedging reserve $	Equity component of convertible bond $	Reserve of (7) disposal group classified as held-for-sale $	Retained earnings $	Total $	Non-controlling interests $	Total equity $	SFRS(I) 1-1.38,38A SFRS(I) 1-1.113
At 1 January 2021, as previously reported		35,000,000	-	5,156,250	317,140	20,157	180,400	381,009	235,600	-	42,842,329	84,132,885	339,078	84,471,963	SFRS(I) 1-1.106.d
Prior year adjustment (5)	49	-	-	-	-	-	-	-	-	-	(203,656)	(203,656)	-	(203,656)	SFRS(I) 1-1.106.b SFRS(I) 1-1.110
At 1 January 2021, as restated		35,000,000	-	5,156,250	317,140	20,157	180,400	381,009	235,600	-	42,638,673	83,929,229	339,078	84,268,307	SFRS(I) 1-1.106.d
Profit for the year, as previously reported		-	-	-	-	-	-	-	-	-	4,588,853	4,588,853	832,960	5,421,813	SFRS(I) 1-1.106.d.i
Prior year adjustment (5)	49	-	-	-	-	-	-	-	-	-	(183,788)	(183,788)	-	(183,788)	SFRS(I) 1-1.106.b SFRS(I) 1-1.110
Profit for the year, as restated		-	-	-	-	-	-	-	-	-	4,405,065	4,405,065	832,960	5,238,025	SFRS(I) 1-1.106.d.i
Other comprehensive income for the year		-	-	-	207,224	-	221,728	24,578	-	-	-	453,530	81,417	534,947	SFRS(I) 1-1.106.d.ii
Total comprehensive income for the year		-	-	-	207,224	-	221,728	24,578	-	-	4,405,065	4,858,595	914,377	5,772,972	SFRS(I) 1-1.106.a
Issue of new shares	20	21,882,005	-	-	-	-	-	-	-	-	-	21,882,005	-	21,882,005	SFRS(I) 1-1.106.d.iii
Recognition of share-based payments	39	-	-	-	-	109,753	-	-	-	-	-	109,753	-	109,753	SFRS(I) 1-1.106.d.iii SFRS(I) 2.50
Dividends paid (6)	38	-	-	-	-	-	-	-	-	-	(1,776,000)	(1,776,000)	-	(1,776,000)	SFRS(I) 1-1.107
Transactions with owners, recognised directly in equity		21,882,005	-	-	-	109,753	-	-	-	-	(1,776,000)	20,215,758	-	20,215,758	SFRS(I) 1-1.106.d.iii
At 31 December 2021, as restated		56,882,005	-	5,156,250	524,364	129,910	402,128	405,587	235,600	-	45,267,738	109,003,582	1,253,455	110,257,037	SFRS(I) 1-1.106.d

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Guidance Notes – Consolidated Statement of Changes in Equity

(1) **Contents**

The statement of changes in equity shall include: SFRS(I) 1-1.106

(a) total comprehensive income, showing separately amounts attributable to owners of the parent and to non-controlling interests
(b) for each component of equity, effects of retrospective application or retrospective restatement in accordance with SFRS(I) 1-8
(c) for each component of equity, reconciliation between the carrying amount at beginning and end of period, separately disclosing changes from: (i) profit or loss, (ii) OCI, and (iii) transactions with owners in their capacity as owners, showing separately contributions by and distributions to owners and changes in ownership interests in subsidiaries that do not result in loss of control. SFRS(I) 1-1.106.d

The components of equity include, for example, each class of contributed equity, the accumulated balance of each class of other comprehensive income, and retained earnings. SFRS(I) 1-1.108

An entity may present the analysis of OCI by item for each component of equity either in the statement of changes in equity or in the notes to the financial statements. SFRS(I) 1-1.106A

SFRS(I) 1-1 permits the description of the nature and purpose of each reserve within equity to be presented either in the statement of financial position, or the statement of changes in equity, or in the notes. SFRS(I) 1-1.79.b

(2) Examples of reconciling items related to neither total comprehensive income nor transactions with owners in their capacity as owners but rather are with regards to mandatory or discretionary transfers to/from reserves (e.g. OCI items that will not be reclassified to profit or loss but may be transferred within equity) include:

- costs of hedging transferred to carrying value of inventory purchased during the year SFRS(I) 9.6.1.55.d.i
- transfer of gain on disposal of equity investments at fair value through other comprehensive income to retained earnings SFRS(I) 9.B5.7.1

(3) **Treasury shares**

If an entity reacquires its own equity instruments, those instruments (‘treasury shares’) shall be deducted from equity. No gain or loss shall be recognised in profit or loss on the purchase, sale, issue or cancellation of an entity’s own equity instruments. Such treasury shares may be acquired and held by the entity or by other members of the consolidated group. Consideration paid or received shall be recognised directly in equity. The amount of treasury shares held is disclosed separately either in the statement of financial position or in the notes, in accordance with SFRS(I) 1-1. An entity provides disclosure in accordance with SFRS(I) 1-24 if the entity reacquires its own equity instruments from related parties. Neither SFRS(I) nor the Singapore Companies Act 1967 mandate a specific method for presenting treasury shares or allocating the consideration received within equity. (N.B. The Group has opted to present the total cost of treasury shares in a separate category within equity. In addition, if there is a re-issue of own shares, any surplus arising shall be presented as a non-distributable capital reserve.) SFRS(I) 1-32.33,34

(4) **Share-based payment transactions**

SFRS(I) 2 does not address whether an increase in equity recognised in connection with a share-based payment transaction should be presented in a separate component within equity or within retained earnings. (N.B. The Group has opted to present this said increase in equity in a separate share option reserve within equity. Consequently, any decrease in equity recognised with regards to an exercise of share options shall also be presented within this share option reserve.) SFRS(I) 2.50

(5) **Prior year adjustment – Correction of errors**

SFRS(I) 1-8 requires retrospective adjustments to effect changes in accounting policies, to the extent practicable, except when the transition provisions in another SFRS(I) require otherwise. SFRS(I) 1-8 also requires restatements to correct errors to be made retrospectively, to the extent practicable. Retrospective adjustments and retrospective restatements are not changes in equity but they are adjustments to the opening balance of retained earnings, except when a SFRS(I) requires retrospective adjustment of another component of equity. SFRS(I) 1-1 requires disclosure in the statement of changes in equity of the total adjustment to each component of equity resulting from changes in accounting policies and, separately, from corrections of errors. These adjustments are disclosed for each prior period and the beginning of the period. SFRS(I) 1-1.110

(6) **Dividends paid**

An entity shall present, either in the statement of changes in equity or in the notes, the amount of dividends recognised as distributions to owners during the period, and the related amount of dividends per share. SFRS(I) 1-1.107

No dividend shall be payable to the shareholders of any company except out of profits. CA 403.1

(7) **Reserve related to disposal group classified as held-for-sale**

An entity shall present separately any cumulative income or expense recognised in other comprehensive income relating to a non-current asset (or disposal group) classified as held-for-sale. SFRS(I) 5.38

Reference

Consolidated statement of cash flows (1)
for the financial year ended 31 December 2022

SFRS(I) 1-1.10,111
SFRS(I) 1-7.1
SGX 1207.5.c

	Note	The Group Year ended 31 December 2022 $	Year ended 31 December 2021 $ (Restated)	Reference
				SFRS(I) 1-1.38,38A SFRS(I) 1-1.113 SFRS(I) 1-7.10
Cash Flows from Operating Activities				SFRS(I) 1-7.18.b
Profit for the year		**3,113,152**	5,238,025	
Adjustments for: (1a)				SFRS(I) 1-7.20.b,c
Tax expense	35	**520,268**	1,328,157	
Depreciation and amortisation	34	**2,475,024**	2,329,057	
Impairment loss on financial assets and contract assets	34	**994,642**	188,900	
Provision made	34	**80,379**	146,882	
Share-based payments	34	**112,249**	109,753	
Amortisation of contract costs	34	**11,008**	10,883	
Allowance made for diminution in value of development properties	34	**1,090,291**	304,612	
Write-down of inventories to net realisable value	34	**144,181**	125,545	
Unwinding of discount on provision	33	**20,643**	16,437	
Impairment loss on goodwill	32	**20,000**	-	
Impairment loss on property, plant and equipment	32	**207,141**	-	
Loss recognised on re-measurement of disposal group to fair value less costs to sell	32	**169,606**	-	
Loss/(Gain) on disposal of property, plant and equipment	31	**29,139**	(23,849)	
Fair value (gains)/losses of investment properties	31	**(437,779)**	504,006	
Gain on disposal of subsidiary	31	**(50,185)**	-	
Gain on disposal of debt investments at amortised cost	31	**(128,000)**	-	
Fair value gain of equity investments at FVPL	31	**(826,600)**	-	
Fair value loss of derivative financial instruments at FVPL	31	**339,700**	67,100	
Dividend income	30	**(75,000)**	(75,000)	
Interest income	29	**(713,266)**	(556,758)	
Interest expense	33	**2,449,741**	2,169,426	
Share of results of associates		**(3,097,812)**	(1,981,606)	
Unrealised foreign exchange gains (3)		**(231,834)**	(171,992)	
Operating cash flows before movements in working capital		**6,216,688**	9,729,578	
Changes in working capital:				SFRS(I) 1-7.20.a
Trade and other receivables		**5,729,952**	(14,840,771)	
Contract assets and contract costs		**2,335,445**	(1,206,858)	
Development properties		**(9,194,592)**	(2,326,834)	
Inventories		**391,875**	298,026	
Trade and other payables		**3,219,401**	(10,563,387)	
Contract liabilities		**582,457**	(98,548)	
Provisions		**34,579**	(44,042)	
Cash generated from/(used in) operations		**9,315,805**	(19,052,836)	
Interest received		**237,445**	138,822	SFRS(I) 1-7.31,33
Interest paid (5)		**(578,224)**	(498,722)	SFRS(I) 1-7.31-33
Tax paid (6)		**(1,122,672)**	(1,906,133)	SFRS(I) 1-7.35,36
Net cash generated from/(used in) operating activities		**7,852,354**	(21,318,869)	

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Reference

Consolidated statement of cash flows
for the financial year ended 31 December 2022 (cont'd)

SFRS(I) 1-1.10,111
SFRS(I) 1-7.1
SGX 1207.5.c

	Note	The Group Year ended 31 December 2022 $	Year ended 31 December 2021 $ (Restated)	Reference
				SFRS(I) 1-1.38,38A SFRS(I) 1-1.113 SFRS(I) 1-7.10
Cash Flows from Investing Activities (2)				SFRS(I) 1-7.21
Acquisition of subsidiary, net of cash acquired	7(a)	**(2,644,000)**	-	SFRS(I) 1-7.39,42
Disposal of subsidiary, net of cash disposed	7(b)	**200,178**	-	SFRS(I) 1-7.39,42
Additions to intangible assets		**-**	(30,000)	SFRS(I) 1-7.16.a
Additions to property, plant and equipment	A	**(2,305,133)**	(164,468)	SFRS(I) 1-7.16.a,43
Additions to right-of-use assets	A	**(30,000)**	-	SFRS(I) 1-7.16.a,43
Proceeds from disposal of property, plant and equipment		**1,000,000**	300,000	SFRS(I) 1-7.16.b
Additions to investment properties		**(7,500,000)**	-	SFRS(I) 1-7.16.a
Proceeds from disposal of investment properties		**-**	4,800,000	SFRS(I) 1-7.16.b
Loans to associates		**(906,278)**	-	SFRS(I) 1-7.16.e
Repayments by associates		**-**	4,042,348	SFRS(I) 1-7.16.f
Purchases of other investments		**(1,000,000)**	(100,000)	SFRS(I) 1-7.16.c
Proceeds from disposal of other investments		**800,000**	-	SFRS(I) 1-7.16.d
Repayments of finance lease receivables		**172,662**	57,554	SFRS(I) 1-7.16.e
Interest received		**475,821**	417,936	SFRS(I) 1-7.31,33
Dividend received		**75,000**	75,000	SFRS(I) 1-7.31,33
Net cash (used in)/generated from investing activities		**(11,661,750)**	9,398,370	
Cash Flows from Financing Activities				SFRS(I) 1-7.21
Fixed deposits released/(pledged) as security for credit facilities	18	**2,600,000**	(2,700,000)	SFRS(I) 1-7.17
Proceeds from issuance of ordinary shares	20	**1,994,000**	21,882,005	SFRS(I) 1-7.17.a
Proceeds from share options exercised		**43,200**	-	SFRS(I) 1-7.17.a
Purchase of treasury shares	21	**(1,418,000)**	-	SFRS(I) 1-7.17.b
Proceeds from borrowings	B	**4,617,856**	8,687,929	SFRS(I) 1-7.17.c
Repayments of borrowings	B	**(7,175,013)**	(3,004,721)	SFRS(I) 1-7.17.d
Repayments of lease liabilities (8)	B	**(687,919)**	(818,504)	SFRS(I) 1-7.17.e
Interest paid (8)	38	**(2,449,741)**	(2,169,426)	SFRS(I) 1-7.31-33
Dividends paid	18	**(6,548,000)**	(1,776,000)	SFRS(I) 1-7.31,34
Net cash (used in)/generated from financing activities		**(9,023,617)**	20,101,283	
Net (decrease)/increase in cash and cash equivalents		**(12,833,013)**	8,180,784	
Cash and cash equivalents at beginning of the year		**29,593,076**	21,210,188	SFRS(I) 1-7.45
Effect of foreign exchange rate changes on cash and cash equivalents (4)		**439,922**	202,104	SFRS(I) 1-7.28
Cash and cash equivalents at end of the year	18	**17,199,985**	29,593,076	SFRS(I) 1-7.45

Note A: (7)

During the financial year, the Group has paid cash to acquire property, plant and equipment of $2,305,133 (2021: $462,340) and right-of-use assets of $30,000 (2021: $nil) respectively. In addition, there are non-cash additions to the Group's right-of-use assets of $36,087 (2021: $200,000) through entering into new leases. SFRS(I) 1-7.43

The annexed notes form an integral part of and should be read in conjunction with these financial statements.

Consolidated statement of cash flows
for the financial year ended 31 December 2022 (cont'd)

Note B: [9]

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities. SFRS(I) 1-7.44A-44E

The Group	Note	At 1 January	Cash flows	Non-cash changes					At 31 December
				New leases	Lease modification	Interest expense	Fair value changes	Foreign exchange movement	
		$	$	$	$	$	$	$	$
2022									
Liabilities									
Borrowings	23	**42,332,786**	**(4,950,866)**	**-**	**-**	**2,393,709**	**-**	**163,622**	**39,939,251**
Lease liabilities	24	**3,459,706**	**(743,951)**	**36,087**	**-**	**56,032**	**-**	**-**	**2,807,874**
Assets [10]									
Interest rate swaps	14	**(405,587)**	**-**	**-**	**-**	**-**	**(315,396)**	**-**	**(720,983)**
Fixed deposits	18	**(5,700,000)**	**2,600,000**	**-**	**-**	**-**	**-**	**-**	**(3,100,000)**
2021									
Liabilities									
Borrowings	23	36,491,855	3,576,889	-	-	2,106,319	-	157,723	42,332,786
Lease liabilities	24	3,980,338	(881,611)	200,000	97,872	63,107	-	-	3,459,706
Assets [10]									
Interest rate swaps	14	(381,009)	-	-	-	-	(24,578)	-	(405,587)
Fixed deposits	18	(3,000,000)	(2,700,000)	-	-	-	-	-	(5,700,000)

Guidance Notes – Consolidated Statement of Cash Flows

Direct / Indirect method

(1) SFRS(I) 1-7 allows entities to report cash flows from operating activities using either direct method or indirect method. Under the direct method, an entity presents major classes of gross cash receipts and payments related to operating activities. Under the indirect method, an entity uses 'profit or loss' as starting point and then adjusts for effects of (a) changes in inventories and operating receivables and payables; (b) non-cash items such as depreciation, provisions, deferred taxes, unrealised foreign currency gains and losses, and undistributed profits of associates; and (c) all other items for which effects are investing or financing cash flows. (N.B. SFRS(I) 1-7 Illustrative Examples uses 'profit before taxation' as alternative starting point.) SFRS(I) 1-7.18-20

(1a) Non-cash adjustment items shall include those attributed to discontinued operations because 'profit or loss' as starting point include that of both continuing and discontinued operations. Net cash flows separately attributable to operating, investing and financing activities of discontinued operations shall be disclosed in the statement of cash flows or in the notes. SFRS(I) 1-7.10,11 SFRS(I) 5.33.c

Investing activities

(2) Investing cash flows represent expenditures made for resources intended to generate future income and cash flows. Only expenditures that result in recognised asset are eligible for classification as investing activities. Investing activities include cash advances and loans made to other parties, and cash receipts from repayment of advances and loans made to other parties. Cash flows arising from obtaining or losing control of subsidiaries or other businesses shall be classified as investing activities. SFRS(I) 1-7.16, 39

Foreign exchange rate changes

(3) If unrealised foreign exchange gains or losses recognised in profit or loss for the year arise from non-operating activities, such as long-term loans, they shall be included as adjustment to profit or loss in arriving at the operating cash flows. On the other hand, unrealised foreign exchange gains or losses on monetary items forming part of operating activities, such as trade receivables or payables, do not require such adjustments because they are already adjusted through changes in working capital. SFRS(I) 1-7.20.b

(4) Effect of foreign exchange rate changes on cash and cash equivalents held in foreign currencies is reported to reconcile cash and cash equivalents at beginning and end of the period and presented separately from operating, investing and financing cash flows. SFRS(I) 1-7.28

Interest, dividends and taxes

Interest paid and interest received on financial assets for cash management purposes may be classified as operating cash flows. Dividends and interest received on investment assets may be classified as investing cash flows when they are returns on investments. Dividends and interest paid may be classified as financing cash flows when they are cost of obtaining financial resources. SFRS(I) 1-7.31-34

(5) The total amount of interest paid during a period is disclosed in the statement of cash flows whether it has been recognised as an expense in profit or loss or capitalised in accordance with SFRS(I) 1-23. Classification of payments of interest capitalised shall be classified in a manner consistent with classification of underlying asset in which interest are capitalised. For example, payments of interest that are capitalised as part of the cost of development properties shall be classified as part of an entity's operating activities. SFRS(I) 1-7.32

(6) Cash flows arising from taxes on income shall be separately disclosed and shall be classified as cash flows from operating activities unless they can be specifically identified with financing and investing activities. SFRS(I) 1-7.35

Non-cash transactions

(7) Investing and financing transactions that do not require the use of cash or cash equivalents shall be excluded from a statement of cash flows. Such transactions shall be disclosed elsewhere in the financial statements in a way that provides all the relevant information about these investing and financing activities. An example will be the acquisition of assets either by assuming directly related liabilities or by means of a lease. SFRS(I) 1-7.43,44

Lease payments

(8) A lessee shall classify in the statement of cash flows: (a) cash payments for the principal portion of the lease liability within financing activities; (b) cash payments for the interest portion of the lease liability applying the requirements in SFRS(I) 1-7 for interest paid; and (c) short-term lease payments, payments for leases of low-value assets and variable lease payments not included in the measurement of the lease liability within operating activities. Classification of payments made before commencement of the lease is determined based on the substance of the payments. For example, prepaid lease payments shall be classified as investing activities if they are related to upfront payments to secure the right to use an asset over a period of time. SFRS(I) 16.50

Reconciliation of liabilities arising from financing activities

(9) SFRS(I) 1-7 requires an entity to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including both changes arising from cash flows and non-cash changes. The entity should include changes in financial assets (for example, assets that hedge liabilities arising from financing liabilities) in the disclosures if such cash flows were, or will be, included in cash flows from financing activities. SFRS(I) 1-7.44A-44E

(10) Disclose changes in financial assets (e.g. assets that hedge liabilities arising from financing activities) if cash flows from those financial assets were, or future cash flows will be, included in cash flows from financing activities. SFRS(I) 1-7.44C

Notes to the financial statements
for the financial year ended 31 December 2022

SFRS(I) 1-1.112-114

1 General information (1) (2)

FKT Holdings Limited (the "Company") (Registration No. 198001234R) is a limited liability company, incorporated and domiciled in Singapore, and listed on the Singapore Exchange Securities Trading Limited ("SGX-ST") Mainboard. The registered office and principal place of business (3) of the Company is located at 20 FKT Road #02-01, FKT Building, Singapore 800820. SFRS(I) 1-1.138.a

The principal activities of the Company are those of investment holding and provision of management services. The principal activities of the subsidiaries and the associates are disclosed in Note 7 and 8 respectively. There has been no significant change in the nature of these activities during the financial year. SFRS(I) 1-1.138.b

The immediate and ultimate holding corporation is FKT Global Ltd (4), incorporated in United Kingdom. Related companies in these financial statements refer to members of the immediate and ultimate holding corporation's group of companies. SFRS(I) 1-1.138.c SFRS(I) 1-24.13 CA 201.11

The consolidated financial statements of the Group and statement of financial position of the Company for the financial year ended 31 December 2022 were authorised for issue by the Board of Directors on the date of the directors' statement. (5) SFRS(I) 1-10.17

Guidance Notes – General information

(1) **Financial periods of different length**

An entity shall present a complete set of financial statements (including comparative information) at least annually. When an entity changes the end of its reporting period and presents financial statements for a period longer or shorter than one year, an entity shall disclose, in addition to the period covered by the financial statements: (a) the reason for using a longer or shorter period, and (b) the fact that amounts presented in the financial statements are not entirely comparable. An illustrative disclosure is as follows: SFRS(I) 1-1.36,38

"The Company has changed the end of its reporting period from [30 June] to [31 December] on [effective date of change]. The financial statements for 2022 cover [the period from 1 July 2021 to 31 December 2022]. The financial statements for 2021 cover [the twelve months ended 30 June 2021]. Consequently, the amounts presented in these financial statements are not entirely comparable."

(2) **Change of name**

If an entity changes name since the last year end and up to the date of the financial statements, the change shall be disclosed, such as follows: SFRS(I) 1-1.51.a

"With effect from [effective date of change], the name of the Company has been changed from [XYZ Pte Ltd] to [ZYX Pte Ltd]."

(3) **Registered office and principal place of business**

An entity shall disclose, if not disclosed elsewhere in information published with the financial statements, the address of its principal place of business, if different from the registered office. SFRS(I) 1-1.138.a

(4) **Ultimate controlling party**

Relationships between a parent and its subsidiaries shall be disclosed irrespective of whether there have been transactions between them. An entity shall disclose the name of its parent and, if different, the ultimate controlling party. If neither the entity's parent nor the ultimate controlling party produces consolidated financial statements available for public use, the name of the next most senior parent that does so shall also be disclosed. SFRS(I) 1-24.13,14

(5) **Authorisation of financial statements**

An entity shall disclose the date when the financial statements were authorised for issue and who gave that authorisation. If the entity's owners or others have the power to amend the financial statements after issue, the entity shall disclose that fact. SFRS(I) 1-10.17

2(a) Basis of preparation

The financial statements are drawn up in accordance with the provisions of the Singapore Companies Act 1967 and Singapore Financial Reporting Standards (International) ("SFRS(I)"), and have been prepared under the historical cost convention, except as disclosed in the accounting policies below. SFRS(I) 1-1.16 SGX 1207.5.d SFRS(I) 1-1.117

The financial statements are presented in Singapore dollar which is the Company's functional currency. All financial information are disclosed in Singapore dollar, unless otherwise stated. (1) SFRS(I) 1-1.51.d

Guidance Notes – Basis of preparation

Materiality and aggregation

An entity shall present separately each material class of similar items. An entity shall present separately items of dissimilar nature or function unless they are immaterial. Whether individual items or groups of items need to be disclosed separately in the primary financial statements or in the notes depends on their materiality. Materiality is judged by reference to size and nature of the item. Deciding factor is whether the omission, misstatement or obscuring of information could reasonably be expected to influence the decisions that primary users of the financial statements make on the basis of these financial statements. In particular circumstances, either the nature or amount of an item or an aggregate of items could be the determining factor. An entity shall decide, based on all relevant facts and circumstances, how it aggregates information in the financial statements, including the notes. An entity shall not reduce understandability of its financial statements by obscuring material information with immaterial information or by aggregating material items that have different nature or function. (N.B. For completeness of illustration, certain notes disclosure information with, or related to, nil or immaterial values have been included in this publication. Tailoring of the contents in these illustrative financial statements is necessary for reference and application purposes.) SFRS(I) 1-1.7 SFRS(I) 1-1.29-31 SFRS(I) 1-1.BC30F

Comparative information

Except when SFRS(I) permit or require otherwise, an entity shall present comparative information in respect of the preceding period for all amounts reported in the current period's financial statements. An entity shall include comparative information for narrative and descriptive information if it is relevant to understanding the current period's financial statements. SFRS(I) 1-1.38

In some cases, narrative information provided in the financial statements for the preceding periods continues to be relevant in the current period. For example, an entity discloses in the current period details of a legal dispute, the outcome of which was uncertain at the end of the preceding period and is yet to be resolved. Users may benefit from the disclosure of information that the uncertainty existed at the end of the preceding period and about the steps that have been taken during the period to resolve the uncertainty. SFRS(I) 1-1.38B

Consistency of presentation and classification

An entity shall retain the presentation and classification of items in the financial statements from one period to the next unless: SFRS(I) 1-1.45

(a) it is apparent, following a significant change in the nature of the entity's operations or a review of its financial statements, that another presentation or classification would be more appropriate having regard to the criteria for the selection and application of accounting policies in accordance with SFRS(I); or
(b) a SFRS(I) requires a change in presentation.

Functional currency / Presentation currency

(1) An entity shall disclose and display clearly the presentation currency as defined in SFRS(I) 1-21. An entity often makes financial statements more understandable by presenting information in thousands or millions of units of the presentation currency. This is acceptable as long as the entity discloses the level of rounding, such as follows: SFRS(I) 1-1.51.d SFRS(I) 1-1.53

"All financial information, presented in Singapore Dollar, are rounded to the nearest thousand ($'000) unless otherwise stated."

When the presentation currency is different from the functional currency, that fact shall be stated, together with disclosure of functional currency and the reason for using a different presentation currency. When there is a change in functional currency of either the reporting entity or a significant foreign operation, that fact and the reason for the change in functional currency shall be disclosed. SFRS(I) 1-21.53,54

Going concern

When preparing financial statements, management shall make an assessment of an entity's ability to continue as a going concern. An entity shall prepare financial statements on a going concern basis unless management either intends to liquidate the entity or to cease trading, or has no realistic alternative but to do so. When management is aware, in making its assessment, of material uncertainties related to events or conditions that may cast significant doubt upon the entity's ability to continue as a going concern, the entity shall disclose those uncertainties. When an entity does not prepare financial statements on a going concern basis, it shall disclose that fact, together with the basis on which it prepares the financial statements and the reason why the entity is not regarded as a going concern. SFRS(I) 1-1.25

In assessing whether the going concern assumption is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, twelve months from the end of the reporting period. The degree of consideration depends on the facts in each case. When an entity has a history of profitable operations and ready access to financial resources, the entity may reach a conclusion that the going concern basis of accounting is appropriate without detailed analysis. In other cases, management may need to consider a wide range of factors relating to current and expected profitability, debt repayment schedules and potential sources of replacement financing before it can satisfy itself that the going concern basis is appropriate. SFRS(I) 1-1.26

Guidance Notes – Basis of preparation (cont'd)

An entity shall not prepare its financial statements on a going concern basis if management determines after the reporting period either that it intends to liquidate the entity or to cease trading, or that it has no realistic alternative but to do so. SFRS(I) 1-10.14

An illustrative disclosure related to going concern basis of preparation is as follows:

"As at 31 December 2022, the Company's current liabilities exceeded its current assets by $XXX (2021: $XXX). The Company's net current liability position was due to advances from its wholly owned subsidiaries (Note XX) of $XXX (2021: $XXX). Excluding these advances from its subsidiaries, the Company's net current assets would have been $XXX (2021: $XXX). The financial statements have been prepared on a going concern basis as the directors are of the view that the Company is able to pay its current liabilities as and when they fall due in the next twelve months after the reporting date because the Company has full control and discretion over the timing on which these subsidiaries will recall their advances given to the Company.

As at 31 December 2022, the Group's current portions of borrowings and debt securities (Note XX) of $XXX (2021: $XXX) exceeded its net current assets of $XXX (2021: $XXX) including cash and cash equivalents of $XXX (2021: $XXX). The directors are of the view that the preparation of financial statements on a going concern basis is appropriate because the Group has unutilised credit facilities of $XXX (2021: $XXX) at the reporting date expiring only after the next twelve months and an undertaking from a controlling shareholder cum director to provide continuing financial support to enable the Group to meet its liabilities as and when they fall due.

If the Group or the Company is unable to continue in operational existence for the foreseeable future, it may be unable to discharge its liabilities in the normal course of business and adjustments may have to be made to reflect the situation that assets may need to be realised other than in the normal course of business and at amounts which could differ significantly from the amounts at which they are currently recorded in the financial statements. In addition, the Group or the Company may have to reclassify non-current assets and liabilities as current assets and liabilities. No such adjustments have been made to these financial statements."

An illustrative disclosure about realisation basis of preparation is as follows:

"These financial statements are prepared on a realisation basis because management intends to liquidate the Company within the next twelve months from the reporting date. Subsequent to the closure of its last operating office in July 2022, the Company had been contemplating ceasing operations or changing its principal activities. On 1 February 2023, the Board of Directors approved a plan of voluntary liquidation for the Company in an orderly manner. As a result, liquidation becomes imminent and the Company adopts the realisation basis of accounting, whereby assets are measured at the estimated amount of cash or other consideration that the Company expects to collect in settling or disposing of those assets and whereby liabilities are measured at their estimated settlement amounts, including costs that the Company expects to incur through the end of its liquidation. These estimated amounts are undiscounted and are recorded to the extent whereby the Company has a reasonable basis for estimation."

Defaults and breaches of debt covenants

For loans payable recognised at the end of the reporting period, an entity shall disclose: SFRS(I) 7.18

(a) details of any defaults during the period of principal, interest, sinking fund, or redemption terms of those loans payable;
(b) the carrying amount of the loans payable in default at the end of the reporting period; and
(c) whether the default was remedied, or the terms of the loan facility were renegotiated, before the financial statements were authorised for issue.

If, during the period, there were breaches of loan agreement terms other than those described in above paragraph, an entity shall disclose the same information as required if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the end of the reporting period). SFRS(I) 7.19

An illustrative disclosure in relation to default of debt covenants is as follows:

"In 2022, the Group did not meet its minimum interest coverage ratio (interest expense to profit from continuing operations after tax and depreciation and amortisation) requirement of XX for the third quarter ended 30 September 2022, with regards to the syndicated banking facility (Note XX) drawn down to $XXX (2021: $XXX) as at 31 December 2022. On 31 October 2022, the Group obtained a waiver from the lending group of banks for the following twelve months, with the effect that the outstanding loan would not be recallable on demand during this period. In February 2023, the leading underwriting bank performed a review of the loan facility extended to the Group, including but not limited to the Group's financial performance, progress of principal and interest repayments, and the status of the Group's planned divestment of its hotel business in Hong Kong. Subsequent to the review, in March 2023, the lenders revised downwards the minimum interest coverage ratio requirement to XX and the waiver was lifted. Based on the new covenant ratio and current financial result forecasts, the directors are of the view that the risk of the interest coverage covenant being breached again is low and therefore that the Group will continue as a going concern for the foreseeable future."

Financial statements and consolidated financial statements

Where the consolidated financial statements of the Group are required, the statement of profit or loss and other comprehensive income and statement of cash flows of the Company need not be presented. However, the statement of financial position of the Company is still required. If consolidated financial statements are not required, for reasons such as exemption under SFRS(I) 1-27, the statement of profit or loss and other comprehensive income and statement of cash flows of the Company shall be required. CA 201.1,5 SGX 1207.5

Guidance Notes – Basis of preparation (cont'd)

An entity that is a parent shall present consolidated financial statements. However, a parent need not present consolidated financial statements if it meets all the following conditions: SFRS(I) 10.4.a CA 201.5.a,b

(i) it is a wholly-owned subsidiary or is a partially-owned subsidiary of another entity and all its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, not presenting consolidated financial statements;
(ii) its debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
(iii) it did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market; and
(iv) its ultimate or any intermediate parent produces financial statements that are available for public use and comply with SFRS(I) or IFRS, in which subsidiaries are consolidated or are measured at fair value through profit or loss in accordance with SFRS(I) 10 or IFRS 10.

When a parent elects not to prepare consolidated financial statements and instead prepares separate financial statements, it shall disclose in those separate financial statements: SFRS(I) 1-27.16

(a) the fact that the financial statements are separate financial statements, that the exemption from consolidation has been used; the name and principal place of business (and country of incorporation, if different) of the entity whose consolidated financial statements have been produced for public use; and the address where those consolidated financial statements are obtainable.
(b) a list of significant investments in subsidiaries, joint ventures and associates, including:
    (i) the name of those investees.
    (ii) the principal place of business (and country of incorporation, if different) of those investees.
    (iii) its proportion of the ownership interest (and its proportion of the voting rights, if different) held in those investees.
(c) a description of the method used to account for the investments listed under (b).

If the Company is exempted from producing consolidated financial statements for reasons as noted earlier, an illustrative disclosure in relation to paragraph (a) above that should be included in the basis of preparation section is as follows:

"These financial statements are the separate financial statements of [Company's name]. The Company is exempted from the requirement to prepare consolidated financial statements as the Company is a wholly-owned subsidiary of [holding company's name], incorporated in [holding company's country of incorporation], which produces consolidated financial statements available for public use. The registered office of [holding company's name], where those consolidated financial statements can be obtained, is at [holding company's registered address]." SFRS(I) 1-27.16.a

Investment entity

An investment entity is not required to present consolidated financial statements or apply SFRS(I) 3 when it obtains control of another entity. Instead, the entity shall measure the investment in subsidiaries at fair value through profit or loss. If an investment entity has a subsidiary that provides services that relate to the investment entity's investment activities, it shall consolidate that subsidiary in accordance with SFRS(I) 10 and apply the requirements of SFRS(I) 3 to the acquisition of any such subsidiary. A parent of an investment entity shall consolidate all entities that it controls, including those controlled through an investment entity subsidiary, unless the parent itself is an investment entity. SFRS(I) 10.4B SFRS(I) 10.31-33

If the Company is exempted from producing consolidated financial statements as it is an investment entity, an illustrative disclosure to be included is as follows:

"These financial statements are the separate financial statements of [Company's name]. The Company is not required to produce consolidated financial statements because the Company has determined that it meets the definition of an investment entity as defined in SFRS(I) 10 Consolidated Financial Statements, and consequently, the Company has measured its investments in subsidiaries at fair value through profit or loss in accordance with SFRS(I) 9 Financial Instruments."

Equity accounting of associates and joint ventures

An entity should equity account for all its associates and joint ventures. However, an entity is exempted from equity accounting of an associates or a joint venture, if and only if one of the following situations is applicable: SFRS(I) 1-28.17 SFRS(I) 11.24

(a) all of the following conditions are fulfilled with regards to the entity: SFRS(I) 1-28.17
    (i) the entity is a wholly-owned subsidiary, or is a partially-owned subsidiary of another entity and its other owners, including those not otherwise entitled to vote, have been informed about, and do not object to, the entity not applying the equity method;
    (ii) the entity's debt or equity instruments are not traded in a public market (a domestic or foreign stock exchange or an over-the-counter market, including local and regional markets);
    (iii) the entity did not file, nor is it in the process of filing, its financial statements with a securities commission or other regulatory organisation, for the purpose of issuing any class of instruments in a public market; and
    (iv) the ultimate or any intermediate parent of the entity produces consolidated financial statements available for public use that comply with SFRS(I) or IFRS, in which subsidiaries are consolidated or are measured at fair value through profit or loss.

(b) the investment is a venture capital organisation, mutual fund, unit trust or similar entity, including investment-linked insurance funds, that upon initial recognition are designated as at fair value through profit or loss or are classified as held for trading and accounted for in accordance with SFRS(I) 9. SFRS(I) 1-28.18

(c) the investment is classified as held for sale in accordance with SFRS(I) 5 and is accounted for in accordance with SFRS(I) 5. SFRS(I) 1-28.20

Guidance Notes – COVID-19 related disclosures – Going concern

Set out below are the illustrative disclosures regarding going concern considering specifically only the impacts arisen from the COVID-19 pandemic covering the following scenarios:

(a) There are material uncertainties related to going concern that require disclosure.
(b) There are no material uncertainties related to going concern that require disclosure, but reaching this conclusion has involved significant judgement ("close-call" scenario).

(N.B. In both scenarios, events and conditions have been identified that may cast significant doubt on going concern, but the use of the going concern basis of accounting has been assessed to remain appropriate.)

(a) There are material uncertainties related to going concern that require disclosure.

"As at [date], the Group reported net liabilities of $XXX and net current liabilities of $XXX. The Group also reported net loss of $XXX and net cash outflows from operating activities of $XXX for the financial year then ended.

The impact of COVID-19 had been pervasive and severe as it led to countries, including Singapore and XXX, to impose travel restrictions of varying degree on outgoing and incoming travellers as well as lockdown measures within their countries of different severity. These restrictions and measures caused unprecedented economic and social disruptions which had adversely affected the Group's financial results for the year ended [date]. These negative financial conditions had arisen mainly from the decrease in the Group's revenue due to lower demand for its products as well as the suspension of the Group's operations during the mandatory lockdown periods in various countries.

Furthermore, in response to a liquidity concern caused by slower cash receipts from customers, the Group had increased drawdown of its available loan facilities. During the financial year, the Group also entered into various arrangements with its institutional lenders to amend the terms and conditions of borrowings owing to them, including deferment or extension of repayment due dates and setup of instalment plans. Consequent to these actions, the Group is expecting cash outflows of $XXX subsequent to the reporting date to settle its borrowings, of which $XXX is expected to be settled within 12 months from the reporting date.

The aforementioned events and conditions indicate the existence of a material uncertainty that may cast significant doubt on the ability of the Group to continue as a going concern and the Group may not realise its assets and settle its liabilities in the ordinary course of business at the amounts recorded in the financial statements.

Notwithstanding the above indications, the directors have prepared these financial statements on a going concern basis on the following premises:

- *Ability of the Group to generate sufficient cash flows from their operations;*
- *Continued loan facilities of $XXX from the Group's institutional lenders;*
- *Financial support from an executive director cum controlling shareholder of the Group; and*
- *Potential new injections of capital via rights issue.*

As of the reporting date, an executive director cum controlling shareholder of the Group provided a letter of undertaking to provide financial support amounting to maximum of $XXX in the form of working capital to the Group, as and when the Group requires, for the next 12 months. In addition, this director had undertaken not to demand for repayment of the balances due to him prior to [date] if the Group taps on this source of finance from him.

As at the date of these financial statements, the Group has embarked on a rights issue exercise, which will allot and issue XXX new ordinary shares at a right issue price of $XX for each right share on the basis of XX right shares for each ordinary share in the capital of the Company held by each shareholder. The proceeds from issuance of XXX shares are expected to comprise $XXX of cash consideration and $XXX to be offset by loans from several shareholders.

These financial statements have been prepared on a going concern basis and do not include any adjustments to the carrying amounts and classification of assets, liabilities and reported expenses that may otherwise be required if the going concern basis is not appropriate."

Guidance Notes – COVID-19 related disclosures – Going concern (cont'd)

(b) There are no material uncertainties related to going concern that require disclosure, but reaching this conclusion has involved significant judgement ("close-call" scenario).

"As at the date of these financial statements, the Group is exposed to heightened liquidity risk as a result of the following factors described below.

During the year, the outbreak of the COVID-19 pandemic had adversely impacted the Group's financial performance as a result of lower production and sale activities and slower collection of sale receipts from customers. For the financial year ended [date], the Group reported net loss of $XXX and net cash outflows from operating activities of $XXX.

As at the reporting date, the Group had certain capital commitment of $XXX for the construction of an investment property to be completed in the next financial year. To ensure adequate funding for the construction, the Group entered into a loan agreement with a third-party investor to make available an amount of $XXX to the Group for financing the remaining capital commitment necessary to complete the investment property. In addition, the Group had also drawn down a further $XXX out of its loan facilities from banks and other institutional lenders for working capital purposes.

During the year, the Group also breached a financial covenant relating to a wholly owned subsidiary's leverage ratio on a bank loan amounting to $XXX at year end. Accordingly, this said bank loan had been classified as current at the end of the reporting period. At the date of these financial statements, the Group has yet to apply successfully for a waiver of the breach from the lending bank. Notwithstanding this, the Group is in compliance with the debt covenants for the other bank loans and facilities utilised by the Group and as at the reporting date, the Group's current assets exceeded its current liabilities by $XXX. Accordingly, the directors have assessed that this breach will not affect the availability of other banking facilities and the liquidity position of the Group.

In response to the heightened liquidity risk, management has drawn up the Group's cash flow forecast up to [date]. Based on the Group's cash flow forecast as drawn up by management, the directors have concluded that the Group will have sufficient financial resources and there is no material uncertainty regarding the Group's ability to continue as a going concern for at least the next 12 months from the date of these financial statements, having assessed the following sources of funding available to the Group:

- *Internally generated funds from the Group's core business;*
- *External funds of $XXX from the third-party investor to finance the remaining capital commitment to construct the investment property; and*
- *Available banking and other credit facilities of $XXX to finance the Group's operations.*

As the global and regional COVID-19 situations remain very fluid at the date of these financial statements, the Group cannot reasonably ascertain the full extent of the probable impact of COVID-19 related disruptions on its operating and financial performance for the next financial year ending [date]. If the situation persists beyond the directors' current expectations, the Group's assets may be subject to further write downs in the subsequent financial periods."

2(b) Adoption of new and revised SFRS(I) effective for the current financial year [(1)]

On 1 January 2022, the Group and the Company have adopted all the new and revised SFRS(I), SFRS(I) interpretations ("SFRS(I) INT") and amendments to SFRS(I), effective for the current financial year that are relevant to them. The adoption of these new and revised SFRS(I) pronouncements does not result in significant changes to the Group's and the Company's accounting policies and has no material effect on the amounts or the disclosures reported for the current or prior reporting periods, except as discussed below: [(2)] SFRS(I) 1-8.28

Reference	Description	Effective date (Annual periods beginning on or after)
Amendment to SFRS(I) 16	*COVID-19-Related Rent Concessions beyond 30 June 2021*	1 April 2021
Amendments to SFRS(I) 1-37	*Onerous Contracts – Cost of Fulfilling a Contract*	1 January 2022
Amendments to SFRS(I) 1-16	*Property, Plant and Equipment – Proceeds before Intended Use*	1 January 2022
Amendments to SFRS(I) 3	*Reference to the Conceptual Framework*	1 January 2022
Amendment to SFRS(I) 9	*Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*	1 January 2022
Amendment to SFRS(I) 1	*Subsidiary as a First-time Adopter*	1 January 2022
Amendment to SFRS(I) 1-41	*Taxation in Fair Value Measurements*	1 January 2022

Guidance Notes – Adoption of new and revised SFRS(I) effective for the current financial year

(1) When initial application of a SFRS(I) has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose: SFRS(I) 1-8.28

(a) the title of the SFRS(I);
(b) when applicable, that the change in accounting policy is made in accordance with its transitional provisions;
(c) the nature of the change in accounting policy;
(d) when applicable, a description of the transitional provisions;
(e) when applicable, the transitional provisions that might have an effect on future periods;
(f) for the current period and each prior period presented, to the extent practicable, the amount of the adjustment:
  (i) for each financial statement line item affected; and
  (ii) if SFRS(I) 1-33 applies to the entity, for basic and diluted earnings per share;
(g) the amount of the adjustment relating to periods before those presented, to the extent practicable; and
(h) if retrospective application required is impracticable for a particular prior period, or for periods before those presented, the circumstances that led to the existence of that condition and a description of how and from when the change in accounting policy has been applied.

Financial statements of subsequent periods need not repeat these disclosures.

(2) It is not required to list all SFRS(I), SFRS(I) interpretations and amendments to SFRS(I) that are effective in the current year. Only those relevant to the entity should be indicated. Entities should analyse the impact of these new or revised SFRS(I) on their financial statements based on their specific facts and circumstances and make appropriate disclosures in accordance with SFRS(I) 1-8. (N.B. For purpose of these illustrative financial statements, some of these new and revised SFRS(I) pronouncements are not applicable to the Group. However, their related description and illustrative narratives have been included for completeness of reference.)

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (cont'd)

[Insert title of new and revised SFRS(I), SFRS(I) INT or amendments to SFRS(I)] SFRS(I) 1-8.28(a)

[Describe the nature of the change in accounting policy, describe the transitional provisions (when applicable) and describe the transitional provisions that might have an effect on future periods (when applicable)] SFRS(I) 1-8.28(b)-(f)

The change in accounting policy is made in accordance with the transitional provisions. The following table summarises the effects of initial application on the financial statements.

	The Group	
	2022	2021
	$	$
	Increase/(Decrease)	
Consolidated statement of financial position		
[Describe line items affected]		
Consolidated statement of profit or loss and other comprehensive income		
[Describe line items affected]		
Consolidated statement of cash flows		
[Describe line items affected]		
Earnings per share		
- Basic		
- Diluted		

	The Company	
	2022	2021
	$	$
	Increase/(Decrease)	
Statement of financial position		
[Describe line items affected]		

[Describe the amount of the adjustment relating to periods before those presented (to the extent practicable)] SFRS(I) 1-8.28(g)

[If retrospective application is impracticable for a particular prior period, or for periods before those presented, describe the circumstances that led to the existence of that condition and describe how and from when the change in accounting policy has been applied] SFRS(I) 1-8.28(h)

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (cont'd)

Amendment to SFRS(I) 16 *COVID-19-Related Rent Concessions beyond 30 June 2021*

The amendment provides a relief to lessees in accounting for rent concessions occurring as a direct consequence of the COVID-19 pandemic. The practical expedient permits a lessee to elect not to assess whether a COVID-19 related rent concession is a lease modification. A lessee that makes this election shall account for any change in lease payments resulting from the COVID-19 related rent concession as if the change were not a lease modification. The practical expedient initially applies only to reductions in lease payments due on or before 30 June 2021, but that date has been subsequently extended to 30 June 2022.

The amendment is applied retrospectively, and the cumulative effect of initial application is recognised in the opening retained earnings (or other component of equity, as appropriate) of the reporting period in which the amendment is first applied.

The Group has applied the practical expedient to all of the applicable COVID-19 related rent concessions it has obtained as lessee. Consequently, rent concessions of $XXX are recognised as negative variable lease payments in the profit or loss for the current financial year.

Guidance Notes – Amendment to SFRS(I) 16 *COVID-19-Related Rent Concessions beyond 30 June 2021*

The practical expedient applies only to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met: SFRS(I) 16.46B

(a) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
(b) any reduction in lease payments affects only payments originally due on or before 30 June 2022 (for example, a rent concession would meet this condition if it results in reduced lease payments on or before 30 June 2022 and increased lease payments that extend beyond 30 June 2022); and
(c) there is no substantive change to other terms and conditions of the lease.

A lessee shall apply COVID-19-Related Rent Concessions beyond 30 June 2021 retrospectively, recognising the cumulative effect of initially applying that amendment as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the annual reporting period in which the lessee first applies the amendment. SFRS(I) 16.C20BA-BC

In the reporting period in which a lessee first applies COVID-19-Related Rent Concessions beyond 30 June 2021, a lessee is not required to disclose the information required by paragraph 28(f) of SFRS(I) 1-8.

A lessee shall apply the practical expedient consistently to eligible contracts with similar characteristics and in similar circumstances, irrespective of whether the contract became eligible for the practical expedient as a result of the lessee applying COVID-19-Related Rent Concessions or COVID-19-Related Rent Concessions beyond 30 June 2021.

If a lessee applies the practical expedient, disclose: SFRS(I) 16.60A

- the fact that it has applied the practical expedient to all rent concessions that meet the conditions or, if not applied to all such rent concessions, information about the nature of the contracts to which it has applied the practical expedient; and
- the amount recognised in profit or loss for the reporting period to reflect changes in lease payments that arise from rent concessions to which the lessee has applied the practical expedient.

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (cont'd)

Amendments to SFRS(I) 1-37 *Onerous Contracts – Cost of Fulfilling a Contract*

The amendments specify that the cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both the incremental costs of fulfilling that contract (such as direct labour or materials) and an allocation of other costs that relate directly to fulfilling contracts (such as allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling the contract).

The amendments are applied to contracts for which the reporting entity has not yet fulfilled all of its obligations at the beginning of the reporting period in which the amendments are first applied. At the date of initial application, the cumulative effect of applying the amendments is recognised as an opening balance adjustment to retained earnings (or other component of equity, as appropriate). The comparatives are not restated.

Previously, the Group included only incremental costs of fulfilling the contract when determining whether a contract was onerous. The revised policy is to include both incremental costs and an allocation of other direct costs. The Group has analysed all the applicable contracts in existence at the beginning of the current financial year and has determined that none of them is identified as onerous applying the revised policy.

Guidance Notes – Amendments to SFRS(I) 1-37 *Onerous Contracts – Cost of Fulfilling a Contract*

An onerous contract is a contract in which the unavoidable costs of meeting the obligations under the contract exceed the economic benefits expected to be received under it. The unavoidable costs under a contract reflect the least net cost of exiting from the contract, which is the lower of the cost of fulfilling it and any compensation or penalties arising from failure to fulfil it.

The cost of fulfilling a contract comprises the costs that relate directly to the contract. Costs that relate directly to a contract consist of both: SFRS(I) 1-37.68A

- the incremental costs of fulfilling that contract (for example, direct labour and materials); and
- an allocation of other costs that relate directly to fulfilling contracts (for example, an allocation of the depreciation charge for an item of property, plant and equipment used in fulfilling that contract among others).

Before a separate provision for an onerous contract is established, an entity recognises any impairment loss that has occurred on assets dedicated to that used in fulfilling the contract.

An entity shall apply the amendments to contracts for which it has not yet fulfilled all its obligations at the beginning of the annual reporting period in which it first applies the amendments (the date of initial application). The entity shall not restate comparative information. Instead, the entity shall recognise the cumulative effect of initially applying the amendments as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the date of initial application.

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (cont'd)

Amendments to SFRS(I) 1-16 *Property, Plant and Equipment – Proceeds before Intended Use*

The amendments prohibit deducting from the cost of an item of property, plant and equipment any proceeds from selling items produced before that asset is available for use. Such sales proceeds and related costs are recognised in profit or loss. The amendments also clarify the meaning of 'testing whether an asset is functioning properly' as assessing the technical and physical performance of the asset. The financial statements shall disclose separately the amounts of proceeds and costs relating to items produced that are not an output of ordinary activities.

The amendments are applied retrospectively, but only to items of property, plant and equipment made available for use on or after the beginning of the earliest period presented in the financial statements in which the amendments are first applied. The cumulative effect of initial application is recognised as an adjustment to the opening retained earnings (or other component of equity, as appropriate) at the beginning of that earliest period presented.

There is no impact on the financial statements as there have been no sales of such items produced by property, plant and equipment made available for use on or after the beginning of the earliest period presented in these financial statements.

Amendments to SFRS(I) 3 *Reference to the Conceptual Framework*

The amendments are made to SFRS(I) 3 *Business Combinations* to update references to the *Conceptual Framework for Financial Reporting* and to add an exception for the recognition of liabilities and contingent liabilities within the scope of SFRS(I) 1-37 *Provisions, Contingent Liabilities and Contingent Assets* and SFRS(I) INT 21 *Levies*. For obligations within the scope of SFRS(I) 1-37, the acquirer shall apply SFRS(I) 1-37 to determine whether a present obligation exists at the acquisition date as a result of past events. For a levy within the scope of SFRS(I) INT 21, the acquirer shall apply SFRS(I) INT 21 to determine whether the obligating event that gives rise to a liability to pay the levy has occurred by the acquisition date. The amendments also clarify that contingent assets do not qualify for recognition at the acquisition date.

The amendments are applied prospectively to business combinations occurring on or after the beginning of the reporting period in which the amendments are first applied.

There is no impact on the financial statements as there have been no contingent assets, liabilities or contingent liabilities within the scope of the amendments that have arisen during the period.

Amendment to SFRS(I) 9 *Fees in the '10 per cent' Test for Derecognition of Financial Liabilities*

The amendment clarifies that in applying the '10 per cent' test to assess whether to derecognise a financial liability, the reporting entity includes only fees paid or received between the entity (the borrower) and the lender, including fees paid or received by either the entity or the lender on the other's behalf.

The amendment is applied to financial liabilities that are modified or exchanged on or after the beginning of the reporting period in which the amendment is first applied.

There is no impact on the financial statements as there have been no modification or exchange of the Group's financial instruments during the period.

2(b) Adoption of new and revised SFRS(I) effective for the current financial year (cont'd)

Amendment to SFRS(I) 1 *Subsidiary as a First-time Adopter*

The amendment provides additional relief to a subsidiary which becomes a first-time adopter of SFRS(I) later than its parent in respect of accounting for cumulative translation differences. As a result of the amendment, a subsidiary that uses the exemption can now also elect to measure cumulative translation differences for all foreign operations at the carrying amount that would be included in the parent's consolidated financial statements, based on the parent's date of transition to SFRS(I), if no adjustments were made for consolidation procedures and for effects of the business combination in which the parent acquired the subsidiary. A similar election is available to an associate or joint venture that uses the exemption.

There is no impact on the financial statements as the Group is not a first-time adopter.

Amendment to SFRS(I) 1-41 *Taxation in Fair Value Measurements*

The amendment removes the requirement in SFRS(I) 1-41 *Agriculture* for entities to exclude cash flows for taxation when measuring fair value. This aligns the fair value measurement in SFRS(I) 1-41 with the requirements of SFRS(I) 13 *Fair Value Measurement* to use internally consistent cash flows and discount rates and enables preparers to determine whether to use pre-tax or post-tax cash flows and discount rates for the most appropriate fair value measurement.

The amendment is applied prospectively for fair value measurements on or after the beginning of the reporting period in which the amendment is first applied.

There is no impact on the financial statements as the Group does not have assets in scope of SFRS(I) 1-41 as at the reporting date.

2(c) New and revised SFRS(I) in issue but not yet effective

At the date of authorisation of these financial statements, the Group and the Company have not adopted the new and revised SFRS(I), SFRS(I) INT and amendments to SFRS(I) that have been issued but are not yet effective to them. Management anticipates that the adoption of these new and revised SFRS(I) pronouncements in future periods will not have a material impact on the Group's and the Company's accounting policies in the period of their initial application, except as discussed below: (1) (2) SFRS(I) 1-8.30-31

Reference	Description	Effective date (Annual periods beginning on or after)
SFRS(I) 17	*Insurance Contracts*	1 January 2023
Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2	*Disclosure of Accounting Policies*	1 January 2023
Amendments to SFRS(I) 1-8	*Definition of Accounting Estimates*	1 January 2023
Amendments to SFRS(I) 1-12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*	1 January 2023
Amendments to SFRS(I) 1-1	*Classification of Liabilities as Current or Non-current*	1 January 2024
Amendments to SFRS(I) 10 and SFRS(I) 1-28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*	Yet to be determined

Guidance Notes – New and revised SFRS(I) in issue but not yet effective

(1) Entities must explain if there are any accounting standards and interpretations which are not yet applied but are expected to have a material effect on the entity in the period of initial application. Where a pronouncement introduces a new accounting option that was not previously available, the entity should explain whether and/or how it expects to use the option in the future. SFRS(I) 1-8.30

It is not required to list all SFRS(I), SFRS(I) interpretations and amendments to SFRS(I) that have been issued but are not effective at date of authorisation of financial statements. Only those relevant to the entity's operations should be indicated. (N.B. For purpose of these illustrative financial statements, some of the new and revised SFRS(I) in issue but not yet effective are not applicable to the Group. However, their related description and illustrative narratives have been included for reference.)

(2) The new and revised IFRS that are not yet mandatorily effective for the year ended 31 December 2022 and have not yet been adopted into SFRS(I) by ASC as at the date of this publication include:

- Amendments to IFRS 16 *Lease Liability in a Sale and Leaseback*
- Amendments to IAS 1 *Non-current Liabilities with Covenants*

2(c) New and revised SFRS(I) in issue but not yet effective (cont'd)

SFRS(I) 17 *Insurance Contracts*

SFRS(I) 17 is a new comprehensive accounting standard for insurance contracts covering recognition, measurement, presentation and disclosure. When effective, SFRS(I) 17 shall replace SFRS(I) 4 *Insurance Contracts*. SFRS(I) 17 applies to all types of insurance contracts (such as life, non-life, direct insurance and re-insurance), regardless of the type of entities that issue them, as well as certain guarantees and financial instruments with discretionary participation features. A few scope exceptions are applicable. The overall objective of SFRS(I) 17 is to provide an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the requirements in SFRS(I) 4, which are largely based on grandfathering previous local accounting policies, SFRS(I) 17 provides a comprehensive model for insurance contracts covering all relevant accounting aspects. The core of SFRS(I) 17 is the general model, supplemented by a specific adaptation for contracts with direct participation features (the variable fee approach) and a simplified approach (the premium allocation approach) mainly for short-duration contracts. The general model uses current assumptions to estimate the amount, timing and uncertainty of future cash flows, explicitly measures the cost of that uncertainty, and takes into account market interest rates and the impact of policyholders' options and guarantees.

SFRS(I) 17 shall be applied to reporting periods beginning on or after 1 January 2023 retrospectively, unless impracticable, in which case the modified retrospective approach or the fair value approach is applied. Early application is permitted if SFRS(I) 9 and SFRS(I) 15 are also applied. For the purpose of the transition requirements, the date of initial application is the beginning of the reporting period in which SFRS(I) 17 is first applied, and the transition date is the beginning of the period immediately preceding the date of initial application.

[There is no material impact expected to the financial statements on initial application.] or [The Group is currently assessing the impact of the amendments. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the financial statements in the period of initial application.] or [Disclose expected impact to the financial statements in accordance with SFRS(I) 1-8.30-31]

Amendments to SFRS(I) 1-1 and SFRS(I) Practice Statement 2 *Disclosure of Accounting Policies*

The amendments provide guidance and examples to help a reporting entity apply materiality judgement to accounting policy disclosures. The amendments aim to help the entity to provide accounting policy disclosures that are more useful by replacing the requirement to disclose 'significant' accounting policies with a requirement to disclose 'material' accounting policies and by adding guidance on how the entity applies the concept of materiality in making decisions about accounting policy disclosures.

The amendments to SFRS(I) 1-1 are effective for reporting periods beginning on or after 1 January 2023 and are applied prospectively. Early application is permitted. The amendments to SFRS(I) Practice Statement 2 do not contain an effective date or transition requirements.

There is no material impact expected to the financial statements on initial application.

Amendments to SFRS(I) 1-8 *Definition of Accounting Estimates*

The amendments replace the definition of 'change in accounting estimates' with a definition of 'accounting estimates'. The amendments clarify the distinction between change in accounting estimates and change in accounting policies and correction of errors, and that entities use measurement techniques and inputs to develop accounting estimates.

The amendments are effective for reporting periods beginning on or after 1 January 2023 to changes in accounting policies and changes in accounting estimates that occur on or after the beginning of the period of initial application. Early application is permitted.

There is no material impact expected to the financial statements on initial application.

2(c) New and revised SFRS(I) in issue but not yet effective (cont'd)

Amendments to SFRS(I) 1-12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments introduce a further exception from the initial recognition exemption. Under the amendments, a reporting entity does not apply the initial recognition exemption for transactions that give rise to equal taxable and deductible temporary differences.

The amendments are effective for reporting periods beginning on or after 1 January 2023. Early application is permitted. The amendments shall be applied to transactions that occur on or after the beginning of the earliest comparative period presented. In addition, at the beginning of the earliest comparative period presented, deferred tax asset and deferred tax liability shall be recognised for all deductible and taxable temporary differences associated with leases and decommissioning obligations.

As of 31 December 2022, the taxable temporary differences in relation to right-of-use assets and the deductible temporary differences in relation to lease liabilities amount to $XXX and $XXX respectively. Under the amendments, the Group will recognise a deferred tax liability of $XXX and a deferred tax asset of $XXX separately.

Amendments to SFRS(I) 1-1 *Classification of Liabilities as Current or Non-current*

The amendments clarify that the classification of liabilities as current or non-current is based on rights that are in existence at the end of the reporting period, specify that classification is unaffected by expectations about whether the reporting entity will exercise its right to defer settlement of a liability, explain that rights are in existence if covenants are complied with at the end of the reporting period, and introduce a definition of 'settlement' to make clear that settlement refers to the transfer to the counterparty of cash, equity instruments, other assets or services.

The amendments are applied retrospectively for reporting periods beginning on or after 1 January 2024. Early application is permitted.

There is no material impact expected to the financial statements on initial application.

Amendments to SFRS(I) 10 and SFRS(I) 1-28 *Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*

The amendments clarify the accounting treatment for sales or contribution of assets between an investor and their associates or joint ventures. The amendments confirm that the accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business' as defined in SFRS(I) 3. Where the non-monetary assets constitute a business, the investor shall recognise the full gain or loss on the sale or contribution of assets. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor only to the extent of the other investor's interests in the associate or joint venture.

The effective date of the amendments has yet to be set, but early application is permitted. The amendments are applied prospectively.

[There is no material impact expected to the financial statements on initial application.] or [The Group is currently assessing the impact of the amendments. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the financial statements in the period of initial application.] or [Disclose expected impact to the financial statements in accordance with SFRS(I) 1-8.30-31]

2(c) New and revised SFRS(I) in issue but not yet effective (cont'd)

Amendments to IFRS 16 *Lease Liability in a Sale and Leaseback*

The amendments add subsequent measurement requirements for sale and leaseback transactions that satisfy the requirements in IFRS 15 to be accounted for as a sale. The amendments require the seller-lessee to determine 'lease payments' or 'revised lease payments' such that the seller-lessee does not recognise a gain or loss that relates to the right of use retained. The amendments do not affect the gain or loss recognised by the seller-lessee relating to the partial or full termination of a lease.

The amendments are effective for reporting periods beginning on or after 1 January 2024. Early application is permitted. The amendments are applied retrospectively to sale and leaseback transactions that have been entered into on or after the date of initial application of IFRS 16.

[There is no material impact expected to the financial statements on initial application.] or [The Group is currently assessing the impact of the amendments. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the financial statements in the period of initial application.] or [Disclose expected impact to the financial statements in accordance with IAS 8.30-31]

Amendments to IAS 1 *Non-current Liabilities with Covenants*

The amendments specify that covenants with which a reporting entity must comply after the reporting date do not affect the classification of a liability as current or non-current at the reporting date. The amendments require the entity to disclose information in the notes that enables users of financial statements to understand the risk that non-current liabilities with covenants could become repayable within twelve months.

The amendments are applied retrospectively for reporting periods beginning on or after 1 January 2024. Early application is permitted.

[There is no material impact expected to the financial statements on initial application.] or [The Group is currently assessing the impact of the amendments. It is currently impracticable to disclose any further information on the known or reasonably estimable impact to the financial statements in the period of initial application.] or [Disclose expected impact to the financial statements in accordance with IAS 8.30-31]

2(d) Critical accounting judgements and key sources of estimation uncertainty

The preparation of the financial statements in conformity with SFRS(I) requires the use of judgements, estimates and assumptions 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, actual results may differ from those estimates. The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the reporting period in which the estimate is revised and in any future reporting periods affected. The areas involving significant judgement and critical accounting estimates and assumptions used are described below. SFRS(I) 1-1.122

Impact of COVID-19

The Coronavirus Disease ("COVID-19") outbreak that began as a viral pneumonia of unknown cause was reported by the People's Republic of China to the World Health Organisation ("WHO") in December 2019. In January 2020, WHO proclaimed that the outbreak was a public health emergency of international concern. Subsequently, COVID-19 was declared a worldwide pandemic by WHO in March 2020. In response to the pandemic, governments from different countries around the world have implemented containment measures to varying degrees in a bid to curb the spread of the virus. As a result, there have been disruption to global trade due to restrictions for cross-border movement and reduced economic activities which have persisted due to arising new variants of the virus.

The ongoing and evolving COVID-19 pandemic has a significant impact on the global economy and the economies of the countries in which the Group operates in. There is significant uncertainty as to the duration of the pandemic and its impact on those economies. In regard to the Group, the impact and consideration of COVID-19 have been in the following areas:

- [valuation of investment properties;
- net realisable value of development properties;
- impairment of non-financial assets;
- allowance for expected credit losses of trade and other receivables;
- accounting for government assistance;
- revenue recognition for development properties; and
- estimation of total contract costs for construction contracts.]

Further details on significant judgements and estimation uncertainties impacted by the COVID-19 pandemic are included in the discussion below.

2(d) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

Impact of climate change

In preparing the financial statements, the Group considers the impact of climate change, particularly in the context of the physical risks and transition risks [as discussed in the Sustainability Report] that are relevant to the Group's assets and business operations, such as:

- [increased capital costs as a result of damage to facilities;
- reduced revenues from decreased production capacity (including supply chain interruptions);
- reduced sale of existing products as a consequence of government policy and change in customer behaviour (such as switch to newer more fuel-efficient products);
- fines or litigation for climate related damage; and
- higher financing costs.]

The Group sets decarbonisation commitments and identifies considerations in response to climate change and engages proactively with various stakeholders to advocate for the conditions needed to achieve net zero target. The Group's main priorities include [continuing investment in renewable energy installations and energy efficiency improvements, procurement of renewable energy, and pioneering breakthrough in new technologies such as hybrid-electric solutions].

Climate change scenarios are prepared to assess the viability of the business strategy, decarbonisation plans and approach to managing climate related risks. There is inherent uncertainty over the assumptions used within these and how they will impact the Group's business operations, cash flows and profit projections. The Group assesses the assumptions on a regular basis to ensure that they are consistent with the risk management activities and the commitments made to investors and other stakeholders.

The climate related estimates and assumptions that have been considered to be key areas of judgement or sources of estimation uncertainty are those relating to:

- [investments in sustainability-linked bonds;
- borrowings with sustainability-linked features;
- valuation of investment properties;
- net realisable value of development properties;
- impairment of non-current assets;
- amortisation of intangible assets;
- allowance for expected credit losses of trade and other receivables; and
- recognition and measurement of provision for rehabilitation.]

Areas that may be impacted by climate related risks but which have not been assessed to contain any key areas of judgement or sources of estimation uncertainty include [capitalised development costs, recovery of deferred tax assets, revenue recognition on long term contracts, inventory valuation and share based payments].

Guidance Notes – Disclosure of climate-related accounting judgements and estimates

In some situations, climate factors may give rise to significant judgements and estimation uncertainty associated with the recognition or measurement of assets or liabilities e.g. provisions. Where there is significant risk that these assumptions may change within the next financial year (for example, because of an uncertain regulatory environment), SFRS(I) 1-1 requires the assumptions on which the accounting is based to be explained.

For assets carried at fair value, expectations of climate factors may be a significant component of the fair value assumptions required to be disclosed under SFRS(I) 13.

Climate-related risk may also be a consideration in impairment assessments for non-financial assets including goodwill and indefinite life intangible assets. Where the impact of specific climate-related risks represents a key assumption in cash flow forecasts used to determine recoverable amount (for example, because the assessment makes assumptions about particular regulatory outcomes), SFRS(I) 1-36 and SFRS(I) 1-1 require this to be explained. Further SFRS(I) 1-36 requires disclosure of the impact of a reasonably possible change in these key assumptions (if material) where they are used to determine the recoverable amount of goodwill or indefinite life intangible assets.

2(d) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(i) Significant judgements used in applying accounting policies

SFRS(I) 1-1.123

The following are the critical judgements, apart from those involving estimations (which are presented separately below), that have been made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in financial statements.

<u>(a) Determination of functional currency</u>

The Group measures foreign currency translation in the respective currencies of the Company and its subsidiaries. In determining the functional currencies of the entities in the Group, judgement is required to determine the currency that mainly influences sales prices for goods and services and of the country whose competitive forces and regulations mainly determines the sales prices of its goods and services. The functional currencies of the entities in the Group are determined based on management's assessment of the economic environment in which the entities operate and the entities' process of determining sales prices. SFRS(I) 1-21.12

<u>(b) De facto control of FKT Construction (HK) Limited (Note 7)</u>

The Group determines if it has control, or not, over an investee based on whether the Group has the practical ability to direct the relevant activities significantly affecting the investee's returns. Although the Group owns less than half of the ownership interest and voting rights in FKT Construction (HK) Limited, management has determined that the Group has control over FKT Construction (HK) Limited, on a de facto power basis, because the remaining voting rights in the investee are widely dispersed and there is no indication that all other shareholders exercise their votes collectively. SFRS(I) 12.7.a SFRS(I) 12.9.b

<u>(c) Significant influence over San Developer Pte Ltd (Note 8)</u>

The Group assesses that it has significant influence over an investee when the Group has the power to participate in the financial and operating policy decisions of the investee. Although the Group owns less than 20% of the ownership interest and voting rights in San Developer Pte Ltd, management is of the view that the Group has significant influence over San Developer Pte Ltd because there is an agreement with the other shareholders whereby the Group has the right to appoint its representatives for one third of the investee's board of directors. SFRS(I) 12.7.b SFRS(I) 12.9.e

<u>(d) Income taxes (Note 35)</u>

The Group has exposure to income taxes in several jurisdictions. Significant judgement is involved in determining the group-wide provision for income taxes. 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.

In 2022, the Group has incurred certain exhibition expenditure amounting to approximately $241,000 in Malaysia, for which the relevant tax legislation is unclear on tax deductibility of the marketing expense. The Group considers it probable that a tax deduction will be available and has calculated the current tax expense on this basis. The Group has applied for a private ruling from the tax authorities to confirm its interpretation. If the tax ruling is not favourable to the Group, this will increase the Group's current tax payable and current tax expense by approximately $48,000 respectively. SFRS(I) INT 23.A4

2(d) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(i) Significant judgements used in applying accounting policies (cont'd)

(e) Deferred taxation on investment properties (Note 11)

For the purposes of measuring deferred tax liabilities or assets arising from investment properties that are measured using the fair value model, management has reviewed the Group's investment property portfolio and concluded that they are not held under a business model whose objective is to consume substantially all of the economic benefits embodied in the investment properties over time, rather than through sale. Therefore, in determining the Group's deferred taxation on investment properties, management has determined that the presumption that investment properties measured using the fair value model are recovered through sale is not rebutted. SFRS(I) 1-12.51C

(f) Business model assessment (Note 9)

Management makes an assessment of the objective of the business model in which a financial asset is held at a portfolio level because this best reflects the way the business is managed and information is provided to the Group's management. This assessment includes significant judgement reflecting all relevant evidence including: SFRS(I) 9.B4.1.2

- the stated policies and objectives for the portfolio and the operation of those policies in practice (these include whether management's strategy focuses on earning contractual interest income, maintaining a particular interest rate profile, matching the duration of the financial assets to the duration of any related liabilities or expected cash outflows or realising cash flows through the sale of the assets); SFRS(I) 9.B4.1.2B SFRS(I) 9.B4.1.2C SFRS(I) 9.B4.1.4A SFRS(I) 9.B4.1.5
- how the performance of the portfolio is evaluated and reported to the Group's management;
- the risks that affect the performance of the business model (and the financial assets held within that business model) and how those risks are managed;
- how managers of the business are compensated (e.g. whether compensation is based on the fair value of the assets managed or the contractual cash flows collected); and
- the frequency, volume and timing of sales of financial assets in prior periods, the reasons for such sales and expectations about future sales activity.

Monitoring is part of the Group's continuous assessment of whether the business model for which the remaining financial assets are held continues to be appropriate and if it is not appropriate, whether there has been a change in business model and so a prospective change to the classification of those assets.

(g) Determination of the lease term (Note 42)

In determining the lease term, management considers all facts and circumstances that create an economic incentive to exercise an extension option, or not exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not terminated). The lease term is reassessed if an option is actually exercised (or not exercised) or the Group becomes obliged to exercise (or not exercise) it. The assessment of reasonable certainty is only revised if a significant event or a significant change in circumstances occurs, which affects the assessment, and that is within the control of the lessee. For leases of factory cum warehouse premises, plant and equipment, and motor vehicles, the following factors are normally the most relevant: SFRS(I) 16.59.b.ii SFRS(I) 16.B50

- If there are significant penalties to terminate (or not extend), the Group is typically reasonably certain to extend (or not terminate).
- If any leasehold improvements are expected to have a significant remaining value, the Group is typically reasonably certain to extend (or not terminate).
- Otherwise, the Group considers other factors including historical lease durations and the costs and business disruption required to replace the leased asset.

As at 31 December 2022, potential future cash outflows of $180,000 (undiscounted) have not been included in the lease liability because it is not reasonably certain that the leases will be extended (or not terminated).

2(d) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(i) Significant judgements used in applying accounting policies (cont'd)

(h) Acquisition of real estate assets (Note XX)

The Group acquires properties either directly or indirectly through the purchase of entities which own these properties. At the acquisition date, the Group assesses whether the purchase of an entity constitutes a business combination or an asset acquisition. In cases where the acquired entity meets the definition of a business, the Group accounts for the purchase as a business combination. When the acquired entity does not represent a business, it is accounted for as an acquisition of a group of assets and liabilities. In making this distinction, the Group identifies and considers the assets purchased and the processes, inputs and workforce transferred, and then assesses the capability of these elements to significantly contribute together to the ability to generate outputs. SFRS(I) 3.B5-B12

(i) Supplier finance arrangement (Note 27)

The Group participates in a supplier financing arrangement under which its suppliers may elect to receive early payment of their invoice from a bank by factoring their receivable from the Group. Under the arrangement, a bank agrees to pay amounts to a participating supplier in respect of invoices owed by the Group and receives settlement from the Group at a later date. The principal purpose of this arrangement is to facilitate efficient payment processing and enable the willing suppliers to sell their receivables due from the Group to a bank before their due date.

As at 31 December 2022, the Group has not derecognised the original liabilities of $XXX (2021: $XXX) to which the arrangement applies because neither a legal release is obtained nor the original liability is substantially modified on entering into the arrangement. From the Group's perspective, the arrangement does not significantly extend payment terms beyond the normal terms agreed with other suppliers that are not participating. The Group does not incur any additional interest towards the bank on the amounts due to the suppliers. The Group therefore discloses the amounts factored by suppliers within trade payables because the nature and function of the financial liability remain the same as those of other trade payables.

The payments to the bank are included within operating cash flows because they continue to be part of the normal operating cycle of the Group and their principal nature remains operating i.e. payments for the purchase of goods and services.

(j) Investments in sustainability-linked bonds (Note 9)

The Group holds several investments in sustainability-linked bonds which include features that change their contractual cash flows based on the issuer meeting certain contractually specified environmental, social and governance (ESG) targets, such as reduction of carbon emissions. Where the ESG feature could only have a de minimis effect on the contractual cash flows of the bond, then the feature does not affect the classification of the bond. On the other hand, if the effect of the ESG feature could be more than de minimis, then judgement is required to determine whether the feature would be consistent with a basic lending arrangement and meet the SPPI criterion. Where the ESG-linked adjustment to the contractual interest rate reflects compensation for a change in the credit risk of a bond, it does not prevent the bond from meeting the SPPI criterion. However, if the ESG feature represents compensation for exposure to a particular ESG risk, that feature is not consistent with the SPPI criterion. SFRS(I) 9.B4.1.18

(k) Borrowings with sustainability-linked features (Note 23)

The Group issues a bond with contractual cash flows based on it meeting a sustainability performance target which is a pre-determined percentage of properties delivered that are certified to a third-party multi-attribute green building standard. The Group considers first whether the sustainability-linked bond is a hybrid contract i.e. one that includes both a non-derivative host instrument and one or more embedded derivatives, and then assesses whether the embedded derivative should be separately accounted for from the host contract. The Group has determined that the variability in cash flows linked to the Group's sustainability performance target is a non-financial variable specific to a party to the contract, and therefore fails the definition of a derivative. Accordingly, this feature is not separately accounted for. SFRS(I) 9.4.3.3

2(d) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(i) Significant judgements used in applying accounting policies (cont'd)

(l) Fair value change in cash flow hedge subject to the IBOR reform (Note 14)

In measuring the change in fair value attributable to the hedged risk of the Group's floating-rate debt, the Group has made the following assumptions that reflect its current expectations: SFRS(I) 7.24H.d

- The Group's floating-rate debt based on SIBOR will move to SORA during 2023 and the spread will be similar to the spread included in the interest rate swap used as the hedging instrument;
- No other changes to the terms of the Group's floating-rate debt are anticipated; and
- The uncertainty over when the Group's floating-rate debt based on SIBOR will move to SORA, the resulting adjustment to the spread, and the other aspects of the IBOR reform not yet finalised have been incorporated by adding an additional spread to the discount rate used in the calculation.

(m) Software-as-a-Service ("SaaS") arrangement (Note XX)

The Group enters into a SaaS cloud computing arrangement with a third-party IT cloud provider to implement a management system for operational purposes. Under the arrangement, the customer is provided with a right to access the vendor's software application on the cloud over the contract period, and the vendor performs configuration and customisation to the customer's specifications. The Group does not control a software intangible asset because it is unable to run the software on its own hardware or contract with another party unrelated to the vendor to host the software without having to incur significant costs. The SaaS arrangement between the Group and the IT cloud provider is assessed to be a service contract.

Significant judgement is also applied in determining that the configuration and customisation service provided by the vendor is not distinct from the access to the cloud software over the contract period as there is a significant degree of integration, modification and interdependency. As a result, fee for use of the cloud software of $XXX (2021: $XXX) is expensed as the service is provided; configuration and customisation costs of $XXX (2021: $XXX) are recognised as prepayment and expensed over the period of access to the cloud software; cost of the data conversion software developed for the Group of $XXX (2021: $XXX) is capitalised and amortised over its useful life; and testing and training costs of $XXX (2021: $XXX) are expensed as incurred.

Guidance Notes – Configuration and customisation costs in a cloud computing arrangement

Cloud computing services in the form of Software as a Service ("SaaS") are increasingly common. Such contracts convey to the customer the right to receive access to the supplier's application software over the contract term. That right to receive access does not provide the customer with a software asset and, therefore, the access to the software is a service that the customer receives over the contract term.

The IFRS IC issued an agenda decision in April 2021 on Configuration and Customisation ('CC') Costs in a Cloud Computing Arrangement, which provided guidance on accounting for such CC costs.

An entity should assess whether the CC costs create an asset that is separate from the software, based on the recognition criteria in SFRS(I) 1-38 to determine if the CC costs should be recognised as an intangible asset. Where an intangible asset is not recognised, the entity should consider if the CC costs can be capitalised as a prepayment or expensed when incurred. In determining this, the entity should consider the principles in SFRS(I) 15 to understand who is performing the CC service (a third party or the SaaS provider), and whether the service is distinct from the SaaS performance obligation. Where a third-party supplier is engaged to perform the CC services, those costs would typically be expensed immediately.

2(d) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(ii) Key sources of estimation uncertainty

SFRS(I) 1-1.125

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

(a) Valuation of investment properties (Note 6)

SFRS(I) 13.91,92

The Group carries its investment properties at fair value based on independent professional valuations. In determining fair values, the valuers have used valuation techniques (including direct comparison method and income method) which involve certain estimates and significant unobservable inputs. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting prices to those reflective of the investment properties. The income method capitalises an income stream into a present value using single-year capitalisation rate. In relying on valuation reports, the management has exercised its judgement and is satisfied that the valuation methods and estimates are reflective of current market conditions. The carrying amount of the Group's investment properties and the information relating to the valuation techniques and inputs used in determining their fair value are disclosed in Note 6 and 46 respectively. Sensitivity analysis regarding the key input estimates used in each valuation method is set out below:

Valuation technique	Input factor	Increase or decrease in estimate	Increase or decrease in fair value
Direct comparison method	Price of lettable area	+/- 5%	+/- $0.9 million (2021: +/- $0.3 million)
Income method	Net income margin	+/- 5%	+/- $0.5 million (2021: +/- $0.1 million)
Income method	Capitalisation rate	-/+ 25 basis points	+/- $0.2 million (2021: +/- $0.1 million)

The independent valuers have considered available information as at the measurement date relating to events and conditions caused by the COVID-19 pandemic and have made any necessary adjustments to the valuation. The valuation reports also highlighted that given the unprecedented set of circumstances on which to base a judgement, less certainty, and a higher degree of caution, should be attached to their valuations than would normally be the case. Due to the unknown future impact that COVID-19 might have on the real estate market, the external valuers have also recommended to keep the valuation of these properties under frequent review.

Climate related risks are also taken into consideration by the external valuers. In 2022, the Group has performed a climate change risk exposure analysis on certain investment properties, particularly their physical risk for proximity to a flood zone. The analysis has indicated a heightened risk of flooding in some locations within 10 years which has the potential to breach impending changes to local building regulations for acceptable flood risk level for new developments. This discovery has led to a decision to reassess the appropriateness of market comparable information used in the direct comparison method. As a result, some of these market comparable information from the prior period assessment have been discontinued or replaced.

2(d) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

(b) Net realisable value of development properties (Note 12)

Development properties in the course of development and completed properties are stated at lower of cost and estimated net realisable value. When it is probable that the total development costs will exceed the total projected revenue, the amount in excess of net realisable value is recognised as an expense immediately. The process of evaluating the net realisable value of each property is subject to management judgement and the effect of assumptions in respect of development plans, timing of sale and the prevailing market conditions. Management performs cost studies for each development property, taking into account the costs incurred to date, the development status and costs to complete. Any future variation in plans, assumptions and estimates can potentially impact the carrying amounts of the respective properties. SFRS(I) 1-2.30

The COVID-19 pandemic has resulted in significant economic uncertainty in current and future economic environment and there is heightened uncertainty inherent in estimating the impact of COVID-19 on future selling prices of the development properties.

Climate change has also affected the net realisable value assessment of development properties. During 2022, subsequent to issuing a bond with sustainability-linked features, the Group embarks on a business plan to meet a sustainability performance target to deliver properties that are certified to a third-party multi-attribute green building standard. The future costs of sustainability-linked developments such as improvements in drainage and pumping techniques and new flood mitigation measures, could result in changes to the estimated net realisable value.

The COVID-19 pandemic and climate risks have led to heightened uncertainty inherent in estimating net realisable value of the development properties due to increased volatility in their selling prices and costs of development.

The carrying amount of the Group's development properties, including any write down to net realisable value, is disclosed in Note 12. In 2022 and 2021, an increase of 10% in total projected development costs will not lead to any allowance for diminution in value required for the Group's development properties.

(c) Revenue recognition for development properties (Note 28)

The Group recognises contract revenue based on the stage of completion for the sale of development properties where the Group has enforceable rights to payment for performance completed to date. The stage of completion is measured by reference to certifications of the value of work performed to date as compared to the estimated total construction costs of the development projects. The Group is required to estimate the total construction costs which include estimation for variation works and any other claims from contractors. In making these estimates, the Group relies on past experience and the work of specialists. The amount of revenue recognised from development properties by the Group is therefore subject to uncertainty in respect of variation works and estimation of future costs. SFRS(I) 15.123

The COVID-19 pandemic brings about volatility in market and economic conditions such that there is heightened uncertainty in the variation between actual results and estimates. Significant management judgement has been made to incorporate the current status and potential impact of COVID-19 in the key assumptions used in forming any revised completion timeline and estimated property development costs.

The Group's revenue recognised from development properties for the year is disclosed in Note 28. If the estimated costs for variation works increase/decrease by 10% (2021: 10%), the Group's revenue for the year will decrease/increase by $0.8 million (2021: $0.4 million).

2(d) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

(d) Estimation of total contract costs for construction contracts (Note 28)

The Group has significant ongoing construction contracts that are non-cancellable. For these contracts, revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method"). SFRS(I) 15.123

Management has to estimate the total contract costs to complete, which are used in the input method to determine the Group's recognition of construction revenue. When it is probable that the total contract costs will exceed the total construction revenue, a provision for onerous contracts is recognised immediately.

Significant assumptions are used to estimate the total contract sum and the total contract costs which affect the accuracy of revenue recognition based on the percentage-of-completion and completeness of provision for onerous contracts recognised. In making these estimates, management has relied on past experience and the work of specialists.

There is an increase in the level of estimation uncertainty and judgement in determining the total estimated construction contract costs for ongoing contracts as at the reporting date arising from the disruption to the supply chain for construction materials, supply of foreign construction workers and volatile economic conditions brought on by the COVID-19 pandemic. Management has made necessary revisions to budgeted project costs as provided by project quantity surveyors due to the impact of COVID-19.

If the estimated total contract sum decrease by 10% from management's estimates, the Group's profit for the year will decrease by approximately S$755,000 (2021: $582,000). If the remaining estimated contract costs increase by 10% from management's estimates, the Group's profit for the year will decrease by approximately S$648,000 (2021: $446,000).

(e) Impairment of non-financial assets (Note 3,4 and 5)

Impairment exists when the carrying value of an asset or cash generating unit ("CGU") exceeds its recoverable amount, which is the higher of its fair value less costs to sell ("FVLCTS") and its value in use ("VIU"). The FVLCTS calculation is based on available data from binding sales transactions, conducted at arm's length, for similar assets or observable market prices less incremental costs of disposing of the asset. The VIU calculation is based on a discounted cash flow ("DCF") model. The cash flows are derived from the budget for the next five years and do not include restructuring activities that the Group is not yet committed to or significant future investments that will enhance the performance of the assets in the CGU being tested. The recoverable amount is sensitive to the discount rate used for the DCF model as well as the expected future cash inflows and the growth rate used for extrapolation purposes. SFRS(I) 1-36.6 SFRS(I) 1-36.33

The FVLCTS estimation is affected by the COVID-19 pandemic due to significant increase in uncertainty caused by more volatile asset prices and currency exchange rates in countries in which the Group operates in. The VIU estimation is based on forecasted cash flows of the underlying business. There is an increased estimation uncertainty on these forecasted cash flows due to the impact of COVID-19. In forecasting these cash flows, management has taken into account macroeconomic and sector trends and uncertain economic conditions arising from the COVID-19 pandemic.

2(d) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

(e) Impairment of non-financial assets (Note 3,4 and 5) (cont'd)

In 2022, the Group has changed its valuation technique used to estimate the recoverable amount from the traditional approach (i.e. discount rate adjustment method) that uses a single cash flow scenario, to the expected cash flow approach [(1)] that uses multiple probability-weighted cash flow scenarios. The change in valuation technique is to cater for the significantly higher degree of estimation uncertainty and wider range of possible cash flow projections following the impact of the COVID-19 pandemic.

Significant management judgement is required to estimate the weightage of the different scenarios projected, and the key inputs used in each scenario, such as gross margin, weighted average growth rates and pre-tax discount rates. In making these estimates, management has relied on past performance, its expectations of market developments including estimates of the recovery of the industries and economies where the Group's operations are situated primarily.

The Group has also taken account of the long term impact of climate change, in particular by considering [in the estimation of the terminal value a long term growth rate in line with the forecast change in electricity and materials demand]. The Group confirms its strategic direction based on the trends associated with the energy transition. The use of capital has been focused on decarbonisation through the development [of capital assets that use renewable sources, on the enabling infrastructures linked to the development of networks and on the implementation of platform models, making the most of technological and digital evolution, which will foster the electrification of energy consumption].

The carrying amount of the goodwill, property, plant and equipment, and right-of-use assets in the Group's consolidated financial statements are disclosed in Note 3, 4 and 5 respectively. In 2022 and 2021, a decrease of 5% in the gross profit margin or in the growth rate, or an increase of 50 basis points in the discount rate, as applied in the VIU calculations, will not lead to further impairment loss recognised on these non-financial assets.

Guidance Notes – Expected cash flow approach

(1) The expected cash flow approach is, in some situations, a more effective measurement tool than the traditional single cash flow approach. In developing a measurement, the expected cash flow approach uses several expectations about possible cash flows instead of a single most likely cash flow. The expected cash flow approach thus differs from the traditional approach by focusing on direct analysis of the cash flows in question and on more explicit statements of the assumptions used in the measurement. The use of probabilities is an essential element of the expected cash flow approach. SFRS(I) 1-36.A7 SFRS(I) 1-36.A10

The application of an expected cash flow approach is subject to a cost-benefit constraint. In some cases, an entity may have access to extensive data and may be able to develop many cash flow scenarios. In other cases, an entity may not be able to develop more than general statements about the variability of cash flows without incurring substantial cost. The entity needs to balance the cost of obtaining additional information against the additional reliability that information will bring to the measurement. SFRS(I) 1-36.A12

2(d) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

(f) Amortisation of intangible assets (Note 3)

Intangible assets, comprising patents and licences and development costs, are accounted for using the cost model. The capitalised costs of these intangible assets are amortised on a straight-line basis over their estimated useful lives. Management estimates the useful lives of these intangible assets to be within 3 to 10 years. After initial recognition, the intangible assets are carried at cost less accumulated amortisation and impairment, if any. In addition, the intangible assets are subject to impairment testing if there are any indicators of impairment, and are written off when, in the opinion of management, no further economic benefits are expected to arise. SFRS(I) 1-38.90,94 SFRS(I) 1-38.118.a

The useful lives of intangible assets could be reduced by climate related matters as a result of [transition risks, such as technical obsolescence or legal restrictions]. The change in useful lives would have a direct impact on the amount of amortisation recognised each year from the date of reassessment. The Group's review of useful lives has taken into consideration the impacts of [the Group's decarbonisation commitments].

The carrying amount of the Group's intangible assets, comprising patents and licences and development costs, are disclosed in Note 3. In 2022 and 2021, a change of 10% in the amortisation rate of these intangible assets will not lead to significant change in the amortisation expense for the year and their carrying amount at the reporting date.

(g) Allowance for expected credit losses of trade and other receivables (Note 17)

Allowance for expected credit losses ("ECL") of trade and other receivables are based on assumptions about risk of default and expected loss rates. The Group uses judgement in making these assumptions and selecting the inputs to the ECL calculation, based on the Group's past collection history, existing market conditions as well as forward looking estimates at each reporting date. 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. SFRS(I) 7.35G

The Group uses a provision matrix to calculate ECL for trade receivables. The provision rates are based on days past due for groupings of various customer segments that have similar loss patterns. The provision matrix is initially based on the Group's historical observed default rates. The Group will calibrate the matrix to adjust historical credit loss experience with forward-looking information. The assessment of the correlation between historical observed default rates, forecast economic conditions and ECL is a significant estimate. The amount of ECL is sensitive to changes in circumstances and forecast economic conditions.

The Group and the Company apply the 3-stage general approach to determine ECL for non-trade amounts due from external parties and related parties. ECL is measured as an allowance equal to 12-month ECL for stage-1 assets, or lifetime ECL for stage-2 or stage-3 assets. An asset moves from stage-1 to stage-2 when its credit risk increases significantly and subsequently to stage-3 as it becomes credit-impaired. In assessing whether credit risk has significantly increased, the Group and the Company consider qualitative and quantitative reasonable and supportable forward looking information. Lifetime ECL represents ECL that will result from all possible default events over the expected life of a financial instrument whereas 12-month ECL represents the portion of lifetime ECL expected to result from default events possible within twelve months after the reporting date.

2(d) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

(g) Allowance for expected credit losses of trade and other receivables (Note 17) (cont'd)

The ECL assessment involves estimation uncertainty heightened by the global economic slowdown ensuing the COVID-19 pandemic, such as a slow down in payment collections from the customers. Significant management judgement is required to assess recoverability of debts from known customers who are potentially more negatively impacted by COVID-19. Forward looking adjustments, such as economic data, by management have incorporated potential impact of the COVID-19 pandemic.

In addition, the Group has identified that the risk characteristics of the customers from certain sectors (e.g. retailers) are different from the existing customers under the COVID-19 situation as they are more adversely impacted due to social distancing measures. These customers are grouped into a separate provision matrix and the historical loss rates are adjusted to reflect the current and forward-looking information.

The impact of climate change has the potential to affect some corporate customers' ability to repay their debts, particularly those in [the petroleum engineering industry]. The effects arise mostly from [the actions taken by governments, regulators or societies in general to transition to a low carbon economy]. The climate related risk is assessed at origination and during the annual review process. Exposures with medium or high risk profile are subject to additional due diligence and heightened consideration and assessment in the credit process.

The carrying amount of the Group's and the Company's trade and other receivables are disclosed in Note 17. A decrease of 10% in the estimated future cash inflows will not lead to further allowance for impairment on the Group's and the Company's trade and other receivables.

(h) Deferred tax assets (Note 11)

The Group reviews the carrying amount of deferred tax assets at the end of each reporting period. Deferred tax assets are recognised to the extent that it is probable that future taxable income will be available against which the temporary differences can be utilised. This involves judgement regarding future financial performance of the particular legal entity or tax group in which the deferred tax asset has been recognised. Management has assessed that it is reasonable to recognise deferred tax assets based on probable future taxable income. The carrying amount of the Group's deferred tax assets is disclosed in Note 11. In 2022 and 2021, a decrease of 10% in the probable future taxable income will not affect the amount of deferred tax assets recognised. SFRS(I) 1-12.82

(i) Estimation of the incremental borrowing rate (Note 42)

For the purpose of calculating the right-of-use asset and lease liability, an entity applies the interest rate implicit in the lease ("IRIIL") and, if the IRIIL is not readily determinable, the entity shall use its incremental borrowing rate ("IBR") applicable to the lease asset. The IBR is the rate of interest that the entity would have to pay to borrow over a similar term, and with a similar security, the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. For most of the leases whereby the Group is the lessee, the IRIIL is not readily determinable. Therefore, the Group estimates the IBR relevant to each lease asset by using observable inputs (such as market interest rate and asset yield) when available, and then making certain lessee specific adjustments (such as a group entity's credit rating). The carrying amount of the Group's right-of-use assets and lease liabilities are disclosed in Note 5 and 24 respectively. An increase/decrease of 50 basis points in the estimated IBR will decrease/increase the Group's right-of-use assets and lease liabilities by approximately $225,000 respectively. SFRS(I) 16.26

2(d) Critical accounting judgements and key sources of estimation uncertainty (cont'd)

(ii) Key sources of estimation uncertainty (cont'd)

(j) Provision for onerous contracts (Note XX)

The provision for onerous contracts involves significant uncertainties because it requires an estimate of the effect of inflation on future fulfilment costs. The long-term nature of the provision causes uncertainty in estimating the fulfilment costs that will be incurred based on current prices adjusted for forecasted inflation rates available at the reporting date. The fulfilment of these service contracts are expected to occur over the next 5 years. Therefore, the Group has identified the provision for onerous contracts as an estimate with a significant risk of resulting in a material adjustment within the next financial year. If the forecasted inflation rates are higher than management's estimate by XX%, the Group's onerous contracts provision would increase by $XXX assuming all other factors remain unchanged. SFRS(I) 1-37.42

(k) Recognition and measurement of provision for rehabilitation (Note XX)

The recognition of site closure and rehabilitation provisions requires significant estimates and assumptions such as: requirements of the relevant legal and regulatory framework; the magnitude of possible contamination; the timing, extent, and cost of required closure and rehabilitation activity; and potential changes in climate conditions. These uncertainties may result in future actual expenditure differing from the amounts currently provided. The provision recognised is periodically reviewed and updated based on the facts and circumstances available at the time. SFRS(I) 1-37.42

A key component of rehabilitation involves landscaping the area disturbed by construction activities. The cost to be incurred during closure could reduce if these activities are powered by renewable energy. The Group plans to source for contractors who are developing low carbon solutions for their mobile fleet that may include electrification of the vehicles and machineries. The forecast cash flows in the closure cost estimate has factored in this consideration. In 2022 and 2021, an increase of 10% in the probable rehabilitation cost will not significantly affect the amount of provision recognised.

Guidance Notes – Significant accounting policies

To determine whether a particular accounting policy shall be disclosed, management considers whether the disclosure will assist users in understanding how transactions, other events and conditions are reflected in the financial statements. Accounting policies shall be disclosed for all material components. Disclosure of accounting policies is useful to users in particular when those policies are selected from alternatives allowed in SFRS(I). SFRS(I) 1-1.119

An accounting policy may also be significant because of nature of entity's operations, even if amounts shown for current and prior periods are not material. Omission or misstatement of items are material if they can, individually or collectively, influence economic decisions that users made on the basis of the financial statements. Materiality depends on size and nature of omission or misstatement, judged in the surrounding circumstances. The size or nature of the item, or a combination of both could be the determining factor. SFRS(I) 1-1.121 SFRS(I) 1-1.7

(N.B. For purpose of illustration, certain accounting policies relating to immaterial or irrelevant items with respect to the Group are included although this would not be required under SFRS(I) because irrelevant policies shall be omitted from financial statements. Therefore, tailoring of these significant accounting policies is required before reference or application.)

2(e) Significant accounting policies

Consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company (its subsidiaries) made up to the reporting date each year. Control is achieved when the Company: SFRS(I) 10.7
- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Company reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above. SFRS(I) 10.8

When the Company has less than a majority of the voting rights of an investee, it considers that it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Company considers all relevant facts and circumstances in assessing whether or not the Company's voting rights in an investee are sufficient to give it power, including: SFRS(I) 10.B38

- the size of the Company's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Company, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Company has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

Consolidation of a subsidiary begins when the Company obtains control over the subsidiary and ceases when the Company loses control of the subsidiary. Specifically, the results of subsidiaries acquired or disposed of during the year are included in profit or loss from the date the Company gains control until the date when the Company ceases to control the subsidiary. SFRS(I) 10.B88

Where necessary, adjustments are made to the financial statements of subsidiaries to bring the accounting policies used into line with the Group's accounting policies. SFRS(I) 10.B87

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between the members of the Group are eliminated on consolidation. SFRS(I) 10.B87

2(e) Significant accounting policies (cont'd)

Consolidation (cont'd)

Non-controlling interests in subsidiaries are identified separately from the Group's equity therein. Those interests of non-controlling shareholders that are present ownership interests entitling their holders to a proportionate share of net assets upon liquidation may initially be measured at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets. The choice of measurement is made on an acquisition-by-acquisition basis. Other non-controlling interests are initially measured at fair value. Subsequent to acquisition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of the subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. SFRS(I) 10:B94

Changes in the Group's interests in subsidiaries that do not result in a loss of control are accounted for as equity transactions. The carrying amount of the Group's interests and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognised directly in equity and attributed to the owners of the Company. SFRS(I) 10:B96

When the Group loses control of a subsidiary, the gain or loss on disposal recognised in profit or loss is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the previous carrying amount of the assets (including goodwill), less liabilities of the subsidiary and any non-controlling interests. All amounts previously recognised in other comprehensive income in relation to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e. reclassified to profit or loss or transferred to another category of equity as required/permitted by applicable SFRS(I)). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under SFRS(I) 9 Financial Instruments when applicable, or the cost on initial recognition of an investment in an associate or a joint venture. SFRS(I) 10:B97 SFRS(I) 10:B98 SFRS(I) 10:B99

In the Company's separate financial statements, investments in subsidiaries are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss. SFRS(I) 1-27:10

Business combinations

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interest issued by the Group in exchange for control of the acquiree. Acquisition-related costs are recognised in profit or loss as incurred. SFRS(I) 3:4 SFRS(I) 3:37 SFRS(I) 3:38 SFRS(I) 3:53

In determining whether a particular set of activities and assets is a business, the Group assesses whether it includes, at a minimum, an input and substantive process, and whether it has the ability to produce outputs. The Group has an option to apply a 'concentration test' that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The optional concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets.

2(e) Significant accounting policies (cont'd)

Business combinations (cont'd)

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value at the acquisition date, except that: SFRS(I) 3:18 SFRS(I) 3:21

- Deferred tax assets or liabilities and assets or liabilities related to employee benefits arrangements are recognised and measured in accordance with SFRS(I) 1-12 Income Taxes and SFRS(I) 1-19 Employee Benefits respectively; SFRS(I) 3:24 SFRS(I) 3:26 SFRS(I) 3:30 SFRS(I) 3:31
- Liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered to replace share-based payment arrangements of the acquiree are measured in accordance with SFRS(I) 2 Share-based Payment at the acquisition date; and
- Assets (or disposal groups) that are classified as held for sale in accordance with SFRS(I) 5 Non-current Assets Held for Sale and Discontinued Operations are measured in accordance with that standard.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. If, after reassessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. SFRS(I) 3:32 SFRS(I) 3:36

When the consideration transferred by the Group in a business combination includes a contingent consideration arrangement, the contingent consideration is measured at its acquisition-date fair value and included as part of the consideration transferred in a business combination. Changes in fair value of the contingent consideration that qualify as measurement period adjustments are adjusted retrospectively, with corresponding adjustments against goodwill. Measurement period adjustments are adjustments that arise from additional information obtained during the 'measurement period' (which cannot exceed one year from the acquisition date) about facts and circumstances that existed at the acquisition date. SFRS(I) 3:39 SFRS(I) 3:58

The subsequent accounting for changes in the fair value of the contingent consideration that do not qualify as measurement period adjustments depends on how the contingent consideration is classified. Contingent consideration that is classified as equity is not remeasured at subsequent reporting dates and its subsequent settlement is accounted for within equity. Other contingent consideration is remeasured to fair value at subsequent reporting dates with changes in fair value recognised in profit or loss.

When a business combination is achieved in stages, the Group's previously held interests (including joint operations) in the acquired entity are remeasured to its acquisition-date fair value and the resulting gain or loss, if any, is recognised in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss, where such treatment would be appropriate if that interest were disposed of. SFRS(I) 3:42

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the combination occurs, the Group reports provisional amounts for the items for which the accounting is incomplete. Those provisional amounts are adjusted during the measurement period, or additional assets or liabilities are recognised, to reflect new information obtained about facts and circumstances that existed as of the acquisition date that, if known, would have affected the amounts recognised as of that date. SFRS(I) 3:45

Asset acquisitions

Acquisition of an asset or a group of assets that does not constitute a business is accounted for by identifying and recognising the individual identifiable assets acquired (including those assets that meet the definition of, and recognition criteria for, intangible assets) and liabilities assumed. The cost of the group of acquired assets and assumed liabilities is allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the date of acquisition, and the initial measurement requirements for each identifiable asset and liability are applied in accordance with their accounting policies. Such a transaction or event does not give rise to goodwill. SFRS(I) 3.2.b

2(e) Significant accounting policies (cont'd)

Foreign currencies

The individual financial statements of each group entity are measured and presented in the currency of the primary economic environment in which the entity operates (the functional currency). The consolidated financial statements of the Group and the statement of financial position of the Company are presented in Singapore dollar, which is the functional currency of the Company and the presentation currency for the consolidated financial statements. SFRS(I) 1-21.51 SFRS(I) 1-21.17 SFRS(I) 1-21.18 SFRS(I) 1-21.19

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency are recorded at the rate of exchange prevailing on the date of the transaction. As at each reporting date, monetary items denominated in foreign currencies are retranslated at the rates prevailing at the end of the reporting period. Non-monetary items carried at fair value that are denominated in foreign currencies are retranslated at the rates prevailing on the date when the fair value was determined. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated. SFRS(I) 1-21.23.a-c SFRS(I) 1-21.21

Exchange differences are recognised in profit or loss in the period in which they arise except for: SFRS(I) 1-21.32 SFRS(I) 1-21.28 SFRS(I) 1-21.30

- exchange differences on foreign currency borrowings relating to assets under construction for future productive use, which are included in the cost of those assets when they are regarded as an adjustment to interest costs on those foreign currency borrowings;
- exchange differences on transactions entered into to hedge certain foreign currency risks; and
- exchange differences on monetary items receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future (therefore forming part of the net investment in the foreign operation), which are recognised initially in other comprehensive income and reclassified from equity to profit or loss on disposal or partial disposal of the net investment.

For the purpose of presenting consolidated financial statements, the assets and liabilities of the Group's foreign operations (including comparatives) are expressed in Singapore dollar using exchange rates prevailing at the end of the reporting period. Income and expense items (including comparatives) are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during that period, in which case the exchange rates at the dates of the transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in a separate component of equity under the header of currency translation reserve. SFRS(I) 1-21.39 SFRS(I) 1-21.40

On the disposal of a foreign operation (i.e. disposal of the Group's entire interest in a foreign operation, or disposal involving loss of control over a subsidiary that includes a foreign operation, loss of significant influence over an associate that includes a foreign operation, or loss of joint control over a jointly controlled entity that includes a foreign operation), all of the accumulated exchange differences in respect of that operation attributable to the Group are reclassified to profit or loss. Any exchange differences that have previously been attributed to non-controlling interests are derecognised, but they are not reclassified to profit or loss. SFRS(I) 1-21.48 SFRS(I) 1-21.48A SFRS(I) 1-21.48B

In relation to a partial disposal of a subsidiary that includes a foreign operation that does not result in the Group losing control over the subsidiary, the proportionate share of accumulated exchange differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (i.e. partial disposals of associates or joint arrangements that do not result in the Group losing significant influence or joint control), the proportionate share of the accumulated exchange differences is reclassified to profit or loss. SFRS(I) 1-21.48C SFRS(I) 1-21.48D

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate. SFRS(I) 1-21.47

2(e) Significant accounting policies (cont'd)

Goodwill

Goodwill arising in a business combination is recognised as an asset at the date that control is acquired (the acquisition date). Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest (if any) in the entity over net of the acquisition-date amounts of the identifiable assets acquired and the liabilities assumed. SFRS(I) 3.32

If, after reassessment, the Group's interest in the fair value of the acquiree's identifiable net assets exceeds the sum of the consideration transferred, the amount of any non-controlling interest in the acquiree and the fair value of the acquirer's previously held equity interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain. SFRS(I) 3.36

Goodwill arising from acquisition of associates and joint ventures represents the excess of the cost of the acquisition over the Group's share of the fair value of the identifiable net assets acquired. Goodwill on associates and joint ventures is included in the carrying amount of the investments. SFRS(I) 1-28.32.a

Goodwill is not amortised but is reviewed for impairment at least annually. For the purpose of impairment testing, goodwill is allocated to each of the Group's cash-generating units expected to benefit from the synergies of the combination. Cash-generating units to which goodwill has been allocated are tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro-rata on the basis of the carrying amount of each asset in the unit. An impairment loss recognised for goodwill is not reversed in a subsequent period. SFRS(I) 1-36.80 SFRS(I) 1-36.90 SFRS(I) 1-36.104 SFRS(I) 1-36.124

On disposal of a cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal. SFRS(I) 10.B98

Guidance Notes – Bargain purchase gain

Before recognising a gain on a bargain purchase, an entity shall reassess whether it has correctly identified all of the assets acquired and all of the liabilities assumed and shall recognise any additional assets or liabilities that are identified in that review. The objective is to ensure that measurements appropriately reflect consideration of all available information as of the acquisition date. SFRS(I) 3.36

On acquisition of investment in associate or joint venture, when the Group's share of fair value of identifiable net assets of the associate or joint venture exceeds the cost of acquisition paid by the Group, this excess is recognised in the consolidated statement of profit or loss as part of the Group's share of profit from associates. SFRS(I) 1-28.32.b

2(e) Significant accounting policies (cont'd)

Intangible assets

(i) Intangible assets acquired in a business combination

Intangible assets acquired in a business combination, including patents and licences, are identified and initially recognised at cost separately from goodwill. The cost of these intangible assets is their fair value at the acquisition date. SFRS(I) 1-38.118.a SFRS(I) 1-38.118.b

Subsequent to initial recognition, patents and licences with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 10 to 15 years, which is the shorter of their estimated useful lives and periods of contractual rights. SFRS(I) 1-38.74 SFRS(I) 1-38.94,97

(ii) Intangible assets acquired separately

Intangible assets acquired separately, including patents and licences, are initially recognised at cost. Such costs include the purchase price (net of any discounts and rebates) and other directly attributable costs of preparing the assets for their intended use. SFRS(I) 1-38.118.a SFRS(I) 1-38.118.b SFRS(I) 1-38.27,28

Subsequent to initial recognition, patents and licences with finite useful lives are carried at cost less accumulated amortisation and accumulated impairment losses. These costs are amortised to profit or loss using the straight-line method over 7 to 12 years, which is the shorter of their remaining estimated useful lives and periods of contractual rights. SFRS(I) 1-38.74 SFRS(I) 1-38.94,97

(iii) Internally generated intangible assets

Expenditure on research activities is recognised as an expense in the period in which it is incurred. SFRS(I) 1-38.54

An internally-generated intangible asset arising from development (or from the development phase of an internal project) is recognised if, and only if, all of the following have been demonstrated: SFRS(I) 1-38.57

- the technical feasibility of completing the intangible asset so that it will be available for use or sale;
- the intention to complete the intangible asset and use or sell it;
- the ability to use or sell the intangible asset;
- how the intangible asset will generate probable future economic benefits;
- the availability of adequate technical, financial and other resources to complete the development and to use or sell the intangible asset; and
- the ability to measure reliably the expenditure attributable to the intangible asset during its development.

The amount initially recognised for internally-generated intangible assets is the sum of the development costs incurred from the date when the intangible asset first meets the recognition criteria listed above. Such development costs include purchase of materials and services and payroll-related costs of employees directly involved in the project. Where no internally-generated intangible asset can be recognised, development cost is charged to profit or loss in the period in which it is incurred. SFRS(I) 1-38.118.a SFRS(I) 1-38.118.b SFRS(I) 1-38.65,66

Subsequent to initial recognition, internally-generated development costs are carried at cost less accumulated amortisation and accumulated impairment losses. These development costs are amortised to profit or loss using the straight-line method over 3 to 5 years, which is their estimated useful lives. SFRS(I) 1-38.74 SFRS(I) 1-38.94,97

The amortisation period and amortisation method of intangible assets with finite useful lives, including patents and licences, and development costs, are reviewed at least at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise. SFRS(I) 1-38.104

(iv) Derecognition of intangible assets

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains or losses arising from derecognition of an intangible asset, measured as the difference between the net disposal proceeds and the carrying amount of the asset, are recognised in profit or loss when the asset is derecognised.

2(e) Significant accounting policies (cont'd)

Emissions trading scheme

The Group participates in a 'cap and trade' scheme in various countries. Under the scheme, at the beginning of each year, the government in each country sets specific annual limits for emitting pollutants and grants the Group the respective number of emissions certificates. The Group can settle its annual obligation created by the emission of pollutants only by surrendering emissions certificates by a specified date, which is usually within 12 months after the reporting date. If the Group's annual emissions are below the limit, then it can sell the remaining certificates to other parties on a trading platform. Conversely, if the annual emissions exceed the limit, then the Group purchases additional certificates to settle its obligation.

The Group recognises emissions certificates as intangible assets. Emissions certificates received from the government are initially measured at fair value, which is determined based on the quoted market price of certificates traded on the platform at that date. Emissions certificates purchased on the trading platform are initially measured at cost. Subsequent to initial recognition, the emissions certificates are measured at cost less any accumulated impairment losses. The cost of emissions certificates is based on the first-in, first-out allocation method. SFRS(I) 1-38.74

Government grants related to emissions certificates are initially recognised as deferred income at fair value, and are subsequently recognised in profit or loss as other income as the Group emits pollution and recognises a liability. SFRS(I) 1-20.12,24

The Group recognises a liability to surrender emissions certificates as it emits pollutants. The Group measures the liability based on the carrying amount of the certificates on hand to the extent of emissions within the annual limit, and at the current market value of certificates to the extent that it would be required to purchase additional certificates to settle the obligation. The liability is presented as a provision and derecognised when the certificates are surrendered to the government. SFRS(I) 1-37.85.a

Guidance Notes – Emissions trading scheme

The current accounting standards do not contain specific guidance on accounting for emissions certificates. A participant in a cap and trade scheme should choose an accounting policy, to be applied consistently, to account for emissions certificates based on one of the following approaches:

- As intangible assets: Under this approach, it is argued that emissions certificates are identifiable non-monetary assets that do not have physical substance and that therefore they meet the definition of an intangible asset.
- As inventories: Under this approach, it is argued that emissions certificates are effectively an input to be consumed in the production process, similar to inventories.

In determining the carrying amount of emissions certificates for the purpose of calculating a gain or loss on derecognition, the guidance for determining the cost of inventories could be applied by analogy. In some cases, the certificates will have unique identification numbers, and therefore it will be possible to apply the specific identification method if the holder tracks costs on an individual certificate basis. Otherwise, a reasonable cost allocation method may be used e.g. weighted-average cost or first-in-first-out. The method used should be applied consistently.

When other means of settlement than surrendering emissions certificates are not possible, the provision could be measured based on the current carrying amount of the certificates on hand if sufficient certificates are owned to settle the current obligation, because that could be viewed as being the best estimate of the expenditure required to settle the obligation. Otherwise, the provision should be based on the current market value of the emissions certificates at the reporting date.

If emissions certificates are received from a government for less than their fair value, then the entity should choose an accounting policy, to be applied consistently, either to recognise the resulting government grant at fair value (as the difference between the fair value of the certificates and the consideration (if any) paid) or to recognise them at the nominal amount paid for the certificates.

2(e) Significant accounting policies (cont'd)

Property, plant and equipment

All items of property, plant and equipment are initially recorded at cost. Subsequent to initial recognition, property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. SFRS(I) 1-16.15,30

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. SFRS(I) 1-16.16,17

Cost also includes borrowing costs and any fair value gains or losses on qualifying cash flow hedges of property, plant and equipment that are transferred from the hedging reserve. SFRS(I) 1-23.10,11

The projected cost of dismantlement, removal or restoration is also recognised as part of the cost of property, plant and equipment if the obligation for the dismantlement, removal or restoration is incurred as a consequence of either acquiring the asset or using the asset for purpose other than to produce inventories. SFRS(I) 1-16.16.c

Freehold land and building is not depreciated. Depreciation on other items of property, plant and equipment is calculated using the straight-line method to allocate their depreciable amounts over their estimated useful lives, as follows: SFRS(I) 1-16.50 SFRS(I) 1-16.73.b,c

Leasehold building	: over lease term of 30 years
Plant and equipment	: 5 to 15 years
Motor vehicles	: 3 to 7 years
Furniture and fittings	: 3 to 10 years

Certain plant and equipment are subject to overhauls at regular intervals. The inherent components of the initial overhaul are determined based on the estimated costs of the next overhaul and are separately depreciated over a period of 3 years in order to reflect the estimated intervals between two overhauls. The costs of the overhauls subsequently incurred are capitalised as additions and the carrying amounts of the replaced components are written off to profit or loss. SFRS(I) 1-16.7 SFRS(I) 1-16.13,14 SFRS(I) 1-16.43

The residual values, estimated useful lives and depreciation method of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are recognised in profit or loss when the changes arise. SFRS(I) 1-16.51,61

Subsequent expenditure relating to property, plant and equipment that has already been recognised is added to the carrying amount of the asset only when it is probable that future economic benefits associated with the item will flow to the entity and the cost of the item can be measured reliably. All other repair and maintenance expenses are recognised in profit or loss when incurred. SFRS(I) 1-16.12,13

On disposal of an item of property, plant and equipment, the difference between the disposal proceeds and its carrying amount is recognised in profit or loss within "other gains and losses". SFRS(I) 1-16.67,68 SFRS(I) 1-16.71 SFRS(I) 1-16.41

Guidance Notes – PPE

Properties (in PPE) in the course of construction – illustrative accounting policy

"Properties in the course of construction for production, supply or administrative purposes, or for purposes not yet determined, are carried at cost, less any recognised impairment loss. Cost includes professional fees and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use." SFRS(I) 1-16.74.b

Land and building (in PPE) stated at revalued amounts – illustrative accounting policy

"Land and buildings held for use in the production or supply of goods or services, or for administrative purposes, are stated in the statement of financial position at their revalued amounts, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and subsequent accumulated impairment losses. Revaluations are performed with sufficient regularity such that the carrying amount does not differ materially from that which would be determined using fair values at the end of the reporting period. SFRS(I) 1-16.73.a SFRS(I) 1-16.31

Any revaluation increase arising on the revaluation of such land and buildings is recognised in other comprehensive income and accumulated in asset revaluation reserve, except to the extent that it reverses a revaluation decrease for the same asset previously recognised in profit or loss, in which case the increase is credited to profit or loss to the extent of the decrease previously charged. A decrease in carrying amount arising on the revaluation of such land and buildings is charged to profit or loss to the extent that it exceeds the balance, if any, held in the property revaluation reserve relating to a previous revaluation of that asset. SFRS(I) 1-16.39,40

On the subsequent sale or retirement of a revalued property, the attributable revaluation surplus remaining in the asset revaluation reserve is transferred directly to retained earnings. No transfer is made from the asset revaluation reserve to retained earnings except when an asset is derecognised." SFRS(I) 1-16.68

2(e) Significant accounting policies (cont'd)

Impairment of non-financial assets

At each reporting date, the Group reviews the carrying amounts of its property, plant and equipment and intangible assets to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated to determine the extent of the impairment loss (if any). Where the asset does not generate cash flows that are independent from other assets, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. When a reasonable and consistent basis of allocation can be identified, corporate assets are also allocated to individual cash-generating units, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified. SFRS(I) 1-36.9

Intangible assets with an indefinite useful life are tested for impairment at least annually and whenever there is an indication at the end of a reporting period that the asset may be impaired.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows 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 for which the estimates of future cash flows have not been adjusted. SFRS(I) 1-36:6 SFRS(I) 1-36:30

If the recoverable amount of an asset (or cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or cash-generating unit) is reduced to its recoverable amount. An impairment loss is recognised immediately in profit or loss, unless the relevant asset is carried at a revalued amount, in which case the impairment loss is treated as a revaluation decrease and to the extent that the impairment loss is greater than the related revaluation surplus, the excess impairment loss is recognised in profit or loss. SFRS(I) 1-36:59 SFRS(I) 1-36:60

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or cash-generating unit) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss to the extent that it eliminates the impairment loss which has been recognised for the asset in prior years. Any increase in excess of this amount is treated as a revaluation increase. SFRS(I) 1-36:119

2(e) Significant accounting policies (cont'd)

Leases

<u>(i) The Group as lessee</u>

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and a corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for short-term leases (defined as leases with a lease term of twelve months or less) and leases of low value assets. For these 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. SFRS(I) 16.9,11 SFRS(I) 16.60

(a) Lease liability

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 the incremental borrowing rate specific to the lessee. The incremental borrowing rate is defined as the rate of interest that the lessee would have to pay to borrow over a similar term and with a similar security the funds necessary to obtain an asset of a similar value to the right-of-use asset in a similar economic environment. SFRS(I) 16.27 SFRS(I) 16.App.A

Lease payments included in the measurement of the lease liability comprise: SFRS(I) 16.27

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- exercise price of purchase options, if the lessee is reasonably certain to exercise the options; and
- payments of penalties for terminating the lease, if the lease term reflects the exercise of an option to terminate the lease.

Variable lease payments that are not based on an index or a rate are not included as part of the measurement and initial recognition of the lease liability. The Group shall recognise those lease payments in profit or loss in the periods that trigger those lease payments. SFRS(I) 16.38

For all contracts that contain both lease and non-lease components, the Group has elected to not separate lease and non-lease components and account these as one single lease component. SFRS(I) 16.13,15

[The lease liabilities are presented as a separate line item in the statement of financial position.] or [The lease liabilities are presented within "borrowings" in the statement of financial position.] (1) SFRS(I) 16.47

The lease liability is subsequently measured at amortised cost, by increasing the carrying amount to reflect interest on the lease liability (using the effective interest method) and by reducing the carrying amount to reflect the lease payments made. SFRS(I) 16.36

The Group remeasures the lease liability (with a corresponding adjustment to the related right-of-use asset or to profit or loss if the carrying amount of the right-of-use asset has already been reduced to nil) whenever: SFRS(I) 16.40,42 SFRS(I) 16.39

- the lease term has changed or there is a significant event or change in circumstances resulting in a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate;

- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used); or

- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

2(e) Significant accounting policies (cont'd)

Leases (cont'd)

(i) The Group as lessee (cont'd)

(b) Right-of-use asset

The right-of-use asset comprises the initial measurement of the corresponding lease liability, lease payments made at or before the commencement day, less any lease incentives received and any initial direct costs. They are subsequently measured at cost less accumulated depreciation and impairment losses. SFRS(I) 16.22,24

Whenever the Group incurs an obligation for costs to dismantle and remove a leased asset, restore the site on which it is located or restore the underlying asset to the condition required by the terms and conditions of the lease, a provision is recognised and measured under SFRS(I) 1-37. To the extent that the costs relate to a right-of-use asset, the costs are included in the related right-of-use asset, unless those costs are incurred to produce inventories. SFRS(I) 16.24.d

Depreciation on right-of-use assets is calculated using the straight-line method to allocate their depreciable amounts over the shorter period of lease term and useful life of the underlying asset, as follows: SFRS(I) 16.31

Leasehold building	: over lease term of 30 years
Factory cum warehouse premises	: over lease term of 10 to 15 years
Plant and equipment	: 5 to 10 years
Motor vehicles	: 3 to 5 years

If a lease transfers ownership of the underlying asset or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts at the commencement date of the lease. SFRS(I) 16.32

[The right-of-use assets are presented as a separate line item in the statement of financial position.] or [The right-of-use assets (except for those which meet the definition of investment property) are presented within "property, plant and equipment" in the statement of financial position.] (1) SFRS(I) 16.47

A right-of-use asset which meets the definition of an investment property is presented within "investment properties" in the statement of financial position. SFRS(I) 16.48

The Group applies SFRS(I) 1-36 to determine whether a right-of-use asset is impaired and accounts for any identified impairment loss. SFRS(I) 16.33

(ii) The Group as lessor

The Group enters into lease agreements as a lessor with respect to its investment properties. The Group also rents property, plant and equipment to retailers necessary for the presentation and customer fitting and testing of products manufactured by the Group. SFRS(I) 16:61 SFRS(I) 16:62

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 sub-lease as two separate contracts. The sub-lease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. SFRS(I) 16:B58

2(e) Significant accounting policies (cont'd)

Leases (cont'd)

(ii) The Group as lessor (cont'd)

Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease. Initial direct costs 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. SFRS(I) 16:81 SFRS(I) 16:83

Amounts due from lessees under finance leases are recognised as receivables at the amount of the Group's net investment in the leases. Finance lease 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. SFRS(I) 16:67 SFRS(I) 16:75

Subsequent to initial recognition, the Group regularly reviews the estimated unguaranteed residual value and applies the impairment requirements of SFRS(I) 9, recognising an allowance for expected credit losses on the lease receivables.

Finance lease income is calculated with reference to the gross carrying amount of the lease receivables, except for credit-impaired financial assets for which interest income is calculated with reference to their amortised cost (i.e. after a deduction of the loss allowance).

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. SFRS(I) 16:17

Guidance Notes – Leases

Lease liabilities and ROU assets included in other line items on statement of financial position

(1) If the lease liabilities and ROU assets are not presented as separate line items, but included in other line items, on the statement of financial position, disclosure is required to state which line items include the lease liabilities and ROU assets. SFRS(I) 16.47

Intermediate lessor in sublease

(2) In classifying a sublease, an intermediate lessor should classify the sublease as a finance lease or an operating lease as follows: SFRS(I) 16.B58

- if the head lease is a short-term lease that the entity, as a lessee, has accounted for applying SFRS(I) 16.6, the sublease shall be classified as an operating lease;
- otherwise, the sublease shall be classified by reference to the right-of-use asset arising from the head lease, rather than by reference to the underlying asset.

For example, the term of a property sublease would be compared to the term of the head lease when assessing whether the lease is for the major part of the economic life. Similarly, the present value of lease payments is compared to the fair value of the right-of-use asset, instead of the underlying asset, when assessing whether it is for substantially all of the fair value. Since the head lease term for a property lease or the fair value of a right-of-use asset is often smaller than the life or fair value of the underlying property, there is likelihood that a sublease may be classified as a finance lease.

In the case where the intermediate lessor sublease as finance lease, lease receivable arising from the sublease is not permitted to be offset against the remaining lease liabilities from the head lease. SFRS(I) 16.BC236

2(e) Significant accounting policies (cont'd)

Investment properties

Investment properties include commercial and industrial buildings held for long-term rental yields and/or for capital appreciation and right-of-use asset relating to leasehold land held for development of investment property. Investment properties include properties that are being constructed or developed for future use as investment properties. SFRS(I) 1-40.5,10 SFRS(I) 1-40.8 SFRS(I) 16.34 SFRS(I) 16.48

Investment properties are measured initially at cost, including transaction costs. Subsequent to initial recognition, investment properties are measured at fair value, determined annually by independent professional valuers on the highest and best use basis. Gains or losses arising from changes in the fair value of investment properties are recognised in profit or loss for the period in which they arise. (1) SFRS(I) 1-40.20 SFRS(I) 1-40.30,35 SFRS(I) 1-40.75.e

Investment properties are derecognised upon disposal or when they are permanently withdrawn from use and no future economic benefit is expected from their disposal. Any gain or loss on derecognition of the property (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in profit or loss in the period in which the property is derecognised. SFRS(I) 1-40.66

Investment properties are subject to renovations or improvements at regular intervals. The cost of major renovations and improvements is capitalised and the carrying amounts of the replaced components are written off to profit or loss. The cost of maintenance, repairs and minor improvements is recognised in profit or loss when incurred. SFRS(I) 1-40.17-19

Transfers are made to or from investment properties when and only when there is a change in use. For a transfer from investment property to owner occupied property, the deemed costs of property for subsequent accounting is its fair value at the date of change in use. For a transfer from owner occupied property to investment property, the property is accounted for in accordance with the accounting policy for property, plant and equipment up to the date of change in use. SFRS(I) 1-40.57

Guidance Notes – Investment properties

Cost model for investment property – illustrative accounting policy

(1) An entity shall choose either fair value model or cost model for all of its investment properties. A reporting entity which applies the cost model may disclose the cost accounting policy (replacing fair value accounting policy above) as follows: SFRS(I) 1-40.30

"Investment properties are initially recognised at cost and subsequently carried at cost less accumulated depreciation and accumulated impairment losses. Depreciation is calculated using a straight-line method to allocate the depreciable amounts over the estimated useful lives of 30 to 40 years. The residual values, useful lives and depreciation method of investment properties are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision are included in profit or loss when the changes arise." SFRS(I) 1-40.56

When the cost model is applied, the fair value of investment property shall be disclosed at each reporting date. SFRS(I) 1-40.79.e

Fair value determination – 'Highest and best use'

Under SFRS(I) 13, a fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its 'highest and best use' or by selling it to another market participant that would use the asset in its 'highest and best use'. Highest and best use is determined from the perspective of market participants, even if the entity intends a different use. However, an entity's current use of a non-financial asset is presumed to be its highest and best use unless market or other factors suggest that a different use by market participants would maximise the value of the asset. SFRS(I) 1-40.5 SFRS(I) 13.27-33

Classification

When judgement is required to determine the portions of investment property, owner-occupied property and property held-for-sale in the ordinary course of business, the entity shall disclose the criteria used to distinguish them and the judgement involved. In some cases, an entity provides ancillary services to the occupants of a property it holds. An entity treats such a property as investment property if the services are insignificant to the arrangement as a whole. An example is when the owner of an office building provides security and maintenance services to the lessees who occupy the building. SFRS(I) 1-40.75.c SFRS(I) 1-40.122 SFRS(I) 1-40.11

Criteria for transfer in and out

There are specific recognition and/or measurement requirements dealing with transfers from investment properties to property, plant and equipment or inventories and vice versa. SFRS(I) 1-40.57-65

2(e) Significant accounting policies (cont'd)

Associates and joint ventures

An associate is an entity over which the Group has significant influence and that is neither a subsidiary nor an interest in a joint venture. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. SFRS(I) 1-28.3,6

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. SFRS(I) 1-28.3

The results and assets and liabilities of associates or joint ventures are incorporated in these financial statements using the equity method of accounting, except when the investment is classified as held for sale, in which case it is accounted for in accordance with SFRS(I) 5. SFRS(I) 1-28.10 SFRS(I) 1-28.15 SFRS(I) 1-28.38,39

Under the equity method, an investment in an associate or a joint venture is recognised initially in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired. SFRS(I) 1-28.32

If there is objective evidence that the Group's net investment in an associate or joint venture is impaired, the requirements of SFRS(I) 1-36 are applied to determine whether it is necessary to recognise any impairment loss with respect to the Group's investment. When necessary, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with SFRS(I) 1-36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with SFRS(I) 1-36 to the extent that the recoverable amount of the investment subsequently increases. SFRS(I) 1-28.40,42

The Group discontinues the use of the equity method from the date when the investment ceases to be an associate or a joint venture. When the Group retains an interest in the former associate or a joint venture and the retained interest is a financial asset, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition in accordance with SFRS(I) 9. The difference between the carrying amount of the associate or a joint venture at the date the equity method was discontinued, and the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or a joint venture is included in the determination of the gain or loss on disposal of the associate or joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that associate on the same basis as would be required if that associate had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that associate or joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) when the associate or joint venture is disposed of. SFRS(I) 1-28.20,23

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities. SFRS(I) 1-28.25

2(e) Significant accounting policies (cont'd)

Associates and joint ventures (cont'd)

When a group entity transacts with an associate or a joint venture of the Group, profits and losses resulting from the transactions with the associate or joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the associate or joint venture that are not related to the Group. SFRS(I) 1-28.28

The Group applies SFRS(I) 9, including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied and which form part of the net investment in the investee. Furthermore, in applying SFRS(I) 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by SFRS(I) 1-28 Investments in Associates and Joint Ventures (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with SFRS(I) 1-28).

In the Company's separate financial statements, investments in associates and joint ventures are carried at cost less any impairment in net recoverable value that has been recognised in profit or loss. On disposal of such investments, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss. SFRS(I) 1-27.10

Joint operations

A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control. SFRS(I) 11.7

When a group entity undertakes its activities under joint operations, the Group as a joint operator recognises in relation to its interest in a joint operation: SFRS(I) 11.20

- its share of any assets held jointly;
- its share of any liabilities incurred jointly;
- its revenue from the sale of its share of the output arising from the joint operation;
- its share of the revenue from the sale of the output by the joint operation; and
- its share of any expenses incurred jointly.

The Group accounts for the assets, liabilities, revenues and expenses relating to its interest in a joint operation in accordance with the SFRS(I) applicable to the particular assets, liabilities, revenues and expenses. SFRS(I) 11.11

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a sale or contribution of assets), the Group is considered to be conducting the transaction with the other parties to the joint operation, and gains and losses resulting from the transactions are recognised in the Group's consolidated financial statements only to the extent of other parties' interests in the joint operation. SFRS(I) 11.B34

When a group entity transacts with a joint operation in which a group entity is a joint operator (such as a purchase of assets), the Group does not recognise its share of the gains and losses until it resells those assets to a third party. SFRS(I) 11.B36

Guidance Notes – Associates and joint ventures

Decrease in interests in associate or joint venture

When significant influence or joint control is not lost, only a proportionate share of the amounts previously recognised in other comprehensive income relating to that associate or joint venture are reclassified to profit or loss and form part of the gain or loss on partial disposal. On the other hand, when significant influence or joint control is lost, the entire amounts previously recognised in other comprehensive income relating to that associate or joint venture are reclassified to profit or loss. SFRS(I) 1-28.25 SFRS(I) 1-28.22.c SFRS(I) 1-28.23

2(e) Significant accounting policies (cont'd)

Development properties

Development properties comprise properties under construction and completed properties for sale in the ordinary course of business, rather than for own use, rental or capital appreciation. Development properties are measured at the lower of cost and estimated net realisable value ("NRV"). SFRS(I) 1-2.36.a SFRS(I) 1-40.75.c SFRS(I) 1-2.6,9,21

Cost of development properties include: SFRS(I) 1-2.10
- land cost;
- amounts paid to contractors for construction works; and
- borrowing costs, planning and design costs, costs of site preparation, professional fees, property sale taxes, development overheads and other related costs.

Lands held for future development and costs incurred for future development where no significant development has been undertaken are stated at cost less impairment loss (if any). SFRS(I) 1-2.36.a

NRV in respect of development property under construction is assessed with reference to market prices at the reporting date for similar completed property, less estimated costs to complete the development and the estimated costs necessary to make the sale, taking into account the time value of money, if material. SFRS(I) 1-2.6

NRV for completed development properties for sale is assessed by reference to market conditions and prices existing at the reporting date and is determined based on comparable transactions identified for property in the same geographical market serving the same real estate segment. SFRS(I) 1-2.6

Cost of sale of development properties recognised in profit or loss are determined with reference to the specific costs incurred on the property sold and an allocation of any non-specific costs based on the relative size of the property sold. SFRS(I) 1-2.10, 21

Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the first-in first-out principle, and includes expenditure incurred in acquiring the inventories, production or conversion costs, and other costs incurred in bringing them to their existing location and condition. In the case of manufactured inventories and work in progress, cost includes an appropriate share of production overheads based on normal operating capacity. SFRS(I) 1-2.9 SFRS(I) 1-2.25 SFRS(I) 1-2.36.a

Cost may also include transfers from equity of any gain or loss on qualifying cash flow hedges of foreign currency purchases of inventories. SFRS(I) 9.B6.5.34

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and estimated costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs that must be incurred to make the sale. SFRS(I) 1-2.7

Guidance Notes – Cost of inventories

Costs include all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. SFRS(I) 1-2.10-18

Costs of purchase comprise the purchase price, import duties and other taxes (other than those subsequently recoverable by the entity from the taxing authorities), and transport, handling and other costs directly attributable to the acquisition of finished goods, materials and services. Trade discounts, rebates and other similar items are deducted in determining the costs of purchase. SFRS(I) 1-2.11

Other costs are included in the cost of inventories only to the extent that they are incurred in bringing the inventories to their present location and condition. For example, it may be appropriate to include non-production overheads or the costs of designing products for specific customers in the cost of inventories. SFRS(I) 1-2.15,16

Where applicable, costs of inventories may include borrowing costs if inventories are assessed to be qualifying assets. SFRS(I) 1-23.7

2(e) Significant accounting policies (cont'd)

Financial instruments

Financial assets and financial liabilities are recognised in the Group's statement of financial position when the Group becomes a party to the contractual provisions of the instrument. SFRS(I) 7.21

Financial assets and financial liabilities are initially measured at fair value, except for trade receivables that do not have a significant financing component which are measured at transaction price. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets and financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

Financial assets and financial liabilities are offset and the net amount reported in the statement of financial position when there is a legally enforceable right to offset and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. SFRS(I) 1-32.42

Financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories: SFRS(I) 9.4.1.1

- amortised cost;
- fair value through other comprehensive income ("FVOCI"); and
- fair value through profit or loss ("FVPL").

The classification depends on the Group's business model for managing the financial assets as well as the contractual terms of the cash flows of the financial asset. The Group reclassifies investments in debt instruments when and only when its business model for managing those assets changes. SFRS(I) 9.4.1.2 SFRS(I) 9.4.1.4 SFRS(I) 9.4.4.1

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest. SFRS(I) 9.4.3.2

(ii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at FVPL, transaction costs that are directly attributable to the acquisition of the financial asset. SFRS(I) 9.5.1.1

Investments in debt instruments

Investments in debt instruments mainly comprise trade and other receivables, cash and cash equivalents, and listed and unlisted debt securities. There are three subsequent measurement categories, depending on the Group's business model for managing the asset and the cash flow characteristics of the asset: SFRS(I) 9.5.2.1 SFRS(I) 9.4.1.1

- *Amortised cost* : Investments in debt instruments that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt instrument that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in interest income using the effective interest method. SFRS(I) 9.4.1.2
- *FVOCI* : Investments in debt instruments that are held for collection of contractual cash flows and for sale, and where the assets' cash flows represent solely payments of principal and interest, are classified as FVOCI. Movements in fair values are recognised in other comprehensive income ("OCI") and accumulated in fair value reserve, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses, which are recognised in profit and loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and presented in "other gains and losses". Interest income from these financial assets is recognised using the effective interest rate method and presented in "interest income". SFRS(I) 9.4.1.2A

2(e) Significant accounting policies (cont'd)

Financial assets (cont'd)

(ii) Measurement (cont'd)

Investments in debt instruments (cont'd)

- *FVPL* : Investments in debt instruments that are held for trading as well as those that do not meet the criteria for classification as amortised cost or FVOCI are classified as FVPL. Movement in fair values and interest income is recognised in profit or loss in the period in which it arises and presented in "other gains and losses". SFRS(I) 9.4.1.4

Investments in equity instruments

The Group subsequently measures all its investments in equity instruments, including listed and unlisted equity securities, at their fair values. Such equity investments are classified as FVPL with movements in their fair values recognised in profit or loss in the period in which the changes arise and presented in "other gains and losses", except for those equity securities which are not held for trading. The Group has elected to recognise changes in fair value of equity securities not held for trading in other comprehensive income as these are strategic investments and the Group considers this to be more relevant. Movements in fair values of investments classified as FVOCI are presented as "fair value gains or losses" in other comprehensive income. Dividends from equity investments are recognised in profit or loss as dividend income within "other income". SFRS(I) 9.4.1.4 SFRS(I) 9.5.7.5 SFRS(I) 9.5.7.6 SFRS(I) 9.5.7.1A

(iii) Trade and other receivables

Trade receivables are recognised initially at the amount of consideration that is unconditional to which the Group expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of a third party, if the trade receivables do not contain a significant financing component. Other receivables generally arise from transactions outside the normal operating activities of the Group. Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less loss allowance. SFRS(I) 7.21

(iv) 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. SFRS(I) 9.3.1.2

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another party. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received. SFRS(I) 9.3.2.3,4 SFRS(I) 9.3.2.17

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of an investment in a debt instrument classified as at FVOCI, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified to profit or loss. In contrast, on derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVOCI, the cumulative gain or loss previously accumulated in the fair value reserve is not reclassified to profit or loss, but is transferred to retained earnings. SFRS(I) 9.5.7.10 SFRS(I) 9.B5.7.1

Trade receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings. SFRS(I) 9.3.2.6

2(e) Significant accounting policies (cont'd)

Financial assets (cont'd)

(v) Foreign exchange gains and losses

The carrying amount of financial assets that are denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of each reporting period. Specifically,

- for financial assets measured at amortised cost that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item;
- for debt instruments measured at FVOCI that are not part of a designated hedging relationship, exchange differences on the amortised cost of the debt instrument are recognised in profit or loss in the 'Other gains and losses' line item. As the foreign currency element recognised in profit or loss is the same as if it was measured at amortised cost, the residual foreign currency element based on the translation of the carrying amount (at fair value) is recognised in other comprehensive income in the investments revaluation reserves;
- for financial assets measured at FVPL that are not part of a designated hedging relationship, exchange differences are recognised in profit or loss in the 'Other gains and losses' line item as part of the fair value gain or loss; and
- for equity instruments measured at FVOCI, exchange differences are recognised in other comprehensive income in the investments revaluation reserves.

Impairment of financial assets

The Group recognises a loss allowance for expected credit losses ("ECL") on investments in debt instruments that are measured at amortised cost or at FVOCI, finance lease receivables, contract assets, as well as on loan commitments and financial guarantee contracts (if any). No impairment loss is recognised for investments in equity instruments. The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. SFRS(I) 7.35F

The Group always recognises lifetime ECL for trade receivables, contract assets and finance lease receivables. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current as well as the forecast direction of conditions at the reporting date, including time value of money where appropriate. SFRS(I) 9.5.5.15

For all other financial instruments, the Group recognises lifetime ECL when there has been a significant increase in credit risk since initial recognition. If, on the other hand, the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month ECL. The assessment of whether lifetime ECL should be recognised is based on significant increase in the likelihood or risk of a default occurring since initial recognition instead of on evidence of a financial asset being credit-impaired at the reporting date or an actual default occurring. SFRS(I) 9.5.5.17 SFRS(I) 9.5.2.2

Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events on a financial instrument that are possible within twelve months after the reporting date. SFRS(I) 9.App.A

(i) Significant increase in credit risk

In assessing whether the credit risk on a financial instrument has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument 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 that is available without undue cost or effort. Forward-looking information considered includes the future prospects of the industries in which the Group's debtors operate, obtained from economic expert reports, financial analysts, governmental bodies, relevant think-tanks and other similar organisations, as well as consideration of various external sources of actual and forecast economic information that relate to the Group's core operations, namely real estate, industrial construction and engineering materials. SFRS(I) 7.35F.a SFRS(I) 7.35G.b

2(e) Significant accounting policies (cont'd)

Impairment of financial assets (cont'd)

(i) Significant increase in credit risk (cont'd)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly since initial recognition: SFRS(I) 7.35F.a SFRS(I) 7.35G.a.ii

- actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating; SFRS(I) 9.5.5.17
- significant deterioration in external market indicators of credit risk for a particular financial instrument (e.g. significant increase in the credit spread, the credit default swap prices for the debtor, or the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost);
- 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;
- actual or expected significant deterioration in the operating results of the debtor;
- significant increases in credit risk on other financial instruments of the same debtor; and
- actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk on a financial asset has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise. SFRS(I) 9.5.5.11

Despite the aforegoing, the Group assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. A financial instrument is determined to have low credit risk if

- the financial instrument has a low risk of default,
- the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and
- adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations.

The Group considers a financial asset to have low credit risk when the asset has external credit rating of 'investment grade' in accordance with the globally understood definition or if an external rating is not available, the asset has an internal rating of 'performing'. Performing means that the counterparty has a strong financial position and there are no past due amounts. SFRS(I) 7:35F.a.i

For loan commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition, (i) for a loan commitment, the Group considers changes in the risk of a default occurring on the loan to which a loan commitment relates; (ii) for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract. SFRS(I) 9.5.5.6

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. SFRS(I) 9.5.5.17

2(e) Significant accounting policies (cont'd)

Impairment of financial assets (cont'd)

(ii) 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 the receivables which meet either of the following criteria are generally not recoverable. SFRS(I) 7.35F.b

- when there is a breach of financial covenants by the counterparty; or
- information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above analysis, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate. SFRS(I) 9.B5.5.37

(iii) 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. Evidence that a financial asset is credit-impaired includes observable data about the following events: SFRS(I) 7.35F.d SFRS(I) 7.35G.a.iii

- significant financial difficulty of the issuer or the borrower; SFRS(I) 9.App.A
- a breach of contract, such as a default or past due event;
- the lender of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession that the lender would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery (e.g. when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings), or in the case of trade receivables, when the amounts are over two years past due, whichever occurs sooner. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. Any recoveries made are recognised in profit or loss. SFRS(I) 7.35F.e

(v) Measurement and recognition of expected credit losses

The measurement of expected credit losses is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information as described above. As for the exposure at default, for financial assets, this is represented by the assets' gross carrying amount at the reporting date; for loan commitments and financial guarantee contracts, the exposure includes the amount drawn down as at the reporting date, together with any additional amounts expected to be drawn down in the future by default date determined based on historical trend, the Group's understanding of the specific future financing needs of the debtors, and other relevant forward-looking information. SFRS(I) 7.35G.a

For financial assets, the expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate. For finance lease receivable, the cash flows used for determining the expected credit losses is consistent with the cash flows used in measuring the finance lease receivable in accordance with SFRS(I) 16 Leases. SFRS(I) 9.B5.5.29 SFRS(I) 9.B5.5.34

2(e) Significant accounting policies (cont'd)

Impairment of financial assets (cont'd)

(v) Measurement and recognition of expected credit losses (cont'd)

For a financial guarantee contract, as the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed, the expected loss allowance is the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party. SFRS(I) 9.B5.5.32

For undrawn loan commitments, the expected credit loss is the present value of the difference between the contractual cash flows that are due to the Group if the holder of the loan commitment draws down the loan, and the cash flows that the Group expects to receive if the loan is drawn down. SFRS(I) 9.B5.5.31

If the Group has measured the loss allowance for a financial instrument 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. SFRS(I) 9.5.5.7

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at FVOCI, for which the loss allowance is recognised in other comprehensive income and accumulated in the investment revaluation reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

Where lifetime ECL is measured on a collective basis to cater for cases where evidence of significant increases in credit risk at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis: SFRS(I) 7.35F.c SFRS(I) 7.35G.a

- nature of financial instruments (i.e. the Group's trade and other receivables, finance lease receivables and amounts due from customers are each assessed as a separate group, while loans to related parties are assessed for expected credit losses on an individual basis); SFRS(I) 9.B5.5.5
- past-due status;
- nature, size and industry of debtors;
- nature of collaterals for finance lease receivables; and
- external credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics. SFRS(I) 9.B5.5.6

2(e) Significant accounting policies (cont'd)

Financial liabilities and equity SFRS(I) 7.21

(i) Classification as debt or equity

Debt and equity instruments issued by a group entity are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. SFRS(I) 1-32.15

(ii) Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs. SFRS(I) 1-32.16

Repurchase of the Company's own equity instruments is recognised and deducted directly in equity. No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments. SFRS(I) 1-32.27.a,b

(iii) Compound instruments

The component parts of compound instruments (convertible notes) issued by the Company are classified separately as financial liabilities and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument. SFRS(I) 1-32.28,29

At the date of issue, the fair value of the liability component is estimated using the prevailing market interest rate for similar non-convertible instruments. This amount is recorded as a liability on an amortised cost basis using the effective interest method until extinguished upon conversion or at the instrument's maturity date. SFRS(I) 1-32.32

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium or other class of equity. Where the conversion option remains unexercised at the maturity date of the convertible notes, the balance recognised in equity will be transferred to retained profits or other reserve account. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option. SFRS(I) 1-32.31

Transaction costs that relate to the issue of the convertible notes are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are recognised directly in equity. Transaction costs relating to the liability component are included in the carrying amount of the liability component and are amortised over the lives of the convertible notes using the effective interest method. SFRS(I) 1-32.38

Financial liabilities

All financial liabilities are measured subsequently at amortised cost using the effective interest method or at FVPL.

Financial liabilities that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, financial guarantee contracts issued by the Group, and commitments issued by the Group to provide a loan at below-market interest rate are measured in accordance with the specific accounting policies as set out below. SFRS(I) 9.4.2.1 SFRS(I) 9.4.2.2

2(e) Significant accounting policies (cont'd)

Financial liabilities (cont'd)

(i) Financial liabilities at amortised cost

Financial liabilities that are not (i) contingent consideration of an acquirer in a business combination, (ii) held-for-trading, or (iii) designated as at FVPL, are subsequently measured at amortised cost using the effective interest method. Financial liabilities at amortised cost mainly include trade and other payables, borrowings and lease liabilities. SFRS(I) 9.4.2.1

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial liability, or (where appropriate) a shorter period, to the amortised cost of a financial liability. SFRS(I) 9.5.4.1

(ii) Financial liabilities at FVPL

Financial liabilities are classified as at FVPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which SFRS(I) 3 applies, (ii) held for trading, or (iii) it is designated as at FVPL. SFRS(I) 9.4.2.2

A financial liability is classified as held for trading if: SFRS(I) 9.App.A

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition, it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

A financial liability other than a financial liability held for trading or contingent consideration of an acquirer in a business combination may be designated as at FVPL upon initial recognition if: SFRS(I) 9.4.2.2

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or
- it forms part of a contract containing one or more embedded derivatives, and SFRS(I) 9 permits the entire combined contract to be designated as at FVPL.

Financial liabilities at FVPL are stated at fair value with any gains or losses arising on changes in fair value recognised in profit or loss to the extent that they are not part of a designated hedging relationship. The net gain or loss recognised in profit or loss incorporates any interest paid on the financial liabilities and is included in the "other gains and losses" line item. SFRS(I0 7.B5.e

However, for financial liabilities that are designated as at FVPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. The remaining amount of change in the fair value of liability is recognised in profit or loss. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained earnings upon derecognition of the financial liability. SFRS(I) 9.B5.7.5-9

Gains or losses on financial guarantee contracts and loan commitments issued by the Group that are designated by the group as at fair value through profit or loss are recognised in profit or loss. SFRS(I) 9.B3.3.7

2(e) Significant accounting policies (cont'd)

Financial liabilities (cont'd)

(iii) Trade and other payables

Trade and other payables represent liabilities for goods and services provided to the Group prior to the end of financial year which are unpaid. They are initially measured at fair value, and subsequently measured at amortised cost, using the effective interest method. Trade and other payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). Otherwise, they are presented as non-current liabilities. SFRS(I) 7.21 SFRS(I) 9.5.1.1

(iv) Financial guarantee contracts

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 payments when due in accordance with the terms of a debt instrument. SFRS(I) 9.4.2.1.c SFRS(I) 9.5.1.1

Financial guarantee contracts issued by a group entity are initially measured at their fair values and, if not designated as at FVPL and do not arise from a transfer of a financial asset, are subsequently measured at the higher of: SFRS(I) 9.B2.5

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the revenue recognition policies.

(v) Loan commitments

Commitments to provide a loan at a below-market interest rate are initially measured at their fair values and, if not designated as at FVPL, are subsequently measured at the higher of: SFRS(I) 9.B2.5

- the amount of the loss allowance determined in accordance with SFRS(I) 9; and
- the amount initially recognised less, where appropriate, cumulative amount of income recognised in accordance with the revenue recognition policies.

(vi) Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or they expire. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss. SFRS(I) 9.3.3.1

(vii) Foreign exchange gains and losses

For financial liabilities that are denominated in a foreign currency and are measured at amortised cost at the end of each reporting period, the foreign exchange gains and losses are determined based on the amortised cost of the instruments. These foreign exchange gains and losses are recognised in the 'Other gains and losses' line item in profit or loss for financial liabilities that are not part of a designated hedging relationship. For those which are designated as a hedging instrument for a hedge of foreign currency risk, foreign exchange gains and losses are recognised in other comprehensive income and accumulated in a separate component of equity.

The fair value of financial liabilities denominated in a foreign currency is determined in that foreign currency and translated at the spot rate at the end of the reporting period. For financial liabilities that are measured as at FVPL, the foreign exchange component forms part of the fair value gains or losses and is recognised in profit or loss for financial liabilities that are not part of a designated hedging relationship.

Guidance Notes – Financial guarantee contracts

Definition of financial guarantee

A financial guarantee 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. Where the financial guarantee is given with respect to a banking facility, that facility must be drawn down before the definition of financial guarantee is met as a debt (or debtor) only comes into existence upon draw-down. SFRS(I) 9.App.A

The Company has issued corporate guarantees to banks for bank borrowings of its subsidiaries. These guarantees are financial guarantees as they require the Company to reimburse the banks if the subsidiaries fail to make principal or interest payments when due in accordance with the terms of their borrowings. Intra-Group transactions are eliminated on consolidation.

Financial guarantee for associates and joint ventures

Where the entity has issued financial guarantees to banks for bank borrowings of its associates and joint ventures, these financial guarantees shall be recognised in both the entity's separate and consolidated financial statements as these transactions will not be fully eliminated on equity accounting or proportionate consolidation. The relevant disclosures under SFRS(I) 1-24 shall also be made. SFRS(I) 1-24.21

Where a subsidiary has issued corporate guarantees to banks for borrowings of third parties, such financial guarantees are similarly accounted for in the Group's consolidated financial statements.

2(e) Significant accounting policies (cont'd)

Borrowings

Borrowings which are due to be settled within twelve months after the end of the reporting period are included in current borrowings in the statement of financial position even though the original terms were for a period longer than twelve months and an agreement to refinance, or to reschedule payments, on a long-term basis is completed after the end of the reporting period. Borrowings to be settled within the Company's and the Group's normal operating cycle are classified as current. Borrowings due to be settled more than twelve months after the end of reporting period are included in non-current borrowings in the statement of financial position. SFRS(I) 1-1.69

Fees paid on the establishment of borrowing facilities are recognised as transaction costs of the borrowing to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates. SFRS(I) 9.B5.4.2

Bank borrowings

Bank borrowings are recognised initially at the fair value of proceeds received less attributable transaction costs, if any. Bank borrowings are subsequently stated at amortised cost which is the initial fair value less any principal repayments. Any difference between the proceeds (net of transaction costs) and the redemption value is taken to the profit or loss over the period of the bank borrowings using the effective interest method. The interest expense is chargeable on the amortised cost over the period of the borrowings using the effective interest method. SFRS(I) 9.5.1.1

Bank borrowings are derecognised when the obligation is discharged, cancelled or expired. The difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss. SFRS(I) 9.3.3.3

When the contractual cash flows of bank borrowings are modified but do not result in derecognition, difference between the recalculated gross carrying amount and the carrying amount before modification is recognised in profit or loss as modification gain or loss, at the date of modification. SFRS(I) 9.5.4.3

Guidance Notes – Borrowings

Current / Non-current classification

When an entity breaches a provision of a long-term loan agreement on or before the reporting date with the effect that the liability becomes payable on demand, the liability is classified as current, even if the lender has agreed, after the reporting date and before the authorisation of the financial statements for issue, not to demand payment as a consequence of the breach. The liability is classified as current because, at the reporting date, the entity does not have an unconditional right to defer its settlement for at least twelve months after the date. SFRS(I) 1-1.74

Where the entity expects, and has the discretion, to re-finance or roll over an obligation for at least twelve months after the reporting date under an existing loan facility with the same lender, on the same or similar terms, the liability is classified as non-current. SFRS(I) 1-1.73

Modification of contractual cash flows

When the contractual cash flows of a financial instrument is modified and does not result in derecognition, differences between the recalculated gross carrying amount and the carrying amount before modification is recognised in profit or loss as modification gain or loss, at the date of modification. SFRS(I) 9.5.4.3

2(e) Significant accounting policies (cont'd)

Borrowing costs

Borrowing costs are recognised in profit or loss using the effective interest method except for those costs that are directly attributable to the construction or development of properties and assets under construction. This includes those costs on borrowings acquired specifically for the construction or development of properties and assets under construction, as well as those in relation to general borrowings used to finance the construction or development of properties and assets under construction. SFRS(I) 1-23.8 SFRS(I) 1-23.12

The actual borrowing costs incurred during the period up to the issuance of the temporary occupation permit less any investment income on temporary investment of these borrowings, are capitalised in the cost of the property under development. Borrowing costs on general borrowings are capitalised by applying a capitalisation rate to construction or development expenditures that are financed by general borrowings. SFRS(I) 1-23.14

Guidance Notes – Borrowing costs

Capitalisation of general borrowing costs

Where funds are borrowed generally and used for the purpose of obtaining a qualifying asset, the borrowing costs eligible for capitalisation can be determined by applying a capitalisation rate to be expenditure on that asset. The capitalisation rate should be the weighted average of the borrowing costs applicable to all borrowings of the entity that are outstanding during the period, other than borrowings made specifically for the purpose of obtaining a qualifying asset. The amount of borrowing costs capitalised during a period should not exceed the amount of borrowing costs incurred during the period. If a specific borrowing remains outstanding when substantially all the activities necessary to prepare the qualifying asset for its intended use or sale are complete, the specific borrowing becomes part of the general borrowings. SFRS(I) 1-23.14

Capitalisation of borrowing costs in respect of lease liabilities

Borrowing costs may include interest in respect of lease liabilities recognised in accordance with SFRS(I) 16. SFRS(I) 1-23.6.d

2(e) Significant accounting policies (cont'd)

Derivative financial instruments

The Group enters into a variety of derivative financial instruments to manage its exposure to interest rate and foreign exchange rate risks, including foreign exchange forward contracts, options and interest rate swaps. SFRS(I) 7.21

Derivatives are recognised initially at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset whereas a derivative with a negative fair value is recognised as a financial liability. Derivatives are not offset in the financial statements unless the Group has both a legally enforceable right and intention to offset. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not due to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

Embedded derivatives

An embedded derivative is a component of a hybrid contract that also includes a non-derivative host – with the effect that some of the cash flows of the combined instrument vary in a way similar to a stand-alone derivative.

Derivatives embedded in hybrid contracts with a financial asset host within the scope of SFRS(I) 9 are not separated. The entire hybrid contract is classified and subsequently measured as either amortised cost or fair value as appropriate.

Derivatives embedded in hybrid contracts with hosts that are not financial assets within the scope of SFRS(I) 9 (e.g. financial liabilities) are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVPL.

If the hybrid contract is a quoted financial liability, instead of separating the embedded derivative, the Group generally designates the whole hybrid contract at FVPL.

An embedded derivative is presented as a non-current asset or non-current liability if the remaining maturity of the hybrid instrument to which the embedded derivative relates is more than 12 months and is not expected to be realised or settled within 12 months.

2(e) Significant accounting policies (cont'd)

Hedge accounting

The Group designates certain derivatives as hedging instruments in respect of foreign currency risk and interest rate risk in fair value hedges, cash flow hedges, or hedges of net investments in foreign operations. Hedges of foreign exchange risk on firm commitments are accounted for as cash flow hedges. SFRS(I) 7.21

At the inception of the hedge relationship, the Group documents the relationship between the hedging instrument and the hedged item, along with its risk management objectives and its strategy for undertaking various hedge transactions. Furthermore, at the inception of the hedge and on an ongoing basis, the Group documents whether the hedging instrument is effective in offsetting changes in fair values or cash flows of the hedged item attributable to the hedged risk, which is when the hedging relationships meet all of the following hedge effectiveness requirements:

- there is an economic relationship between the hedged item and the hedging instrument;
- the effect of credit risk does not dominate the value changes that result from that economic relationship; and
- the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio but the risk management objective for that designated hedging relationship remains the same, the Group adjusts the hedge ratio of the hedging relationship (i.e. rebalances the hedge) so that it meets the qualifying criteria again.

The Group designates the full change in the fair value of a forward contract (i.e. including the forward elements) as the hedging instrument for all of its hedging relationships involving forward contracts.

The Group designates only the intrinsic value of option contracts as a hedged item, i.e. excluding the time value of the option. The changes in the fair value of the aligned time value of the option are recognised in other comprehensive income and accumulated in the cost of hedging reserve. If the hedged item is transaction-related, the time value is reclassified to profit or loss when the hedged item affects profit or loss. If the hedged item is time period related, then the amount accumulated in the cost of hedging reserve is reclassified to profit or loss on a rational basis – the Group applies straight-line amortisation. Those reclassified amounts are recognised in profit or loss in the same line as the hedged item. If the hedged item is a non-financial item, then the amount accumulated in the cost of hedging reserve is removed directly from equity and included in the initial carrying amount of the recognised non-financial item. Furthermore, if the Group expects that some or all of the loss accumulated in cost of hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

Fair value hedges

The fair value change on qualifying hedging instruments is recognised in profit or loss except when the hedging instrument hedges an equity instrument designated at FVOCI in which case it is recognised in other comprehensive income.

The carrying amount of a hedged item not already measured at fair value is adjusted for the fair value change attributable to the hedged risk with a corresponding entry in profit or loss. For debt instruments measured at FVOCI, the carrying amount is not adjusted as it is already at fair value, but the hedging gain or loss is recognised in profit or loss instead of other comprehensive income. When the hedged item is an equity instrument designated at FVOCI, the hedging gain or loss remains in other comprehensive income to match that of the hedging instrument.

Where hedging gains or losses are recognised in profit or loss, they are recognised in the same line as the hedged item.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date.

2(e) Significant accounting policies (cont'd)

Hedge accounting (cont'd)

Cash flow hedges

The effective portion of changes in the fair value of derivatives and other qualifying hedging instruments that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated under the heading of cash flow hedging reserve, limited to the cumulative change in fair value of the hedged item from inception of the hedge. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'other gains and losses' line item.

Amounts previously recognised in other comprehensive income and accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss, in the same line as the recognised hedged item. However, when the hedged forecast transaction results in the recognition of a non-financial asset or a non-financial liability, the gains and losses previously recognised in other comprehensive income and accumulated in equity are removed from equity and included in the initial measurement of the cost of the non-financial asset or non-financial liability. This transfer does not affect other comprehensive income. Furthermore, if the Group expects that some or all of the loss accumulated in the cash flow hedging reserve will not be recovered in the future, that amount is immediately reclassified to profit or loss.

The Group discontinues hedge accounting only when the hedging relationship (or a part thereof) ceases to meet the qualifying criteria (after rebalancing, if applicable). This includes instances when the hedging instrument expires or is sold, terminated or exercised. The discontinuation is accounted for prospectively. Any gain or loss recognised in other comprehensive income and accumulated in cash flow hedge reserve at that time remains in equity and is reclassified to profit or loss when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the gain or loss accumulated in the cash flow hedge reserve is reclassified immediately to profit or loss.

Hedges of net investments in foreign operations

Hedges of net investments in foreign operations are accounted for similarly to cash flow hedges. Any gain or loss on the foreign currency forward contracts relating to the effective portion of the hedge is recognised in other comprehensive income and accumulated in the foreign currency translation reserve. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss, and is included in the 'Other gains and losses' line item.

Gains and losses on the hedging instrument accumulated in the foreign currency translation reserve are reclassified to profit or loss on the disposal or partial disposal of the foreign operation.

2(e) Significant accounting policies (cont'd)

Interest rate benchmark reform

Changes in basis for determining the contractual cash flows as a result of interest rate benchmark reform

When the basis for determining the contractual cash flows of a financial asset or financial liability measured at amortised cost changes as a result of interest rate benchmark reform, the Group updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. No immediate gain or loss is recognised. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met: SFRS(I) 9.5.4.7 SFRS(I) 9.5.4.9

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis i.e. the basis immediately before the change.

When changes are made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first updates the effective interest rate of the financial asset or financial liability to reflect the change that is required by the reform. After that, the Group applies the policies on accounting for modifications to the additional changes.

Hedges directly affected by interest rate benchmark reform

For the purpose of evaluating whether there is an economic relationship between the hedged item and the hedging instrument, the Group assumes that the benchmark interest rate is not altered as a result of interest rate benchmark reform. SFRS(I) 9.6.8.6

For a cash flow hedge of a forecast transaction, the Group assumes that the benchmark interest rate will not be altered as a result of interest rate benchmark reform for the purpose of assessing whether the forecast transaction is highly probable and presents an exposure to variations in cash flows that could ultimately affect profit or loss. In determining whether a previously designated forecast transaction in a discontinued cash flow hedge is still expected to occur, the Group assumes that the interest rate benchmark cash flows designated as a hedge will not be altered as a result of interest rate benchmark reform. SFRS(I) 9.6.8.4-5

The Group will cease to apply the specific policy for assessing the economic relationship between the hedged item and the hedging instrument: SFRS(I) 9.6.8.9-11

- to a hedged item or hedging instrument when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the contractual cash flows of the respective item or instrument or
- when the hedging relationship is discontinued.

For its highly probable assessment of the hedged item, the Group will no longer apply the specific policy when the uncertainty arising from interest rate benchmark reform about the timing and the amount of the interest rate benchmark-based future cash flows of the hedged item is no longer present, or when the hedging relationship is discontinued.

When the basis for determining the contractual cash flows of the hedged item or the hedging instrument changes as a result of interest rate benchmark reform and therefore there is no longer uncertainty arising about the cash flows of the hedged item or the hedging instrument, the Group amends the hedge documentation of that hedging relationship to reflect the changes required by the reform. A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if the following conditions are met: SFRS(I) 9.6.9.1

- the change is necessary as a direct consequence of the reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis i.e. the basis immediately before the change.

2(e) Significant accounting policies (cont'd)

Interest rate benchmark reform (cont'd)

Hedges directly affected by interest rate benchmark reform (cont'd)

For this purpose, the hedge designation is amended only to make one or more of the following changes:
- designating an alternative benchmark rate as the hedged risk;
- updating the description of hedged item, including the description of the designated portion of the cash flows or fair value being hedged; or
- updating the description of the hedging instrument.

The Group amends the description of the hedging instrument only if the following conditions are met: SFRS(I) 9.6.9.2
- it makes a change required by interest rate benchmark reform by using an approach other than changing the basis for determining the contractual cash flows of the hedging instrument;
- the chosen approach is economically equivalent to changing the basis for determining the contractual cash flows of the original hedging instrument; and
- the original hedging instrument is not derecognised.

The Group also amends the formal hedge documentation by the end of the reporting period during which a change required by interest rate benchmark reform is made to the hedged risk, hedged item or hedging instrument. These amendments in the formal hedge documentation do not constitute the discontinuation of the hedging relationship or the designation of a new hedging relationship. SFRS(I) 9.6.9.4

If changes are made in addition to those changes required by interest rate benchmark reform described above, then the Group first considers whether those additional changes result in the discontinuation of the hedge accounting relationship. If the additional changes do not result in discontinuation of the hedge accounting relationship, then the Group amends the formal hedge documentation for changes required by interest rate benchmark reform as mentioned above. SFRS(I) 9.6.9.5

When the interest rate benchmark on which the hedged future cash flows had been based is changed as required by interest rate benchmark reform, for the purpose of determining whether the hedged future cash flows are expected to occur, the Group deems that the hedging reserve recognised in other comprehensive income for that hedging relationship is based on the alternative benchmark rate on which the hedged future cash flows will be based. SFRS(I) 9.6.9.7-8

Non-current assets (or disposal groups) held-for-sale and discontinued operations

Non-current assets (or disposal groups) are classified as assets held-for-sale and carried at the lower of carrying amount and fair value less costs to sell if their carrying amount is recovered principally through a sale transaction rather than through continuing use. The assets are not depreciated or amortised while they are classified as held-for-sale. Any impairment loss on initial classification and subsequent measurement is recognised as an expense. Any subsequent increase in fair value less costs to sell (not exceeding the accumulated impairment loss that has been previously recognised) is recognised in profit or loss. SFRS(I) 5.6,15 SFRS(I) 5.1,25 SFRS(I) 5.20 SFRS(I) 5.22

A discontinued operation is a component of an entity that either has been disposed of, or that is classified as held-for-sale and: SFRS(I) 5.32
(a) represents a separate major line of business or geographical area of operations;
(b) is part of a single co-ordinated plan to dispose of a separate major line of business or geographical area of operations; or
(c) is a subsidiary acquired exclusively with a view to resale.

2(e) Significant accounting policies (cont'd)

Share capital and treasury shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issuance of new ordinary shares are deducted against the share capital account. Any excess of the proceeds received over the par value of the shares is recorded in share premium. SFRS(I) 1-32.35

When any entity within the Group purchases the Company's ordinary shares ("treasury shares"), the carrying amount which includes the consideration paid and any directly attributable transaction cost is presented as a component within equity attributable to the Company's equity holders, until they are cancelled, sold or reissued. SFRS(I) 1-32.33

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 capital of the Company, or against the retained profits of the Company if the shares are purchased out of earnings of the Company. CA 76G

When treasury shares are subsequently sold or reissued pursuant to an 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 any directly attributable incremental transaction costs and related income tax, is recognised in the capital reserve. SFRS(I) 1-32.33

Redeemable preference shares

Preference shares which are mandatorily redeemable on a specific date and carry non-discretionary dividend obligations are classified as financial liabilities. The dividends on these preference shares are recognised as interest expense within "finance costs". SFRS(I) 1-32.18.a SFRS(I) 1-32.36

Dividends to shareholders

Final dividends proposed by the directors are not accounted for in shareholders' equity as an appropriation of retained earnings, until they have been approved by the shareholders in a general meeting. When these dividends have been approved by the shareholders and declared, they are recognised as a liability. SFRS(I) 1-32.35

Interim dividends, if any, are simultaneously proposed and declared, because the articles of association of the Company grant the directors the authority to declare interim dividends. Consequently, interim dividends are recognised directly as a liability when they are proposed and declared.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received. SFRS(I) 1-20:39.a

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets (including property, plant and equipment) are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable.

The benefit of a government loan at a below-market rate of interest is treated as a government grant, measured as the difference between proceeds received and the fair value of the loan based on prevailing market interest rates.

2(e) Significant accounting policies (cont'd)

Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The unwinding of the discount is recognised as finance cost. SFRS(I) 1-37.14 SFRS(I) 1-37.45,47

Warranty

A provision for warranties is recognised when the underlying products or services are sold. The provision is based on historical warranty data and a weighting of all possible outcomes against their associated probabilities. SFRS(I) 1-37.39

Restructuring

A provision for restructuring is recognised when the Group has approved a detailed and formal restructuring plan, and the restructuring either has commenced or has been announced publicly. Future operating losses are not provided for. SFRS(I) 1-37.72

Legal claims

A provision for legal claims is recognised when there is a past obligating event that gives rise to the litigation. The provision is based on the anticipated compensation and any incremental costs that are directly related to the settlement of the legal claim when they are deemed probable and reasonably estimable, including lawyers' and experts' fees. SFRS(I) 1-37.16

Restoration

A provision for restoration is recognised when the Group is legally obligated to dismantle physical installations and to restore to its original state a property owned by external parties following decommissioning of the Group's operating facilities at the property. The costs of dismantling and restoration are capitalised as part of the Group's acquisition costs of the installations and are depreciated over their useful lives. The provision is initially recognised as the present value of the aggregate future costs. Changes in the estimated timing or amount of the expenditure or discount rate for asset dismantlement and restoration costs are adjusted against the cost of the related installations, unless the decrease in the provision exceeds the carrying amount of the asset or the asset has reached the end of its useful life. In such a case, the excess of the decrease over the carrying amount of the asset, or the changes in the provision, is recognised in profit or loss immediately. SFRS(I) 1-37.38 SFRS(I) 1-37.45

Onerous contracts

A provision for onerous contracts is recognised when the expected benefits to be derived by the Group from a contract are lower than the unavoidable cost of meeting its obligations under the contract. A provision for onerous contracts is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract, which is determined based on the incremental costs of fulfilling the obligation under the contract and an allocation of other costs directly related to fulfilling the contract. Before a provision is established, the Group recognises any impairment loss on the assets associated with that contract. SFRS(I) 1-37.10 SFRS(I) 1-37.66,68

Carbon tax

A provision for carbon tax is recognised when the minimum greenhouse gases (GHG) emission threshold as set out in the relevant legislation is reached. Subsequent to reaching the minimum legislated GHG emission threshold, provision for carbon tax is recognised as and when GHG are emitted. SFRS(I) INT 21.8-12

2(e) Significant accounting policies (cont'd)

Revenue

The Group recognises revenue from the following major sources: SFRS(I) 15.110,111

(i) sale of completed development properties and development properties under construction;
(ii) rental income from investment properties;
(iii) construction of industrial assets;
(iv) rendering of maintenance service;
(v) sale of engineering materials; and
(vi) hotel operations (discontinued operations)

Revenue is recognised when the Group satisfies a performance obligation by transferring a promised good or extending a service to the customer, which is when the customer obtains control of the good or derived benefits from the usage of the service. A performance obligation may be satisfied at a point in time or over time. If a performance obligation is satisfied over time, the revenue is recognised based on the percentage of completion reflecting the progress towards complete satisfaction of that performance obligation. The amount of revenue recognised is the amount allocated to the satisfied performance obligation. Revenue is measured based on the consideration specified in a contract with a customer and excludes amounts collected on behalf of third parties. SFRS(I) 15.119 SFRS(I) 15.126 SFRS(I) 15.124 SFRS(I) 15.125

<u>(i) Sale of completed development properties and development properties under construction</u>

The Group constructs and sells residential properties under long-term contracts with customers.

Under the terms of the contracts for sale of residential properties in Singapore, the Group is contractually restricted from redirecting the properties to another customer and has an enforceable right to payment for work done. Revenue is recognised based on the percentage of completion of construction. The percentage of completion is measured by reference to certifications of the value of work performed to date as compared to the estimated total construction costs of the development projects as approved by the Group. The Group considers that this method is an appropriate measure of the progress towards complete satisfaction of these performance obligations under SFRS(I) 15. Profits are recognised only in respect of finalised sales contracts to the extent that such profits relate to the progress of the construction work. SFRS(I) 15.124 SFRS(I) 15.35.c SFRS(I) 15.119 SFRS(I) 15.123 SFRS(I) 15.126

For development properties whereby the Group has no enforceable right to payment until legal title has passed to the customer, revenue is recognised when the legal title has been transferred to the customer. The revenue is measured at the transaction price agreed under the contract. SFRS(I) 15.125 SFRS(I) 15.126

For development properties under construction, the Group becomes entitled to invoice customers for construction of residential properties based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer is sent a relevant statement of work signed by a third party surveyor and an invoice for the related milestone payment. For completed development properties, the Group is entitled to invoice customers in accordance with the payment schedule in the sales contract. SFRS(I) 15.126 SFRS(I) 15.119

The Group will previously have recognised a contract asset for any work performed (for development properties under construction) or for any revenue recognised (for completed development properties). Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which it is invoiced to the customer. If the milestone payment exceeds the revenue recognised to date, the Group recognises a contract liability for the difference. When the period between the recognition of revenue and payment by the customer exceeds one year, an adjustment is made to the transaction price for the time value of money. SFRS(I) 15.117 SFRS(I) 15.106 SFRS(I) 15.107

<u>(ii) Rental income from investment properties</u>

The Group leases out its investment properties under operating lease and recognises rental income proportionately over the lease term. The aggregate costs of incentives provided to lessees are recognised as a reduction of rental income over the lease term on a straight-line basis. Rental payments received in advance are recorded as unearned income and amortised proportionately over the lease term using the straight-line method. Deposits received from tenants are recorded as part of other current liabilities. SFRS(I) 16.81-83

2(e) Significant accounting policies (cont'd)

Revenue (cont'd)

(iii) Construction of industrial assets

The Group constructs industrial assets for customers through fixed-price contracts. Contract revenue is recognised when the Group's performance creates or enhance an asset that the customer controls as the asset is created or enhanced. SFRS(I) 15.35.b

For these contracts, revenue is recognised over time by reference to the Group's progress towards completion of the contract. The measure of progress is determined based on the proportion of contract costs incurred to date to the estimated total contract costs ("input method"). Costs incurred that are not related to the contract or that do not contribute towards satisfying a performance obligation are excluded from the measure of progress and instead are expensed as incurred. SFRS(I) 15.119 SFRS(I) 15.124

In some circumstances such as in the early stages of a contract where the Group may not be able to reasonably measure its progress but expects to recover the contract costs incurred, contract revenue is recognised only to the extent of the contract costs incurred until such time when the Group can reasonably measure its progress. SFRS(I) 15.123 SFRS(I) 15.127

Contract modifications that do not add distinct goods or services are accounted for as a continuation of the original contract and the change is recognised as a cumulative adjustment to revenue at the date of modification. SFRS(I) 15.18 SFRS(I) 15.21

Estimates of revenues, costs or extent of progress toward completion are revised if circumstances change. Any resulting increases or decreases in estimated revenues or costs are reflected in the profit or loss in the period in which the circumstances that give rise to the revision become known by the Group. SFRS(I) 15.119

The period between the transfer of the promised services and customer payment may exceed one year. For such contracts, there is no significant financing component present as the payment terms is an industry practice to protect the customers from the performing entity's failure to adequately complete some or all of its obligations under the contract. As a consequence, the Group does not adjust any of the transaction prices for the time value of money. SFRS(I) 15.126 SFRS(I) 15.123

The customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised. SFRS(I) 15.119 SFRS(I) 15.106 SFRS(I) 15.107

For costs incurred in fulfilling the contract which are within the scope of another SFRS(I) (e.g. inventories), these have been accounted for in accordance with those other SFRS(I). If these are not within the scope of another SFRS(I), the Group will capitalise these as contract costs asset only if (a) these cost relate directly to a contract or an anticipated contract which the Group can specifically identify; (b) these cost generate or enhance resources of the Group that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and (c) these costs are expected to be recovered. Otherwise, such costs are recognised as an expense immediately. SFRS(I) 15.95 SFRS(I) 15.97,98

Capitalised contract costs are subsequently amortised on a systematic basis as the Group recognises the related revenue over time. An impairment loss is recognised in the profit or loss to the extent that the carrying amount of capitalised contract costs exceeds the expected remaining consideration less any directly related costs not yet recognised as expenses. SFRS(I) 15.127 SFRS(I) 15.99

(iv) Rendering of maintenance services

The Group provides maintenance services for the industrial assets after they are delivered to the customers. Such services are recognised as a performance obligation satisfied over time. Revenue recognised for these services is based on the stage of completion of the maintenance contract. The Group has assessed that the stage of completion determined as the proportion of the total service period that has elapsed as at the end of the reporting period is an appropriate measure of progress towards complete satisfaction of these performance obligations under SFRS(I) 15. Payment for these services are due in accordance with payment schedule in the maintenance contract on a straight-line basis over the term of the contract. SFRS(I) 15.35.a SFRS(I) 15.124 SFRS(I) 15.123 SFRS(I) 15.119 SFRS(I) 15.126

2(e) Significant accounting policies (cont'd)

Revenue (cont'd)

(v) Sale of engineering materials

Revenue from sale of engineering materials is recognised at a point in time when the Group has delivered the product to the customer and the customer has accepted the product. SFRS(I) 15.125

For sale of certain products with no alternative use to the Group, the Group has assessed at contract inception that it does not have an enforceable right to payment for performance completed to date in relation to such goods. SFRS(I) 15.35.c SFRS(I) 15.123

For such goods, the customer is invoiced on a milestone payment schedule. If the value of the goods transferred by the Group exceed the payments, a contract asset is recognised. If the payments exceed the value of the goods transferred, a contract liability is recognised. SFRS(I) 15.117 SFRS(I) 15.119

(vi) Hotel operations (discontinued operations)

Revenue from operations of a hotel is recognised from the following major sources: hotel stays, valet parking services and sales of food and beverages.

Provision of hotel stays and valet parking services are recognised as performance obligations satisfied over time. Progress towards complete satisfaction of these performance obligations is measured based on the proportion of the total duration of stay that has elapsed at the end of the reporting period. Payment for hotel stays and valet parking services sold to corporates are due from the customer at the end of the duration of stay. Payment for such services sold to individual customers are due from the customer prior to the stay. A contract asset is recognised for time which has elapsed representing the Group's right to consideration for the services performed to date, except for short durations of service where the effect would be immaterial. SFRS(I) 15.124 SFRS(I) 15.35.a SFRS(I) 15.119 SFRS(I) 15.107

Revenue from sales of food and beverages are recognised when control of the goods has been transferred, being at the point in time when the food and beverages are consumed. This is also the point where the Group is entitled to payment. SFRS(I) 15.125 SFRS(I) 15.119

The Group sells hotel packages to customers. The hotel packages offer combined goods and services. These goods and services are considered distinct as they are regularly supplied by the Group to customers on a stand-alone basis. These are therefore accounted for as separate performance obligations. In this case, the transaction price will be allocated to each performance obligation based on their stand-alone selling prices. Payment of the transaction price is due immediately when the customer purchases the hotel package. SFRS(I) 15.119 SFRS(I) 15.126

(vii) Dividend income

Dividend income is recognised when the 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. SFRS(I) 9.5.7.1A

(viii) Interest income

Interest income from financial assets at amortised cost and FVOCI is recognised using the effective interest rate method. Interest income from financial assets at FVPL is included as part of the net fair value gains or losses in "Other gains and losses". SFRS(I) 15.5 SFRS(I) 9.5.4.1

2(e) Significant accounting policies (cont'd)

Contract assets

Where revenue recognised for a customer contract exceeds the amount received or receivable from a customer, a contract asset is recognised. Contract assets arise from the Group's principal activities in sale of development properties and construction of industrial assets. Contract assets are transferred to trade receivables when the consideration for performance obligations are billed. Contract assets are included in current assets as they are expected to be realised in the normal operating cycle. Contract assets are subject to impairment review for credit risk in accordance with the expected credit loss model. SFRS(I) 15.105 SFRS(I) 15.107 SFRS(I) 15.108

Contract liabilities

Where the amounts received or receivable from customers exceed the revenues recognised for contracts, contract liabilities are recognised in the statement of financial position. Contract assets arise from the Group's principal activities in sale of development properties and construction of industrial assets. Contract liabilities are recognised as revenues when services are provided to customers. SFRS(I) 15.105 SFRS(I) 15.106

Contract costs

Sales commission and the incremental costs directly attributable to obtaining and fulfilling a customer's contract are capitalised in the statement of financial position and amortised as operating expenses over the contract period or expected customer relationship period. SFRS(I) 15.91

Guidance Notes – Revenue

Performance obligations

SFRS(I) 15.119 sets out the disclosures required about an entity's performance obligations in contracts with customers, including a description of all of the following: SFRS(I) 15.119

(a) when the entity typically satisfies its performance obligations (e.g. upon shipment, upon delivery, as services are rendered or upon completion of service), including when performance obligations are satisfied in a bill-and-hold arrangement;
(b) the significant payment terms (e.g. when payment is typically due, whether the contract has a significant financing component, whether the consideration amount is variable and whether the estimate of variable consideration is typically constrained);
(c) the nature of the goods or services that the entity has promised to transfer, highlighting any performance obligations to arrange for another party to transfer goods or services (i.e. if the entity is acting as an agent);
(d) obligations for returns, refunds and other similar obligations; and
(e) types of warranties and related obligations.

Bill-and-hold – illustrative accounting policy

"In some bill-and-hold arrangements, even though the Group has not yet delivered the goods to the customer, it has satisfied its performance obligation as control of the good has been transferred to the customer, and all of the following criteria are met: SFRS(I) 15.B79-B82
(d) the reason for the bill-and-hold arrangement is substantive;
(e) the product is identified separately as belonging to the customer;
(f) the product currently is ready for physical transfer to the customer; and
(g) the Group does not have the ability to use the good or to direct it to another customer."

Consignment – illustrative accounting policy

"In some consignment arrangements, although the good has been delivered to the customer, the Group retains control of the good and satisfies its performance obligation only upon the sale of the good to the end-customer of the customer." SFRS(I) 15.B77,B78

Acting as agent – illustrative accounting policy

"The Group acts as an agent to provide a service of arranging on behalf of the principal to transfer goods to the customer. The Group recognises a commission fee, being the amount of consideration that the Group retains after paying the principal the consideration received in exchange for the goods or services provided by the principal." SFRS(I) 15.B34-B38

Guidance Notes – Revenue (cont'd)

Volume discount – illustrative accounting policy

"Volume discounts are given by the Group to customers who order goods in bulk purchases. Such volume discounts are accounted for by the Group as consideration payable to customers and are netted against revenue recognised on those goods sold." SFRS(I) 15.51

Contract modification – illustrative accounting policy

Entities with contract modifications should account for contract modifications as follows: SFRS(I) 15.18-21

- Contract modifications that add distinct goods or services at their standalone selling prices are accounted for as separate contracts.
- Contract modifications that add distinct goods or services, but not at their standalone selling prices, are accounted for as continuation of existing contract. The entity combines the remaining consideration in the original contract with the consideration promised in the modification to create a new transaction price that is then allocated to all remaining performance obligations.
- Contract modifications that do not add distinct goods or services are accounted for as a continuation of the original contract and the change is recognised as a cumulative adjustment to revenue at the date of modification.

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

Significant financing component – illustrative accounting policy

For entities with significant financing component in its contracts with customers, the following disclosure shall be included: SFRS(I) 15.60-65

"Where the period between the satisfaction of a performance obligation and payment by the customer exceeds a year, the Group adjusts the transaction price with its customer and recognises a financing component. In adjusting for the financing component, the Group uses a discount rate that would reflect that of a separate financing transaction between the Group and its customer at contract inception."

Practical expedient on significant financing component

As a practical expedient, an entity need not adjust the promised amount of consideration for the effects of a significant financing component if the entity expects, at contract inception, that the period between when the entity transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less. When this practical expedient is applied, the entity shall disclose that fact, as illustrated below: SFRS(I) 15.63 SFRS(I) 15.129

"The Group has elected to apply the practical expedient not to adjust the transaction price for the existence of significant financing component when the period between the transfer of control of good to a customer and the payment date is one year or less."

Assurance-type warranty – illustrative accounting policy

An 'assurance warranty' is a warranty that only covers the compliance of a product with agreed-on specifications. A 'service warranty' provides the customer with a service in addition to the assurance that the product complies with agreed-on specifications. Service warranties are accounted for as separate performance obligations and the entity allocates a portion of the transaction price to that performance obligation. SFRS(I) 15.119.e SFRS(I) 15.B28-B33

"Goods sold by the Group comes with a standard warranty term of two years, with the option to extend for another two years for an additional consideration at the time of purchase of the goods. The Group accounts for a service-type warranty as a separate performance obligation to which the Group allocates a portion of the transaction price. The Group's obligation to provide repair services under the standard warranty terms is recognised as a provision. The additional consideration received for extended warranty is first recognised as a contract liability, and then is subsequently realised as revenue on a straight-line basis over the extended warranty period."

Returns and refunds – illustrative accounting policy

"Certain customers have the right to return the goods to the Group within 3 months if the customers are dissatisfied with the goods. For contracts that permit the customer to return an item, revenue is recognised to the extent that it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur. Therefore, the amount of revenue recognised is adjusted for expected returns, which are estimated based on the historical returns data for each specific type of goods. The Group recognises refund liabilities for the expected returns from customers. Separately, the Group recognises related assets for the rights to recover the returned goods, measured by reference to the previous carrying amounts of the goods less expected recovery costs (including potential decreases in the value of returned goods). The Group reviews its estimate of expected returns at each reporting date and updates the amounts of the assets and liabilities accordingly." SFRS(I) 15.51 SFRS(I) 15.55 SFRS(I) 15.B20–B27

(N.B. A refund liability is typically associated with a right-of-return asset. However, there are also situations where there is a refund liability without any corresponding right-of-return asset. For example, in the provision of services.) SFRS(I) 15.55

2(e) Significant accounting policies (cont'd)

Employee benefits

Employee benefits are recognised as an expense, unless the cost qualifies to be capitalised as an asset. SFRS(I) 1-19.11.b

(i) Defined contribution plans

Defined contribution plans are post-employment benefit plans under which the Group pays fixed contributions into separate entities such as the Central Provident Fund on a mandatory, contractual or voluntary basis. The Group has no further payment obligations once the contributions have been paid. SFRS(I) 1-19.8

(ii) Employee leave entitlement

Employee entitlements to annual leave are recognised when they accrue to employees. A provision is made for the estimated liability for unutilised annual leave as a result of services rendered by employees up to the reporting date. SFRS(I) 1-19.16

(iii) Termination benefits

Termination benefits are those benefits which are payable when employment is terminated before the normal retirement date, or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates: (a) when the Group can no longer withdraw the offer of those benefits; and (b) when the Group recognises costs for a restructuring that is within the scope of SFRS(I) 1-37 and involves the payment of termination benefits. In the case of an offer made to encourage voluntary redundancy, the termination benefits are measured based on the number of employees expected to accept the offer. Benefits falling due more than twelve months after the end of the reporting period are discounted to their present value. SFRS(I) 1-19.159 SFRS(I) 1-19.165 SFRS(I) 1-19.169.b

Share-based payments

Equity-settled share-based payments are measured at fair value of the equity instruments at the date of grant. The fair value determined at the grant date of the equity-settled share-based payments is expensed on a straight-line basis over the vesting period, based on the Group's estimate of the number of equity instruments that will eventually vest. As at each reporting date, the Group revises its estimate of the number of equity instruments expected to vest. The impact of the revision of the original estimates, if any, is recognised in profit or loss such that the cumulative expense reflects the revised estimate, with a corresponding adjustment to the equity-settled share option reserve. SFRS(I) 2-10 SFRS(I) 2-19,20 SFRS(I) 2-27

When the options are exercised, the proceeds received (net of transaction costs) and the related balance previously recognised in the share option reserve are credited to the share capital account, when new ordinary shares are issued, or to the "treasury shares" account, when treasury shares are re-issued to the employees. SFRS(I) 2-25

Equity-settled share-based payment transactions with parties other than employees are measured at the fair value of the goods or services received, except where that fair value cannot be estimated reliably, in which case they are measured at the fair value of the equity instruments granted, measured at the date the Group obtains the goods or the counterparty renders the service. SFRS(I) 2-14

For cash-settled share-based payments, a liability is recognised for the goods or services acquired, measured initially at the fair of the liability. As at each reporting date until the liability is settled, and at the date of settlement, the fair value of the liability is remeasured, with any changes in fair value recognised in profit or loss for the year. SFRS(I) 2-30

2(e) Significant accounting policies (cont'd)

Defined benefit plans

A defined benefit plan is a post-employment benefit plan other than a defined contribution plan. The Group's net obligation in respect of defined benefit plans is calculated separately for each plan by estimating the amount of future benefit that employees have earned in return for their service in the current and prior periods; that benefit is discounted to determine its present value. The fair value of any plan assets is deducted. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual reporting period to the net defined benefit liability (asset). SFRS(I) 1-19.8 SFRS(I) 1-19.57 SFRS(I) 1-19.123 SFRS(I) 1-19.124

The calculation is performed annually by a qualified actuary using the projected unit credit method. When the calculation results in a benefit to the Group, the recognised asset is limited to the present value of economic benefits available in the form of any future refunds from the plan or reductions in future contributions to the plan. In order to calculate the present value of economic benefits, consideration is given to any minimum funding requirements that apply to any plan in the Group. An economic benefit is available to the Group if it is realisable during the life of the plan, or on settlement of the plan liabilities. SFRS(I) 1-19.64 SFRS(I) 1-19.67

Remeasurements of the net defined benefit liability comprise actuarial gains and losses, the return on plan assets (excluding interest) and the effect of the asset ceiling (if any, excluding interest). The Group recognises them immediately in OCI. The Group determines the net interest expense (income) on the net defined benefit liability (asset) for the period by applying the discount rate used to measure the defined benefit obligation at the beginning of the annual reporting period to the then-net defined benefit liability (asset), taking into account any changes in the net defined benefit liability (asset) during the period as a result of contributions and benefit payments. Net interest expense and other expenses related to defined benefit plans are recognised in profit or loss. SFRS(I) 1-19.122 SFRS(I) 1-19.127 SFRS(I) 1-19.128 SFRS(I) 1-19.129 SFRS(I) 1-19.130

When the benefits of a plan are changed, or when a plan is curtailed, the portion of the changed benefit related to past service by employees, or the gain or loss on curtailment, is recognised immediately in profit or loss when the plan amendment or curtailment occurs. SFRS(I) 1-19.103

The Group recognises gains and losses on the settlement of a defined benefit plan when the settlement occurs. The gain or loss on settlement is the difference between the present value of the defined benefit obligation being settled as determined on the date of settlement and the settlement price, including any plan assets transferred and any payments made directly by the Group in connection with the settlement. SFRS(I) 1-19.109 SFRS(I) 1-19.110

2(e) Significant accounting policies (cont'd)

Income taxes

Income tax expense represents the sum of the tax currently payable and deferred tax. SFRS(I) 1-12.77

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit as reported in the consolidated statement of profit or loss and other comprehensive income because it excludes items of income or expense that are taxable or deductible in other years and it further excludes items that are not taxable or tax deductible. The Group's liability for current tax is calculated using tax rates (and tax laws) that have been enacted or substantively enacted in countries where the Company and subsidiaries operate by the end of the reporting period. SFRS(I) 1-12.5

Deferred tax is recognised on the differences between the carrying amounts of assets and liabilities in the financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences and deferred tax assets are recognised to the extent that it is probable that taxable profits will be available against which deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from goodwill or from the initial recognition (other than in a business combination) of other assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. SFRS(I) 1-12.15 SFRS(I) 1-12.24

Deferred tax liabilities are recognised on taxable temporary differences arising on investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future. SFRS(I) 1-12.39 SFRS(I) 1-12.44

The carrying amount of deferred tax assets is reviewed as at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered. SFRS(I) 1-12.56

Deferred tax is calculated at the tax rates that are expected to apply in the period when the liability is settled or the asset realised based on the tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period. Except for investment properties measured using the fair value model, the measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities. SFRS(I) 1-12.58.a SFRS(I) 1-12.47

For the purposes of measuring deferred tax liabilities and deferred tax assets for investment properties that are measured using the fair value model the carrying amounts of such properties are presumed to be recovered through sale, unless the presumption is rebutted. The presumption is rebutted when the investment property is depreciable and is held within a business model of the Group whose business objective is to consume substantially all of the economic benefits embodied in the investment property over time, rather than through sale. The Group has not rebutted the presumption that the carrying amount of the investment properties will be recovered entirely through sale. SFRS(I) 1-12.51C

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority and the Group intends to settle its current tax assets and liabilities on a net basis. SFRS(I) 1-12.71.a,b

Current and deferred tax are recognised as an expense or income in profit or loss, except when they relate to items credited or debited outside profit or loss (either in other comprehensive income or directly in equity), in which case the tax is also recognised outside profit or loss (either in other comprehensive income or directly in equity, respectively), or where they arise from the initial accounting for a business combination. In the case of a business combination, the tax effect is taken into account in calculating goodwill or determining the excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets, liabilities and contingent liabilities over cost. SFRS(I) 1-12.58 SFRS(I) 1-12.61A

2(e) Significant accounting policies (cont'd)

Value-added tax

Revenues, expenses and assets are recognised net of the amount of value-added tax ("VAT"), except where the VAT incurred on a purchase of assets or services is not recoverable from the taxation authorities, in which case the VAT is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable, and except that trade receivables and trade payables are recorded with the amount of VAT included. The net amount of VAT recoverable from or payable to the taxation authorities are included as part of other receivables or other payables in the statement of financial position. SFRS(I) 15.47

Cash and cash equivalents

In the statement of financial position, cash and bank balances comprise cash (i.e. cash on hand and demand deposits) and cash equivalents. Cash equivalents are short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather for investment or other purposes. SFRS(I) 1-7.6,8 SFRS(I) 1-7.46

Bank balances for which use by the Group is subject to third party contractual restrictions are included as part of cash unless the restrictions result in a bank balance no longer meeting the definition of cash. If the contractual restrictions to use the cash extend beyond 12 months after the reporting date, the related amounts are classified as non-current in the statement of financial position.

For the purposes of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts which are repayable on demand and form an integral part of the Group's cash management. Such overdrafts are presented as short-term borrowings in the statement of financial position.

Earnings per share

The Group presents basic and diluted earnings per share data for its ordinary shares. Basic earnings per share is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted-average number of ordinary shares outstanding during the year, adjusted for own shares held. Diluted earnings per share is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted-average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees. SFRS(I) 1-33.10,31

Segment reporting

An operating segment is a component of the Group that engages in business activities from which it may earn revenue and incur expenses, including revenue and expenses that relate to transactions with any of the Group's other components. The Group determines and presents operating segments based on information that is provided internally to the Chief Executive Officer, who is the Group's chief operating decision maker. All operating segments' operating results are reviewed regularly by the Group's Chief Executive Officer to make decision about resources to be allocated to the segments and assess its performance, and for which discrete financial information is available. SFRS(I) 8.5.b

2(e) Significant accounting policies (cont'd)

Related parties

A related party is defined as follows: SFRS(I) 1-24.9

(a) A person or a close member of that person's family is related to the Group and Company if that person:

- (i) has control or joint control over the Company;
- (ii) has significant influence over the Company; or
- (iii) is a member of the key management personnel of the Group or Company or of a parent of the Company.

(b) An entity is related to the Group and the Company if any of the following conditions applies:

- (i) the entity and the Company are members of the same group (which means that each parent, subsidiary and fellow subsidiary is related to the others);
- (ii) one entity is an associate or joint venture of the other entity (or an associate or joint venture of a member of a group of which the other entity is a member);
- (iii) both entities are joint ventures of the same third party;
- (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
- (v) the entity is a post-employment benefit plan for the benefit of the employees of either the Company or an entity related to the Company (if the Company is itself such a plan, the sponsoring employers are also related to the Company);
- (vi) the entity is controlled or jointly controlled by a person identified in (a);
- (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); or
- (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Company or to the parent of the Company.

Key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company. Directors and certain senior managerial personnel are considered key management personnel. SFRS(I) 1-24.9

Current and non-current classification

The Group presents assets and liabilities in the statement of financial position based on current or non-current classification. An asset is current when it is: SFRS(I) 1-1.60 SFRS(I) 1-1.66

- expected to be realised or intended to be sold or consumed in the normal operating cycle;
- held primarily for the purpose of trading;
- expected to be realised within twelve months after the reporting period; or
- cash or cash equivalent unless restricted from being exchanged or used to settle a liability for at least twelve months after the reporting period.

All other assets are classified as non-current.

A liability is current when: SFRS(I) 1-1.69

- it is expected to be settled in the normal operating cycle;
- it is held primarily for the purpose of trading;
- it is due to be settled within twelve months after the reporting period; or
- there is no unconditional right to defer the settlement of the liability for at least twelve months after the reporting period.

The terms of the liability that could, at the option of the counterparty, result in its settlement by the issue of equity instruments do not affect its classification. The Group classifies all other liabilities as non-current.

Deferred tax assets and liabilities are classified as non-current assets and liabilities. SFRS(I) 1-1.56

2(e) Significant accounting policies (cont'd)

Contingencies

A contingent liability is: SFRS(I) 1-37.10

- a possible obligation that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group; or
- a present obligation that arises from past events but is not recognised because it is not probable that an outflow of resources embodying economic benefits will be required to settle the obligation or the amount of the obligation cannot be measured with sufficient reliability.

A contingent asset is a possible asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. SFRS(I) 1-37.10

Contingent liabilities and assets are not recognised in the financial statements, except for contingent liability assumed in a business combination that is a present obligation and for which fair value can be reliably determined. SFRS(I) 1-37.27,31

Fair value measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value measurement is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market must be accessible by the Group. SFRS(I) 1-1.112.a SFRS(I) 1-1.117.a,b SFRS(I) 13.9 SFRS(I) 13.16

The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest. A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset in its 'highest and best use' or by selling it to another market participant that would use the asset in its 'highest and best use'. SFRS(I) 13.22 SFRS(I) 13.27

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. SFRS(I) 13.16

Fair value for measurement and/or disclosure purposes in these financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of SFRS(I) 2 Share-based Payment, leasing transactions that are within the scope of SFRS(I) 16 Leases, and measurements that have some similarities to fair value but are not fair value, such as net realisable value in SFRS(I) 1-2 Inventories or value-in-use in SFRS(I) 1-36 Impairment of Assets. SFRS(I) 13.6

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: SFRS(I) 13.72

- Level 1 - Quoted (unadjusted) market prices in active markets for identical assets or liabilities;
- Level 2 - Valuation techniques for which the lowest level inputs that are significant to the fair value measurement are directly or indirectly observable; and
- Level 3 - Valuation techniques for which the lowest level inputs that are significant to the fair value measurement are unobservable. SFRS(I) 13.95

3 Intangible assets

	Note	Goodwill $	Patents and licenses $	Development costs $	Emissions certificates $	Total $	
							SFRS(I) 3.B67.d SFRS(I) 1-38.118.c,e
The Group							
Cost							
At 1 January 2021		80,000	960,000	-		1,040,000	
Currency translation differences							SFRS(I) 1-38.118.e.vii
Additions - Internally developed		-	-	30,000		30,000	SFRS(I) 1-38.118.e.i
At 31 December 2021		**80,000**	**960,000**	**30,000**		**1,070,000**	
Currency translation differences							SFRS(I) 1-38.118.e.vii
Disposals							SFRS(I) 1-38.118.e.ii
Transfer to disposal group classified as held-for-sale	19						SFRS(I) 1-38.118.e.ii
Additions - Government grant	27						SFRS(I) 1-20.24
Additions - Acquired separately							SFRS(I) 1-38.118.e.i
Additions - Business combination	7(a)	**20,000**	**40,000**	**-**		**60,000**	SFRS(I) 1-38.118.e.i
At 31 December 2022		**100,000**	**1,000,000**	**30,000**		**1,130,000**	
Accumulated amortisation and impairment							
At 1 January 2021		-	490,000	-		490,000	
Currency translation differences							SFRS(I) 1-38.118.e.vii
Amortisation		-	50,000	10,000		60,000	SFRS(I) 1-38.118.e.vi
Reversal of impairment loss							SFRS(I) 1-38.118.e.v
At 31 December 2021		**-**	**540,000**	**10,000**		**550,000**	
Currency translation differences							SFRS(I) 1-38.118.e.vii
Disposals							SFRS(I) 1-38.118.e.ii
Transfer to disposal group classified as held-for-sale	19						SFRS(I) 1-38.118.e.ii
Amortisation		**-**	**70,000**	**10,000**		**80,000**	SFRS(I) 1-38.118.e.vi
Impairment loss		**20,000**	**-**	**-**		**20,000**	SFRS(I) 1-38.118.e.iv
At 31 December 2022		**20,000**	**610,000**	**20,000**		**650,000**	
Carrying amount							
At 31 December 2022		**80,000**	**390,000**	**10,000**		**480,000**	
At 31 December 2021		80,000	420,000	20,000		520,000	

(i) Goodwill

Goodwill is monitored by management at the level of the operating segments (Note 41). A segment-level summary of the goodwill allocation is presented below: SFRS(I) 1-36.134 SFRS(I) 1-36.134.a

	2022 $	2021 $
The Group		
Real Estate segment - Singapore	**40,000**	60,000
Engineering Materials segment - Singapore	**40,000**	20,000
	80,000	80,000

The Group tests whether goodwill has suffered any impairment on an annual basis. For the 2022 and 2021 reporting periods, the recoverable amount of the cash-generating units ("CGU") is determined based on value-in-use calculations which require the use of assumptions. The calculations use cash flow projections based on financial budgets approved by management covering a five-year period. Cash flows beyond the five-year period are extrapolated using the estimated growth rates stated below. These growth rates are consistent with forecasts included in industry reports specific to the industry in which each CGU operates. SFRS(I) 1-36.134.c,d

The continually evolving situation due to COVID-19 pandemic during the year has resulted in inherent uncertainty in the impairment assessment. In performing the impairment assessment, the Group has changed to the expected cash flow approach, that uses several expectations (i.e. worst case, base case, best case) about possible cash flows, instead of the single cash flow approach used in previous year. Under the expected cash flow approach, the uncertainties about future outcomes are reflected through probability-weighted scenarios. The recoverable amount is estimated by calculating the present value of the probability-weighted expected cash flows. The use of the expected cash flow approach also aligns with management's internal forecast method. [1a] SFRS(I) 1-36.A7

3 Intangible assets (cont'd)

(i) Goodwill (cont'd)

The following table sets out the key assumptions for those CGUs that have significant goodwill allocated to them: SFRS(I) 1-36.134.d

	Real Estate segment - Singapore		Engineering Materials segment - Singapore		
	2022	2021	**2022**	2021	
The Group					
Sales volume (% annual growth rate)	**Worst: xx% Base: xx% Best: xx%**	xx%	**Worst: xx% Base: xx% Best: xx%**	xx%	SFRS(I) 1-36.134.d.i
Sales price (% annual growth rate)	**Worst: xx% Base: xx% Best: xx%**	xx%	**Worst: xx% Base: xx% Best: xx%**	xx%	SFRS(I) 1-36.134.d.i
Budgeted gross profit margin (%)	**Worst: 34.8% Base: 40.1% Best: 43.6%**	56.9%	**Worst: 24.8% Base: 28.2% Best: 32.4%**	26.8%	SFRS(I) 1-36.134.d.i
Annual capital expenditure ($'000)	**$xxx**	$xxx	**$xxx**	$xxx	SFRS(I) 1-36.134.d.i
Long-term growth rate (%)	**Worst: 0.7% Base: 1.0% Best: 1.4%**	2.1%	**Worst: 0.5% Base: 0.7% Best: 1.1%**	1.0%	SFRS(I) 1-36.134.d.iv
Discount rate (%)	**7.6%**	8.5%	**7.1%**	7.9%	SFRS(I) 1-36.134.d.v
Probability weightage (%)	**Worst: 30% Base: 50% Best: 20%**	N.A.	**Worst: 30% Base: 50% Best: 20%**	N.A.	SFRS(I) 1-36.A10

Management has determined the values assigned to each of the above key assumptions as follows: SFRS(I) 134.d

Key assumption	**Approach**	
Sales volume (% annual growth rate)	Average annual growth rate over the five-year forecast period. Based on past performance and management's expectations of market development.	
Sales price (% annual growth rate)	Average annual growth rate over the five-year forecast period. Based on current industry trends and including long-term inflation forecasts for each territory.	
Budgeted gross profit margin (%)	Based on past performance and management's expectations for the future.	
Annual capital expenditure ($'000)	Expected cash costs in the CGUs. Based on the historical experience of management, and the planned refurbishment expenditure. No incremental revenue or cost savings are assumed in the value-in-use model as a result of this expenditure.	
Long-term growth rate (%)	Weighted average growth rate used to extrapolate cash flows beyond the budget period. Consistent with forecasts included in industry reports.	SFRS(I) 1-36.36,37
Discount rate (%)	Reflect specific risks relating to the relevant segments and the countries in which they operate.	SFRS(I) 1-36.55

In 2022, an impairment loss of $20,000 (2021: $nil) is charged to "other expenses" in profit or loss. [3a] This impairment charge in 2022 has arisen from the Real Estate segment [4] in Singapore following a decision to reduce the number of property development projects as a result of declining consumer demand. [1b] The Group has also reassessed the useful lives of the property, plant and equipment related to the same business segment and has determined that no change in the useful lives is required. SFRS(I) 1-36.126.a SFRS(I) 1-36.130.a

3 Intangible assets (cont'd)

(i) Goodwill (cont'd)

The impairment test carried out as at 31 December 2022 for the Engineering Materials segment in Singapore, which includes goodwill of $40,000 (2021: $20,000) recognised in the statement of financial position, has revealed that the recoverable amount of the CGU is 5% (2021: 13%) higher than its carrying amount. This 'headroom' excess has decreased from previous year due to significant pressure on selling prices and a sharp decrease in demand as a result of the COVID-19 pandemic. A further decrease in the gross profit margin by 3% (2021: 5%) or in the growth rate by 0.5% (2021: 1.3%) will result in the recoverable amount of the Engineering Materials segment in Singapore to be equal to its carrying amount. (2) SFRS(I) 1-36.134.f

(ii) Patents and licences and development costs

Other intangible assets, comprising patents and licences and development costs, have finite useful lives over which they are amortised. Patents and licences have amortisation periods ranging from 7 to 15 years (2021: 7 to 15 years). Development costs incurred in the Industrial Construction segment are amortised over their estimated useful lives of 3 to 5 years (2021: 3 to 5 years). SFRS(I) 1-38.118.a

The Group owns several patents and licences, in relation to protection of certain design and blueprint of industrial construction works in Singapore and Malaysia, which will be fully amortised on average within the next 7 years (2021: 8 years). SFRS(I) 1-38.122.b

The amortisation of intangible assets is included in the line item of "depreciation and amortisation" in profit or loss. (3b) SFRS(I) 1-38.118.d

(iii) Emissions certificates

In 2022, the Group has received emissions certificates amounting to $XXX (2021: $XXX) from the government. In addition, the Group has purchased emissions certificates amounting to $XXX during 2022 (2021: $XXX) on a trading platform. The Group has emitted more pollutants than its annual allocation of emissions certificates from the government and has had to purchase additional certificates. The additional certificates are purchased and surrendered within a period of less than 12 months to settle the obligation to the government.

Guidance Notes – Intangible assets

Expected cash flow approach

(1a) During the year, for impairment assessment purposes, the Group changes from the single cash flow approach used in previous year to the expected cash flow approach that is based on 3 scenarios comprising of worst case, base case and best case that has a probability weight attached to each possible scenario. Management is of the view that the expected cash flow approach is more accurate and complete technique in response to the heightened uncertainty in many assumptions used in impairment assessment due to the conditions caused by the COVID-19 pandemic. SFRS(I) 1-36.A7

Material impairment loss or reversal thereof

(1b) Entities are required to disclose the events and circumstances that led to the recognition of impairment losses. For each material impairment loss recognised or reversed during the period for an individual asset, including goodwill or a cash-generating unit, entities should provide disclosures in accordance with SFRS(I) 1-36 paragraphs 129 to 133. SFRS(I) 1-36.129-133

Guidance Notes – Intangible assets (cont'd)

Effects of reasonably possible changes on impairment key assumptions

(2) If a reasonably possible change in a key assumption on which management has based its determination of the CGU's recoverable amount would cause the CGU's carrying amount to exceed its recoverable amount, the following should be disclosed: SFRS(I) 1-36.134.f

(a) amount by which the CGU's recoverable amount exceeds its carrying amount;
(b) value assigned to the key assumption;
(c) amount by which the value assigned to the key assumption must change in order for the CGU's recoverable amount to be equal to its carrying amount.

Line items in profit or loss that include impairment loss and amortisation

(3a) An entity shall disclose line items of the statement of comprehensive income in which impairment loss or reversal of impairment loss is included. SFRS(I) 1-38.126.a,b

(3b) An entity shall disclose the line items of the statement of comprehensive income in which any amortisation of intangible assets is included, for each class of intangible assets, distinguishing between internally generated intangible assets and other intangible assets. SFRS(I) 1-38.118.d

Segment related impairment information

If a material impairment loss is recognised for an individual asset, then an entity discloses the nature of the asset and if the entity reports segment information in accordance with SFRS(I) 8, then the reportable segment to which the asset belongs. SFRS(I) 1-36.130.c

(4) An entity that reports segment information in accordance with SFRS(I) 8 discloses the amount of the impairment loss recognised or reversed by reportable segment accordance with SFRS(I) 8. SFRS(I) 1-36.130.d.ii

Other disclosure requirements not illustrated

For recoverable amounts measured at fair value less cost to sell, disclosure of the fair value hierarchy of the fair value measurement and related fair value information under SFRS(I) 13 is required. SFRS(I) 1-38.130.f

If applicable, an entity discloses the amount of impairment losses or reversals of impairment losses on revalued assets recognised in OCI during the period. SFRS(I) 1-38.126.c,d

- For an intangible asset assessed as having an indefinite useful life, the carrying amount of that asset and the reasons supporting the assessment of an indefinite useful life. In giving these reasons, the entity describes the factors that played a significant role in determining that the asset has an indefinite useful life. SFRS(I) 1-38.122
- For intangible assets acquired by way of a government grant and recognised initially at fair value: (i) the fair value recognised initially for these assets; (ii) their carrying amount; and (iii) whether they are measured after recognition under the cost model or the revaluation model.
- Existence and carrying amounts of intangible assets whose title is restricted, and the carrying amounts of intangible assets pledged as security for liabilities.
- Amount of contractual commitments for the acquisition of intangible assets.

In presenting a reconciliation of the carrying amount of intangible assets and goodwill, an entity also discloses, if applicable: SFRS(I) 1-38.118

- assets classified as held for sale or included in a disposal group classified as held for sale in accordance with SFRS(I) 5; SFRS(I) 3.61
- decreases and increases in the carrying amount of intangible assets during the period resulting from impairment losses recognised or reversed in OCI; and SFRS(I) 3.B67.d
- adjustments to goodwill resulting from the recognition of deferred tax assets subsequent to a business combination within measurement period.

If an entity uses the revaluation model to account for intangible assets, then it discloses: SFRS(I) 1-38.124

- effective date of the revaluation for each class of the intangible assets;
- carrying amount of each class of revalued intangible assets;
- carrying amount that would have been recognised had the revalued class of intangible assets been measured after recognition using the cost model; and
- amount of the revaluation surplus that relates to intangible assets at the beginning and end of the reporting period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders.

Reference

4 Property, plant and equipment

	Note	Freehold land and building $	Plant and equipment $	Motor vehicles $	Furniture and fittings $	Total $	SFRS(I) 1-1.78.a SFRS(I) 1-16.73.d,e
The Group							
Cost or Valuation							
At 1 January 2021		2,000,000	8,762,009	2,555,526	3,940,849	17,258,384	
Currency translation differences		-	54,762	11,622	16,736	83,120	SFRS(I) 1-16.73.e.viii
Additions		-	-	462,340	-	462,340	SFRS(I) 1-16.73.e.i
Disposals		-	-	(378,579)	-	(378,579)	SFRS(I) 1-16.73.e.ii
Revaluation increase/(decrease)							SFRS(I) 1-16.73.e.iv
Revaluation adjustment							SFRS(I) 1-16.73.e.iv
At 31 December 2021		**2,000,000**	**8,816,771**	**2,650,909**	**3,957,585**	**17,425,265**	
Currency translation differences		**-**	**52,388**	**7,802**	**45,408**	**105,598**	SFRS(I) 1-16.73.e.viii
Additions		**-**	**1,006,143**	**809,693**	**489,297**	**2,305,133**	SFRS(I) 1-16.73.e.i
Additions - Business combination	7(a)	**-**	**250,000**	**-**	**-**	**250,000**	SFRS(I) 1-16.73.e.iii
Disposals		**-**	**(425,500)**	**(814,318)**	**(9,964)**	**(1,249,782)**	SFRS(I) 1-16.73.e.ii
Transfer to disposal group classified as held-for-sale	19	**-**	**(721,500)**	-	**(60,010)**	**(781,510)**	SFRS(I) 1-16.73.e.ii
Revaluation increase/(decrease)							SFRS(I) 1-16.73.e.iv
Revaluation adjustment							SFRS(I) 1-16.73.e.iv
At 31 December 2022		**2,000,000**	**8,978,302**	**2,654,086**	**4,422,316**	**18,054,704**	
Comprising:							
At 1 January 2021:							
Cost		2,000,000	8,762,009	2,555,526	3,940,849	17,258,384	SFRS(I) 1-16.73.a
Valuation							SFRS(I) 1-16.73.a
At 31 December 2021:							
Cost		2,000,000	8,816,771	2,650,909	3,957,585	17,425,265	SFRS(I) 1-16.73.a
Valuation							SFRS(I) 1-16.73.a
At 31 December 2022:							
Cost		**2,000,000**	**8,978,302**	**2,654,086**	**4,422,316**	**18,054,704**	SFRS(I) 1-16.73.a
Valuation							SFRS(I) 1-16.73.a
At 1 January 2021		-	4,263,132	947,329	393,629	5,604,090	
Currency translation differences		-	25,320	8,724	12,428	46,472	SFRS(I) 1-16.73.e.viii
Depreciation							
- Continuing operations		-	940,984	211,567	610,113	1,762,664	SFRS(I) 1-16.73.e.vii
- Discontinued operations		-	71,345	-	-	71,345	SFRS(I) 1-16.73.e.vii
Disposals		-	-	(102,428)	-	(102,428)	SFRS(I) 1-16.73.e.ii
Revaluation adjustment							SFRS(I) 1-16.73.e.ix
At 31 December 2021		**-**	**5,300,781**	**1,065,192**	**1,016,170**	**7,382,143**	
Currency translation differences		**-**	**23,962**	**4,622**	**11,808**	**40,392**	SFRS(I) 1-16.73.e.viii
Depreciation							
- Continuing operations		**-**	**998,736**	**246,880**	**644,136**	**1,889,752**	SFRS(I) 1-16.73.e.vii
- Discontinued operations		**-**	**88,710**	**-**	**-**	**88,710**	SFRS(I) 1-16.73.e.vii
Disposals		**-**	**(88,561)**	**(127,118)**	**(4,964)**	**(220,643)**	SFRS(I) 1-16.73.e.ii
Impairment loss		**-**	**207,141**	**-**	**-**	**207,141**	SFRS(I) 1-16.73.e.v
Transfer to disposal group classified as held-for-sale	19	**-**	**(350,100)**	**-**	**(25,011)**	**(375,111)**	SFRS(I) 1-16.73.e.ii
Revaluation adjustment							SFRS(I) 1-16.73.e.ix
At 31 December 2022		**-**	**6,180,669**	**1,189,576**	**1,642,139**	**9,012,384**	
Carrying amount							
At 31 December 2022		**2,000,000**	**2,797,633**	**1,464,510**	**2,780,177**	**9,042,320**	
At 31 December 2021		2,000,000	3,515,990	1,585,717	2,941,415	10,043,122	

4 Property, plant and equipment (cont'd)

Details of the freehold land and building in the Group's property, plant and equipment as at the reporting date are as follows: (1) SGX 1207.11.a

Property name / Location	Description / Existing use	Gross floor area / Land area	Tenure	The Group's effective equity interest
12 Thomas Road, Singapore	2-storey office building	1,200 sqm	Freehold	100%

In 2022, the impairment loss of $207,141 (2021: $nil) represents the write-down of certain plant and equipment in the Industrial Construction segment (2) to their recoverable amount as a result of technological obsolescence. The impairment loss on these plant and equipment is recognised within "other expenses" in profit or loss. The recoverable amount of $280,000 is based on their fair value less cost of disposal as determined by sale prices in recent transactions for similar assets, which is a fair value hierarchy Level 2 measurement. SFRS(I) 1-36.126.a SFRS(I) 1-36.130.e,f

The Group's freehold land and building with carrying amount of $2,000,000 (2021: $2,000,000) is mortgaged to secure bank credit facilities. This freehold property is collaterised for bank borrowings at the reporting date (Note 23). SFRS(I) 1-16.74.a

Guidance Notes – PPE

Details of properties

(1) Rule 1207.11 of SGX Listing Manual requires disclosure information of an entity's properties as follows: SGX 1207.11.a

- In respect of land and buildings, a breakdown of the value in terms of freehold and leasehold.
- Where properties have been revalued, to state the portion of the aggregate value of land and buildings that is based on valuation, and to state the valuation date.
- Where the aggregate value for all properties for development, sale or for investment purposes held by the group represent more than 15% of the value of the consolidated net tangible assets, or contribute more than 15% of the consolidated pre-tax operating profit, the issuer must disclose the following information as a note to the accounts:
  a. In the case of property held for development and/or sale:
     (i) a brief description and the location of the property;
     (ii) if in the course of construction, the stage of completion as at the date of the annual report and the expected completion date;
     (iii) the existing use (e.g. shops, offices, factories, residential, etc);
     (iv) the site and gross floor area of the property; and
     (v) the percentage interest in the property.
  b. In the case of property held for investment:
     (i) a brief description and the location of the property;
     (ii) the existing use (e.g. shops, offices, factories, residential, etc); and
     (iii) whether the property is leasehold or freehold. If leasehold, state the unexpired term of the lease.

(N.B. The above disclosure requirements apply to all properties regardless of their asset accounting classification.)

Revaluation model for PPE

If an entity uses the revaluation model to account for property, plant and equipment, then it discloses the following in addition to the disclosures required by SFRS(I) 13: SFRS(I) 1-16.77

- the effective date of the revaluation;
- whether an independent valuer was involved;
- for each revalued class of property, plant and equipment, the carrying amount that would have been recognised had the assets been measured under the cost model (i.e. not revalued); and
- the revaluation surplus, indicating the change for the period, and any restrictions on the distribution of the balance to shareholders.

Guidance Notes – PPE (cont'd)

SFRS(I) 1-16 clarifies that when an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is treated in one of the following ways: SFRS(I) 1-16.35.a,b

(a) the gross carrying amount is adjusted in a manner that is consistent with the revaluation of the carrying amount of the asset. For example, the gross carrying amount may be restated by reference to observable market data or it may be restated proportionately to the change in the carrying amount. The accumulated depreciation at the date of the revaluation is adjusted to equal the difference between the gross carrying amount and the carrying amount of the asset after taking into account accumulated impairment losses; or

(b) the accumulated depreciation is eliminated against the gross carrying amount of the asset.

Below is the illustrative disclosure information to be included in this note if the Group's freehold land and building is measured based on the revaluation model. Separately, the corresponding fair value measurement illustrative disclosures under SFRS(I) 13 are included in Note 46.

"The Group's freehold land and building is stated at its revalued amount, being the fair value at the date of revaluation, less any subsequent accumulated depreciation and impairment losses. The fair value measurement of this property as at 31 December 2022 and 2021 are performed by Alex & Partners Real Estate Valuers LLP, an independent valuer not connected with the Group, who has appropriate qualifications and experience in the fair value measurement of the properties in the relevant location. SFRS(I) 1-16.77.a,b

The fair value of the Group's freehold land and building is determined based on the market comparable approach that reflects recent transaction prices for similar properties in close proximity to the subject property. Further information regarding the fair value measurement of the Group's freehold land and building are provided in Note 46. SFRS(I) 13.93

If the Group's freehold land and building stated at valuation is included in the financial statements at cost less accumulated depreciation and impairment losses, its net book value at the reporting date would be $XXX (2021: $XXX)." SFRS(I) 1-16.77.e

Segment related impairment information

(2) An entity that reports segment information in accordance with SFRS(I) 8 discloses the reportable segment that the impaired asset belongs to. SFRS(I) 1-36.130.c.ii

PPE subject to operating lease as a lessor

For items of property, plant and equipment which are subject to an operating lease, a lessor should apply the disclosure requirements of SFRS(I) 1-16. For this purpose, each class of property, plant and equipment should be segregated into assets subject to operating leases and assets not subject to operating leases i.e. the disclosures required by SFRS(I) 1-16 should be provided separately for assets subject to an operating lease (by class of underlying asset) and owned assets held and used by the lessor. SFRS(I) 16.95

Other disclosure requirements not illustrated

Amount of expenditures recognised in the carrying amount of an item of PPE in the course of its construction. SFRS(I) 1-16.74.b

If there are borrowing costs capitalised during the construction, the entity shall disclose: SFRS(I) 1-23.26.a,b

(a) amount of borrowing costs capitalised during the period; and
(b) capitalisation rate used to determine amount of borrowing costs eligible for capitalisation.

Amount of contractual commitments for the acquisition of PPE. SFRS(I) 1-16.74.c

Amount of compensation from third parties for items of PPE that were impaired, lost or given up that is included in profit or loss, if it is not already disclosed separately in profit or loss. SFRS(I) 1-16.74.d

In accordance with SFRS(I) 1-8, an entity discloses the nature and effect of a change in an accounting estimate that has an effect in the current period or is expected to have an effect in subsequent periods. For property, plant and equipment, such disclosure may arise from changes in estimates with respect to: SFRS(I) 1-16.76

(a) residual values;
(b) the estimated costs of dismantling, removing or restoring items of property, plant and equipment;
(c) useful lives; and
(d) depreciation methods.

Users of financial statements may also find the following information relevant to their needs: SFRS(I) 1-16.79

(a) the carrying amount of temporarily idle property, plant and equipment;
(b) the gross carrying amount of any fully depreciated property, plant and equipment that is still in use;
(c) the carrying amount of property, plant and equipment retired from active use and not classified as held for sale in accordance with SFRS(I) 5; and
(d) when the cost model is used, the fair value of property, plant and equipment when this is materially different from the carrying amount.

Therefore, entities are encouraged to disclose these amounts.

5 Right-of-use assets [(1)]

	Note	Leasehold [(4)] building $	Factory cum warehouse premises $	Plant and equipment $	Motor vehicles $	Total $	SFRS(I) 16.53,54
The Group							
Cost [(3)]							
At 1 January 2021		3,000,000	1,058,478	359,856	860,644	5,278,978	
Currency translation differences		-	3,614	2,088	-	5,702	SFRS(I) 1-21.41.b
Lease modification		-	-	97,872	-	97,872	SFRS(I) 16.73.e.ix
Additions		-	-	200,000	-	200,000	SFRS(I) 16.53.h
At 31 December 2021		**3,000,000**	**1,062,092**	**659,816**	**860,644**	**5,582,552**	
Currency translation differences		**-**	**3,285**	**1,898**	**-**	**5,183**	SFRS(I) 1-21.41.b
Additions		**-**	**-**	**-**	**66,087**	**66,087**	SFRS(I) 16.53.h
Additions - Business combination	7(a)						SFRS(I) 3.28A,B
At 31 December 2022		**3,000,000**	**1,065,377**	**661,714**	**926,731**	**5,653,822**	
Accumulated depreciation and impairment							
At 1 January 2021		2,500,000	77,038	76,823	239,236	2,893,097	
Currency translation differences		-	1,406	603	-	2,009	SFRS(I) 1-21.41.b
Depreciation [(5)]		100,000	135,324	82,250	117,474	435,048	SFRS(I) 16.53.a
At 31 December 2021		**2,600,000**	**213,768**	**159,676**	**356,710**	**3,330,154**	
Currency translation differences		**-**	**1,278**	**548**	**-**	**1,826**	SFRS(I) 1-21.41.b
Depreciation [(5)]		**100,000**	**123,022**	**91,389**	**102,151**	**416,562**	SFRS(I) 16.53.a
Impairment loss [(6)]							SFRS(I) 1-36.130.b
At 31 December 2022		**2,700,000**	**338,068**	**251,613**	**458,861**	**3,748,542**	
Carrying amount							
At 31 December 2022		**300,000**	**727,309**	**410,101**	**467,870**	**1,905,280**	SFRS(I) 16.53.j
At 31 December 2021		400,000	848,324	500,140	503,934	2,252,398	

Details of the leasehold building in the Group's right-of-use assets as at the reporting date are as follows: SGX 1207.11.a

Property name / Location	Description / Existing use	Gross floor area / Land area	Tenure	The Group's effective equity interest
23 Telok Umer Road, Singapore	4-storey industrial building	2,100 sqm	30-year leasehold commenced 1 January 1994	100%

The following table presents the amounts included in profit or loss:

	The Group 2022 $	The Group 2021 $	
Depreciation expense on right-of-use assets			SFRS(I) 16.53.a
Income from sub-leasing right-of-use assets			SFRS(I) 16.53.f

During the financial year, the Group has reassessed the lease term of a factory cum warehouse premise under lease contract in which the Group, as lessee, has the right to exercise an extension option. This lease reassessment has resulted in a change to the lease liability and the right-of-use asset respectively. SFRS(I) 16.38-43

During the financial year, the Group has successfully renegotiated an existing lease contract for a factory cum warehouse premise through extending the lease term and revising the annual lease payments. As this extension is not part of the original terms and conditions, it is accounted for as a lease modification whereby the lease liability is remeasured and the corresponding right-of-use asset is adjusted. SFRS(I) 16.44-46

5 Right-of-use assets (cont'd)

Some of the property leases in which the Group is the lessee contain variable lease payment terms that are linked to income generated from the property. Variable payment terms are used to link rental payments to property cash flows and reduce fixed cost. The breakdown of lease payments for these properties is as follows: SFRS(I) 16.59.b SFRS(I) 16.B49

	The Group	
	2022	2021
	$	$
Fixed payments		
Variable payments		
Total		

Overall, the variable payments constitute up to XX% (2021: XX%) of the Group's entire lease payments. The Group expects this ratio to remain constant in future years. The variable payments depend on sales and consequently on the overall economic development over the next few years. Taking into account the development of sales expected over the next XX years, variable rent expenses are expected to continue to present a similar proportion of property income in future years. SFRS(I) 16.59.b.i SFRS(I) 16.B49

On [date], the Group has entered into a 10-year lease to rent a property in XXX, which has not commenced by the year-end and as a result, a lease liability and right-of-use asset have not been recognised at the reporting date. The aggregate future cash outflows to which the Group is exposed in respect of this contract is fixed payments of $XX per year, for the next 10 years. SFRS(I) 16.59.b.iv

Information about the Group's leasing activities are disclosed in Note 42. (2) SFRS(I) 16.52

Guidance Notes – ROU assets

(1) **Presentation as separate line item on statement of financial position**

A lessee is required to either present in the statement of financial position, or disclose in the notes, the ROU assets separately from other assets and lease liabilities separately from other liabilities. If a lessee does not present ROU assets separately in the statement of financial position, the lessee is required to include ROU assets within the same line item that the corresponding underlying assets would be presented if they were owned (e.g. under property, plant and equipment) and it is required to disclose which line items in the statement of financial position include those ROU assets. Similarly, if the lessee does not present lease liabilities separately in the statement of financial position, the lessee is required to disclose the line items in the statement of financial position which include those liabilities. SFRS(I) 16.47

(N.B. In this respect, the Group has elected to present in the statement of financial position its ROU assets (Note 5) and lease liabilities (Note 24) separately from other assets and other liabilities respectively. In addition, it is not mandatory to disclose a reconciliation table as above although most of the disclosure requirements are included. However, the Group has disclosed so to be consistent with its presentation for PPE.)

ROU assets that meet definition of investment property

The only exception to the above rule is that ROU assets which meet the definition of investment property must be presented in the statement of financial position as investment property. SFRS(I) 16.48

Guidance Notes – ROU assets (cont'd)

Leasehold property

Long-term leases of land and buildings are common in many jurisdictions and have often been referred to as 'purchase' of leasehold property and are usually contracted for relatively long periods of time (e.g. 99 or 999 years). It is critical for accounting purposes that an entity can differentiate in substance between obtaining ownership of a property (i.e. control of asset) and acquiring a leasehold property (i.e. right to control use of asset):

- In outright purchase of a property, the buyer becomes the legal owner of the property. SFRS(I) 15.31,33
- In so-called 'purchase' of leasehold property, the buyer becomes the tenant (or lessee). When the leasehold period runs out, the right-of-use of the property reverts back to the property owner. In some cases, the tenant (or lessee) can even sell the leasehold interest during the leasehold period but the sale is usually subject to certain restrictions. SFRS(I) 16.9

Depending on the jurisdiction, but in most circumstances, the tenant (or lessee) obtains the right to use the real estate in exchange for lease payments paid throughout the leasehold period or a single up-front lease payment. Although in some cases a long-term lease of property may be economically similar to an outright purchase of property, leasehold arrangements generally meet the definition of a lease under SFRS(I) 16.

Details of properties

Refer to guidance notes on PPE for property disclosure requirements under Rule 1207.11 of SGX Listing Manual. SGX 1207.11.a

(2) **Information about leases in a single note or separate section in financial statements**

A lessee shall disclose information about its leases for which it is a lessee in a single note or separate section in its financial statements. However, a lessee need not duplicate information that is already presented elsewhere in the financial statements, provided that the information is incorporated by cross-reference in the single note or separate section about leases. SFRS(I) 16.52
(N.B. The Group has opted to disclose information about its leases in a single note in Note 42.)

Measurement of ROU assets

(3) The cost of ROU asset shall comprise: SFRS(I) 16.24
(a) the amount of the initial measurement of the lease liability
(b) any lease payments made at or before the commencement date, less any lease incentives received;
(c) any initial direct costs incurred by the lessee; and
(d) restoration costs.

ROU assets that relate to a class of revalued PPE

(4) If ROU assets relate to a class of PPE to which the lessee applies the revaluation model in SFRS(I) 1-16 to its owned assets of that class of PPE, a lessee may elect to apply that revaluation model to all of its ROU assets that relate to that class of PPE. In addition, if the lessee measures ROU assets at revalued amounts applying SFRS(I) 1-16, it shall also disclose the information required by SFRS(I) 1-16. SFRS(I) 16.35 SFRS(I) 16.57

(N.B. For example, if the Group had elected to apply the revaluation model to its freehold land and building (in PPE), the Group would have a choice to apply, or not, the same revaluation model to its leasehold building (in ROU assets), assuming that the Group treats land and buildings as a class of PPE assets. Since the Group does not apply the revaluation model to any class of PPE, the Group does not have an election to apply the revaluation model to any of its ROU assets.)

Depreciation for ROU assets

(5) ROU assets measured under the cost model should be depreciated in accordance with depreciation requirements in SFRS(I) 1-16, subject to the following: SFRS(I) 16.31,32
- if the lease transfers ownership of the underlying asset to the lessee by the end of the lease term, or if the cost of the ROU asset reflects that the lessee will exercise a purchase option, the ROU asset should be depreciated from the lease commencement date to the end of the useful life of the underlying asset;
- otherwise, the ROU asset should be depreciated from the lease commencement date to the earlier of the end of the useful life of the ROU asset and the end of the lease term.

Impairment assessment of ROU assets

(6) A lessee is required to apply SFRS(I) 1-36 to determine whether the ROU asset is impaired and to account for any impairment loss identified, including the disclosure requirements in SFRS(I) 1-36. SFRS(I) 16.33 SFRS(I) 1-36.126,130

6 Investment properties

	The Group		
	2022	2021	
	$	$	SFRS(I) 1-40.76
At fair value			SFRS(I) 13.93.e
At 1 January	**18,471,449**	23,686,533	
Currency translation differences	**76,288**	88,922	SFRS(I) 1-40.76.e
Additions	**7,500,000**	-	SFRS(I) 1-40.76.a
Capitalised subsequent expenditure			SFRS(I) 1-40.76.a
Disposals	**-**	(4,800,000)	SFRS(I) 1-40.76.c
Transfer (to)/from owner-occupied properties			SFRS(I) 1-40.76.f
Transfer (to)/from inventories			SFRS(I) 1-40.76.f
Fair value gains/(losses) included in profit or loss	**437,779**	(504,006)	SFRS(I) 1-40.76.d
At 31 December	**26,485,516**	18,471,449	

Details of the Group's investment properties as at the reporting date are as follows: SGX 1207.11.b

Property name / Location	Description / Existing use	Gross floor area / Land area	Tenure	The Group's effective equity interest
Parade Court, 33 Sea Road, Singapore	2-storey industrial building cum warehouse	1,780 sqm	Freehold	100%
Castle Tower, 12 Mind Boulevard, Hong Kong	4-storey commercial building	3,620 sqm	999-year leasehold commenced 25 June 1963 (2)	100%
May Complex, 2 Park Road, Malaysia	10 out of 20 strata office units of 5-storey commercial building	1,670 sqm	Freehold	100%
Well Building, 14 Lorong Badrul, Malaysia	5-storey commercial building	3,840 sqm	60-year leasehold commenced 21 October 1997 (2)	100%
Lot No.14, Lorong Badrul, Malaysia	Land parcel for constructing and holding 5-storey commercial building	10,820 sqm	99-year leasehold commenced 21 October 1987 (2)	100%

Included in additions is acquisition of an investment property of $7,500,000 (2021: $nil). SFRS(I) 1-40.76.a

The amounts recognised in profit or loss for investment properties are set out below:

	The Group		
	2022	2021	
	$	$	
Rental income	**2,750,278**	2,054,268	SFRS(I) 1-40.75.f.i
Direct operating expenses arising from:			
- Investment properties that generate rental income	**983,312**	847,102	SFRS(I) 1-40.75.f.ii
- Investment properties that do not generate rental income	**87,616**	63,442	SFRS(I) 1-40.75.f.iii

The Group has entered into contracts for the maintenance of its investment properties for the next XX years (2021: XX years), which will give rise to annual charges of $XX (2021: $XX). SFRS(I) 1-40.75.h

6 Investment properties (cont'd)

All of the Group's investment properties with carrying amount of $26,485,516 (2021: $17,271,449) are pledged as collateral to secure bank borrowings (Note 23). SFRS(I) 1-40.75.g

As at 31 December 2022 and 2021, the fair value of the Group's investment properties are based on valuations performed by Charlie Chartered Surveyors LLP, an accredited independent valuer. Charlie Chartered Surveyors LLP is well-known real estate specialist which values the subject types of the Group's investment properties and applies a valuation model consistent with that recommended by the International Valuation Standards Committee. SFRS(I) 1-40.75.e

The Group's investment properties are valued using the direct comparison method and the income method. The direct comparison method involves the analysis of comparable sales of similar properties and adjusting prices to those reflective of the investment properties. The income method capitalises an income stream into a present value using single-year capitalisation rate. Further information regarding the fair value measurement of the Group's investment properties are provided in Note 46. (1a) SFRS(I) 13.93

The reconciliation of the fair value measurement to the valuation reports is set out below: (1b)

	The Group		
	2022	2021	
	$	$	
Fair value of investment properties based on valuation reports			SFRS(I) 1-40.77
Add: Carrying amount of lease liabilities			
Carrying amount of investment properties			

Information about the Group's leasing activities, including those related to investment properties, are disclosed in Note 42. SFRS(I) 16.52

Guidance Notes – Investment properties

Details of properties

Refer to guidance notes on PPE for property disclosure requirements under Rule 1207.11 of SGX Listing Manual. SGX 1207.11.a

Fair value measurement disclosures

(1a) A description of the valuation techniques and the inputs used in the fair value measurement is required for fair value hierarchy Level 2 and Level 3 measurements.(N.B. For these illustrative financial statements, the Group has opted to present these SFRS(I) 13 disclosure information in Note 46.) SFRS(I) 13.93

Adjustments to fair value

(1b) When a valuation obtained for investment property is adjusted significantly for the purpose of the financial statements (e.g. to avoid double counting for assets or liabilities that are recognised as separate assets and liabilities), the entity shall disclose a reconciliation between the valuation obtained and the adjusted valuation included in the financial statements, showing separately the aggregate amount of each type of significant adjustment. SFRS(I) 1-40.50,77

Cost model for investment property

SFRS(I) 1-40 permits investment properties to be carried at historical cost less accumulated depreciation and impairment. If an entity accounts for investment properties at cost, information about the cost basis and depreciation rates (similar to the requirement under SFRS(I) 1-16 for PPE) is required. In addition, for cost model, SFRS(I) 1-40 requires disclosure of fair value of the properties. For the purpose of this disclosure, the fair value is required to be determined in accordance with SFRS(I) 13. The disclosure requirements of SFRS(I) 13 apply to the fair value of investment property, either under the fair value model or for disclosure purposes. SFRS(I) 1-40.30 SFRS(I) 1-40.79.e

Guidance Notes – Investment properties (cont'd)

Highest-and-best use

In particular, with respect to SFRS(I) 13 disclosure requirements, if the highest-and-best use for fair value measurement of an investment property differs from its current use, the entity shall disclose that fact and the reason why the asset is being used in a manner that differs from its highest and best use. An illustrative disclosure is as follows: SFRS(I) 13.93.i

"The highest-and-best use of the industrial building cum warehouse, Parade Court, 33 Sea Road, Singapore, at the measurement date would be to covert the property for residential use. For strategic reasons, the property is not being used in this manner."

ROU assets meeting definition of investment property

(2) The scope of SFRS(I) 1-40 has been amended since the issue of SFRS(I) 16 by defining investment property to include both owned investment property and investment property held by a lessee as a ROU asset. This results in lessee using either cost model and disclosing fair value, or using fair value model, depending on whether the lessee accounts for owned investment property under cost model or fair value model. SFRS(I) 16.BC178

If a lessee applies the fair value model in SFRS(I) 1-40 to its owned investment property, the lessee is required to also apply that fair value model to ROU assets that meet the definition of investment property in SFRS(I) 1-40. SFRS(I) 16.34

Real estate company can often be holding investment property that is located on leased land. This 'ground lease' is usually for a long period of time, such as 99 years. Therefore, the entity is a lessee in respect of the ground lease and is required to apply SFRS(I) 16. As a result, the entity recognises a ROU asset and a lease liability in relation to the ground lease. In turn, this ROU asset is classified as investment property if the leased land is held solely for purpose of holding an investment property. When the real estate company applies the fair value model under SFRS(I) 1-40 for owned investment property, it will be required to apply equally this fair value model to a ROU asset that meets the definition of investment property. SFRS(I) 16.34

If ROU assets meet the definition of investment property, a lessee shall apply instead the disclosure requirements in SFRS(I) 1-40. SFRS(I) 16.56

Transfers to/from investment property

An entity shall transfer a property to, or from, investment property when, and only when, there is a change in use. A change in use occurs when the property meets, or ceases to meet, the definition of investment property and there is evidence of the change in use. In isolation, a change in management's intentions for the use of a property does not provide evidence of a change in use. Examples of evidence of a change in use include: SFRS(I) 1-40.57

- commencement of owner-occupation, or of development with a view to owner-occupation, for a transfer from investment property to owner-occupied property;
- commencement of development with a view to sale, for a transfer from investment property to inventories;
- end of owner-occupation, for a transfer from owner-occupied property to investment property; and
- inception of an operating lease to another party, for a transfer from inventories to investment property.

Other disclosure requirements not illustrated

- the cumulative change in fair value recognised in profit or loss on a sale of investment property from a pool of assets in which the cost model is used into a pool in which the fair value model is used SFRS(I) 1-40.75.f-h
- the existence and amounts of restrictions on the realisability of investment property or the remittance of income and proceeds of disposal
- any material contractual obligations to buy, construct or develop investment property or for repairs, maintenance or enhancements

7 Subsidiaries

	Note	The Company 2022 $	2021 $	
Unquoted equity shares, at cost				
- At 1 January		**15,730,006**	15,730,006	
- Additions	7(a)	**3,920,000**	-	
- At 31 December		**19,650,006**	15,730,006	
Amounts due from subsidiaries on long-term loan account		**14,976,575**	15,480,929	SFRS(I) 1-32.16
Total investments		**34,626,581**	31,210,935	
Less: Accumulated impairment				
- At 1 January		**(1,154,500)**	(1,154,500)	
- Impairment loss		**(506,800)**	-	
- At 31 December		**(1,661,300)**	(1,154,500)	
Net investments		**32,965,281**	30,056,435	
Deemed investment arising from financial guarantee		**740,050**	696,470	SFRS(I) 1-32.16
		33,705,331	30,752,905	

The amounts due from subsidiaries on long-term loan account are an extension of the Company's net investment in the subsidiaries, which are unsecured, interest bearing at 3% (2020: 3%) per annum, with repayment at the discretion of the subsidiaries, and not expected to be repaid within twelve months from the reporting date. SFRS(I) 1-32.16 SFRS(I) 1-27.10

The Company provides financial guarantees to banks for credit facilities obtained by a wholly-owned subsidiary and records a deemed financial guarantee fee income in accordance with SFRS(I) 9 *Financial Instruments: Recognition and Measurement*. The deemed income is amortised over the period of the guarantee. The unamortised financial guarantee fee of $106,490 (2021: $147,380) at the reporting date is disclosed under the Company's other payables in Note 27. The guarantee fee is not charged by the Company to the subsidiary. The full amount of the guarantee fee is deemed to be additional investment in the subsidiary. SFRS(I) 1-32.16 SFRS(I) 1-27.10

In 2022, the Company assesses the carrying amounts of its investments in subsidiaries for indicators of impairment. Based on this assessment, the Company recognises an impairment loss of $506,800 (2021: $nil) for its subsidiaries from the Real Estate segment in Singapore that are making losses due to reduced consumer demand. The recoverable amounts of these investments are determined based on the revalued net assets of the subsidiaries as at the reporting date under the fair value hierarchy Level 3 measurement. The most significant input into this valuation approach is the selling price per square metre of the properties held by these subsidiaries. SFRS(I) 1-36.130.a

Details of the Group's significant subsidiaries at the reporting date are as follows: [(3)] SFRS(I) 1-27.16.b SFRS(I) 12.10.a.i SFRS(I) 12.12.a-d

Name of subsidiary	Principal activities	Principal place of business / Country of incorporation	Proportion of ownership interest and voting rights held by the Group 2022	2021
Held by the Company				
Dalvey Investment Pte Ltd [(a)]	Investment holding	Singapore	**100%**	100%
Quattro Investment Pte Ltd [(a)]	Investment holding	Singapore	**100%**	100%
FKT Property Pte Ltd [(a)]	Property development and investment	Singapore	**100%**	100%
FKT Construction Pte Ltd [(a)]	Construction of industrial asset	Singapore	**100%**	100%
FKT Engineering Pte Ltd [(a)]	Sale of engineering materials	Singapore	**80%**	80%
Nami Engineering Pte Ltd [(a) (f)]	Sale of engineering materials	Singapore	**80%**	-

7 Subsidiaries (cont'd)

Details of the Group's significant subsidiaries at the reporting date are as follows: (cont'd)

Name of subsidiary	Principal activities	Principal place of business / Country of incorporation	Proportion of ownership interest and voting rights held by the Group	
			2022	2021
Held by Dalvey Investment Pte Ltd				
FKT Hotel Limited [(b)] [(e)]	Hotel operator	Hong Kong	**100%**	100%
FKT Properties (HK) Limited [(b)]	Property development and investment	Hong Kong	**100%**	100%
FKT Construction (HK) Limited [(b)] [(d)]	Construction of industrial asset	Hong Kong	**40%**	40%
FKT Properties (Shenzhen) Co Ltd [(c)]	Property development and investment	PRC	**100%**	100%
FKT Engineering (Shenzhen) Co Ltd [(c)]	Sale of engineering materials	PRC	**100%**	100%
Held by Quattro Investment Pte Ltd				
FKT Properties (M) Sdn Bhd [(b)]	Property development and investment	Malaysia	**100%**	100%
FKT Construction (M) Sdn Bhd [(b)]	Construction of industrial asset	Malaysia	**80%**	80%
FKT Engineering (M) Sdn Bhd [(b)] [(g)]	Sale of engineering materials	Malaysia	**-**	100%

[(a)] Audited by Foo Kon Tan LLP. SGX 717
[(b)] Audited by member firms of FKT International Limited. [(2)] SGX 718
[(c)] Audited by Zhenyu Shenzhen CPA Co Ltd for group consolidation purposes. [(2)]

[(d)] Although the Group owns less than half of the ownership interest and voting rights in FKT Construction (HK) Limited, management has determined that the Group has control over FKT Construction (HK) Limited, on a de facto power basis, because the remaining voting rights in the investee are widely dispersed and there is no indication that all other shareholders exercise their votes collectively. [(1)] SFRS(I) 12.7.a SFRS(I) 12.9.b

[(e)] Transferred to disposal group classified as held-for-sale (Note 19) in 2022. [(4)] SFRS(I) 5.6

[(f)] Acquired in 2022. Information about the Group's acquisition of the subsidiary are disclosed in Note 7(a). SFRS(I) 12.10.a.i

[(g)] Disposed in 2022. Information about the Group's disposal of the subsidiary are disclosed in Note 7(b). SFRS(I) 12.10.a.i

Information about the Group's non-significant subsidiaries at the reporting date are summarised as follows: [(3)] SFRS(I) 12.4 SFRS(I) 12.10.a.i SFRS(I) 12.B4.a SFRS(I) 12.B5,B6

Principal activities	Principal place of business / Country of incorporation	Number of non-significant subsidiaries	
		2022	2021
Investment holding	BVI	**2**	2
Investment holding	Hong Kong	**1**	1
Property management	Singapore	**1**	1
Property management	Malaysia	**1**	1

Reference

7 Subsidiaries (cont'd)

Details of non-wholly owned subsidiaries that have material non-controlling interests ("NCI") to the Group are set out below:

SFRS(I) 12.10.a.ii
SFRS(I) 12.12.a-f
SFRS(I) 12.B10,B11

Name of subsidiary	Principal place of business / Country of incorporation	Proportion of ownership interest and voting rights held by NCI		Profit/(Loss) for the year allocated to NCI		Total comprehensive income for the year allocated to NCI		NCI accumulated at the reporting date	
		2022	2021	**2022**	2021	**2022**	2021	**2022**	2021
				$	$	**$**	$	**$**	$
Nami Engineering Pte Ltd	Singapore	**20%**	-	**380,742**	-	**380,742**	-	**1,180,742**	-
FKT Construction (HK) Limited	Hong Kong	**60%**	60%	**451,366**	763,228	**493,258**	840,368	**1,433,774**	940,516
FKT Engineering Pte Ltd	Singapore	**20%**	20%	**50,253**	25,820	**50,253**	25,820	**138,685**	88,432
FKT Construction (M) Sdn Bhd	Malaysia	**20%**	20%	**41,246**	24,988	**45,723**	27,832	**140,411**	94,688
Other individually non-significant subsidiaries with NCI				**32,898**	18,924	**34,722**	20,357	**164,541**	129,819
				956,505	832,960	**1,004,698**	914,377	**3,058,153**	1,253,455

7 Subsidiaries (cont'd)

Summarised financial information in respect of each of the Group's subsidiaries that has material non-controlling interests are set out below: SFRS(I) 12.12.g SFRS(I) 12.B10,B11

	Nami Property Development Pte Ltd		FKT Construction (HK) Limited	
	2022	2021	**2022**	2021
	$	$	**$**	$
Current assets	**15,712,901**	-	**3,512,812**	2,462,378
Non-current assets	**5,912,048**	-	**2,772,034**	2,012,822
Current liabilities	**(13,221,081)**	-	**(2,912,021)**	(1,612,821)
Non-current liabilities	**(2,500,158)**	-	**(983,202)**	(1,294,852)
Revenue	**12,421,982**	-	**7,212,736**	10,882,427
Expenses	**(10,518,272)**	-	**(6,390,639)**	(9,481,814)
Profit for the year	**1,903,710**	-	**822,097**	1,400,613
Profit attributable to:				
- owners of the Company	**1,522,968**	-	**300,911**	508,819
- NCI	**380,742**	-	**451,366**	763,228
	1,903,710	-	**752,277**	1,272,047
Total comprehensive income attributable to:				
- owners of the Company	**1,522,968**	-	**328,829**	560,245
- NCI	**380,742**	-	**493,258**	840,368
	1,903,710	-	**822,087**	1,400,613
Dividends paid to NCI	**-**	-	**-**	-
Net cash inflows from operating activities	**1,611,981**	-	**542,662**	272,198
Net cash outflows from investing activities	**(889,211)**	-	**(192,837)**	(62,869)
Net cash outflows from financing activities	**(276,256)**	-	**(257,819)**	(73,891)
Net increase in cash and cash equivalents	**446,514**	-	**92,006**	135,438

Guidance Notes – Subsidiaries

Significant judgements and assumptions about 'control', 'joint control' and 'significant influence'

(1) An entity shall disclose information about significant judgements and assumptions it has made (or changes to those judgements and assumptions) in determining that it has control, joint control or significant influence of another entity, or the type of joint arrangement (i.e. joint operation or joint venture) of which the entity is in. SFRS(I) 12.7

Examples of such significant judgements and assumptions are those made in determining that: SFRS(I) 12.9
(a) it does not control another entity even though it holds more than half of the voting rights of the other entity
(b) it controls another entity even though it holds less than half of the voting rights of the other entity
(c) it is an agent or a principal (SFRS(I) 10.B58-B72)
(d) it does not have significant influence even though it holds 20 per cent or more of the voting rights of another entity
(e) it has significant influence even though it holds less than 20 per cent of the voting rights of another entity

Reporting dates of subsidiaries

When the financial statements of a subsidiary used in the preparation of consolidated financial statements are as of a date or for a period that is different from that of the consolidated financial statements, an entity is required to disclose the date of the end of the reporting period of the financial statements of that subsidiary, and the reason for using a different date or period. SFRS(I) 12.11

Guidance Notes – Subsidiaries (cont'd)

Other auditors

(2) Where significant subsidiaries are audited by another firm of auditors, the names of the other auditors are to be disclosed accordingly. A subsidiary is considered significant if its net tangible assets represent 20% or more of the issuer's consolidated net tangible assets, or its pre-tax profits account for 20% or more of the issuer's consolidated pre-tax profits. SGX 717 SGX 718

Information about composition of the group

(3) Disclosure on composition of the group in these illustrative financial statements serves as a guide. Management should exercise judgement on the extent of disclosure that is required to clearly explain to users of financial statements the nature and extent of its interests in those other entities. SFRS(I) 12.10.a.i

Disclosure of interests in other entities

(4) SFRS(I) 12 clarifies that the disclosure requirements in SFRS(I) 12 apply to an entity's interests that are classified as held for sale, held for distribution or discontinued operations, except for the requirement to provide summarised financial information for subsidiaries, joint ventures and associates. SFRS(I) 12.5A,B17

Summarised financial information of subsidiaries with material NCI

Summarised financial information about the assets, liabilities, profit or loss and cash flows is required for the group's subsidiaries with material NCI. These are presented before intercompany eliminations. SFRS(I) 12.12.g SFRS(I) 12.B10.b

Significant restrictions

An entity is required to disclose information that enables users of its consolidated financial statements to evaluate the nature and extent of significant restrictions on its ability to access or use assets, and settle liabilities, of the group. SFRS(I) 12.10.b.i SFRS(I) 12.13

Financial support

An entity discloses the terms of any contractual arrangements that could require the parent or its subsidiaries to provide financial support to a consolidated structured entity, including events or circumstances that could expose the reporting entity to a loss. SFRS(I) 12.14-17

Transactions with NCI

An entity is required to present a schedule that shows the effects on the equity attributable to owners of the parent of any changes in its ownership interest in a subsidiary that do not result in a gain or loss of control. An illustrative disclosure about a group's acquisition of additional interest in a subsidiary is as follows: SFRS(I) 12.18 SFRS(I) 12.10.b.iii

"On 14 August 2022, the Group acquired an additional 5% of the issued shares of Uni Materials Production Pte Ltd for $350,000. Immediately prior to the acquisition, the carrying amount of the existing 20% non-controlling interests in Uni Materials Production Pte Ltd was $2,000,000. The Group recognised a decrease in non-controlling interests of $500,000 and an increase in equity attributable to owners of the Company of $150,000. The effect on the equity attributable to the owners of the Company arising from this transaction with non-controlling interests is summarised as follows:

	2022	*2021*
	$	*$*
Carrying amount of NCI acquired	***500,000***	*-*
Consideration paid to NCI	***(350,000)***	*-*
Excess of consideration paid recognised within equity attributable to owners of the Company	***150,000***	*-*

Interests in unconsolidated subsidiaries (investment entities)

An investment entity that, in accordance with SFRS(I) 10, is required to apply the exception to consolidation and instead account for its investment in a subsidiary at fair value through profit or loss shall disclose that fact. For each unconsolidated subsidiary, an investment entity shall disclose details as required by SFRS(I) 12.19B.a-c and SFRS(I) 12.19D-G. If investment entity is the parent of another investment entity, the parent shall also provide the disclosure in SFRS(I) 12.19B.a-c for investments that are controlled by its investment entity subsidiary. The disclosure may be provided by including, in the financial statements of the parent, the financial statements of the subsidiary (or subsidiaries) that contain the required information as noted above. SFRS(I) 12.19B.a-c SFRS(I) 12.19A-G

7 Subsidiaries (cont'd)

7(a) Acquisition of subsidiary

Business combination [1]

On 1 July 2022, the Company acquired 80% equity interest in Nami Engineering Pte Ltd ("NEPL"). This transaction has been accounted for by the acquisition method of accounting. The principal activity of NEPL is that of sale of engineering materials. The Group has made the acquisition to increase its market share in Southeast Asia, reduce costs through economies of scale and complement the Group's Industrial Construction segment. SFRS(I) 3.B64.a-d

The acquired set of activities and assets in NEPL includes inputs (head office, factories, patented technology and inventories), production processes and an organised workforce. The Group has assessed that the acquired inputs and processes together significantly contribute to the ability to create outputs and therefore has concluded that the acquired set is a business. SFRS(I) 3.B8-B12

Details of the consideration paid, assets acquired and liabilities assumed, non-controlling interests recognised and goodwill arising, and the effects on the cash flows of the Group are as follows:

		The Group 2022 $	
Consideration transferred			
Cash		**3,400,000**	SFRS(I) 3.B64.f.i
Contingent consideration	(i)	**520,000**	SFRS(I) 3.B64.g.i
		3,920,000	
Less: Settlement of pre-existing relationship with acquiree [2]	(iv)	**(250,000)**	SFRS(I) 3.B52.a
Less: Indemnification asset	(vi)	**(450,000)**	SFRS(I) 3.B64.g.i
Consideration transferred		**3,220,000**	SFRS(I) 3.B64.f
Identifiable assets acquired and liabilities assumed			SFRS(I) 3.B64.i
At fair value			SFRS(I) 1-7.40.d
Cash and cash equivalents		**756,000**	
Trade and other receivables	(ii)	**14,679,000**	SFRS(I) 3.B64.h
Inventories		**1,345,000**	
Property, plant and equipment		**250,000**	
Right-of-use assets [6]	(ix)		SFRS(I) 3.28A,B
Intangible asset - Patent	(iii)	**40,000**	
Trade and other payables		**(12,788,000)**	
Lease liabilities [6]	(ix)		SFRS(I) 3.28A,B
Contingent liability recognised [3]	(v)	**(150,000)**	SFRS(I) 3.B64.j
Current tax liabilities		**(132,000)**	
Identifiable net assets acquired		**4,000,000**	
Non-controlling interests recognised and goodwill arising			
Consideration transferred		**3,220,000**	
Add: Non-controlling interests	(vii)	**800,000**	SFRS(I) 3.B64.o.i
Less: Fair value of identifiable net assets acquired		**(4,000,000)**	
Goodwill arising on acquisition [4]	(viii)	**20,000**	
Effects on cash flows of the Group			
Cash consideration paid		**3,400,000**	SFRS(I) 1-7.40.b
Less: Cash and cash equivalents in acquiree		**(756,000)**	SFRS(I) 1-7.40.c
Cash outflow on acquisition		**2,644,000**	SFRS(I) 1-7.40.a

7 Subsidiaries (cont'd)

7(a) Acquisition of subsidiary (cont'd)

Business combination (cont'd)

(i) A contingent consideration is recognised as the sale and purchase agreement requires the Group to pay to the former owners of NEPL a cash consideration of $1,000,000 if NEPL achieves a cumulative net profit of at least $3 million for the period from 1 July 2022 to 30 June 2025. The fair value of this contingent consideration at the acquisition date is estimated to be $520,000 based on the discounted cash flow approach, which factors in the probability of NEPL achieving the required result in the relevant period and then computes the present value of the expected future payment amount based on a risk-adjusted discount rate. SFRS(I) 3.B64.f.iii SFRS(I) 3.B64.g

(ii) The receivables acquired in this transaction, mainly comprising trade receivables, with a fair value of $14,679,000 have gross contractual amounts of $15,000,000. The best estimate at acquisition date of the contractual cash flows not expected to be collected is $321,000. SFRS(I) 3.B64.h

(iii) The valuation of the acquired identifiable intangible asset, comprising a patent, amounting to $40,000 has been finalised during the current financial year. Therefore, no related fair value adjustment is to be expected during the measurement period. SFRS(I) 3.45

(iv) Prior to the acquisition of NEPL, NEPL was pursuing a legal claim against a wholly-owned subsidiary of the Group in respect of damage caused to goods in transit to NEPL delivered by the subsidiary. However, no provision has been made by the Group for the compensation due to NEPL. Upon the acquisition of NEPL, the Group has attributed $250,000 (being the fair value of the legal claim) out of the consideration transferred to the effective settlement of this legal claim. Therefore, the Group has recognised $250,000 as a loss on settlement of pre-existing relationship with acquiree within "other gains and losses" in profit or loss and a corresponding decrease in the consideration transferred. This fair value of the legal claim has been determined after considering estimation of probability of outcome of the lawsuit and associated legal fees. SFRS(I) 3.B64.l

(v) A contingent liability of $150,000 has been recognised for a pending lawsuit in which NEPL is a defendant. The claim has arisen from a customer alleging defective products. It is expected that a decision on this case will be reached by the relevant court of law by the end of 2023. The estimated undiscounted future payment amount that the Group could be required to make is between $100,000 and $200,000 if an adverse decision against NEPL is made by the court. As at 31 December 2022, there has been no change in the amount recognised for the liability since the acquisition date, as there has been no change in the range of outcomes and their probabilities, or other assumptions used to develop the estimates. SFRS(I) 3.B64.j SFRS(I) 3.B67.c SFRS(I) 1-37.84,85

(vi) The seller of NEPL has agreed in the sale and purchase agreement to indemnify the Group for a fine of $450,000 that may become payable by NEPL to the local environmental regulator for illegal disposal of waste materials. Prior to the acquisition, NEPL had already accrued for the fine of $450,000 after consulting with legal advisors. SFRS(I) 3.27,57 SFRS(I) 3.B64.g

7 Subsidiaries (cont'd)

7(a) Acquisition of subsidiary (cont'd)

Business combination (cont'd)

(vii) The Group has elected to recognise the 20% non-controlling interests in NEPL based on its proportionate share in the recognised amounts of identifiable assets acquired and liabilities assumed of the acquiree. SFRS(I) 3.B64.o

(viii) Goodwill of $20,000 has arisen from the acquisition of NEPL because the cost of the acquisition has included a control premium. In addition, the consideration paid for the acquisition also effectively includes amounts in relation to the benefits of expected synergy, revenue growth, future market development and the assembled workforce of NEPL. These benefits are not recognised separately from goodwill because they do not meet the recognition criteria for identifiable intangible assets. In addition, the Group has also acquired the customer lists and customer relationships of NEPL as part of the acquisition. These assets cannot be separately recognised from goodwill because they are not capable of being separated and sold, transferred, licensed, rented or exchanged, either individually or together. Consequently, they are subsumed into goodwill. The goodwill is not deductible for tax purposes. SFRS(I) 3.B64.e SFRS(I) 3.B64.k

(ix) Lease liabilities of $XXX and corresponding right-of-use assets of $XXX have been recognised based on the remaining lease payments due from NEPL, as lessee, in existing lease contracts at the acquisition date, except for those ending within 12 months from the acquisition date or those for which the underlying asset is of low value. SFRS(I) 3.28A,28B

Acquisition related costs of $142,590 are included within "operating expenses" in profit or loss and reported under operating activities in the statement of cash flows. SFRS(I) 3.B64.m

Included in the Group's profit for the year is $0.6 million attributable to the additional business generated by NEPL. Revenue for the year generated by NEPL amounts to $0.9 million. Had the business combination during the year been effected at 1 January 2022, the Group's revenue from continuing operations would have been $104.5 million, and the Group's profit for the year from continuing operations would have been $4.3 million. (5) SFRS(I) 3.B64.q

Further information about fair value measurement are disclosed in Note 46.

Guidance Notes – Business combination

Business combinations after the reporting date

(1) Disclosures required by SFRS(I) 3:B64 are also required for business combinations after the reporting date but before the financial statements are authorised for issue, unless the initial accounting for the acquisition is incomplete at the time the financial statements are authorised for issue. In such circumstances, the entity is required to describe which disclosures could not be made and the reasons why they could not be made. SFRS(I) 3.B66

Equity interests issued as consideration transferred

When equity interests are issued or issuable as part of the cost of acquisition, the entity shall disclose the number of instruments or interests issued and the method of determining their fair value. SFRS(I) 3.B64.f.iv

Transactions recognised separately from acquisition of assets or assumption of liabilities in business combination

(2) A transaction entered into by or on behalf of the acquirer or primarily for the benefit of the acquirer or the combined entity, rather than primarily for the benefit of the acquiree (or its former owners) before the combination, is likely to be a separate transaction. SFRS(I) 3.B50-B62 provide related application guidance. Such examples are transactions that: SFRS(I) 3.51

- in effect settles pre-existing relationships between the acquirer and acquiree
- remunerates employees or former owners of the acquiree for future services
- reimburses the acquiree or its former owners for paying the acquirer's acquisition- related costs

Contingent liability assumed in a business combination

(3) If a contingent liability is not recognised because its fair value cannot be measured reliably, the acquirer shall disclose the information required by SFRS(I) 1-37.86, and the reasons why the liability cannot be measured reliably. SFRS(I) 3.B64.j

SFRS(I) 1-37.86 requires a brief description of the nature of the contingent liability and, where practicable: SFRS(I) 1-37.86

- an estimate of its financial effect;
- an indication of the uncertainties relating to the amount or timing of any outflow; and
- the possibility of any reimbursement.

Bargain purchase gain (instead of goodwill)

(4) In a bargain purchase, the acquirer is required to disclose: SFRS(I) 3.B64.n

- the amount of any gain recognised and the line item in profit or loss in which the gain is recognised; and
- a description of the reasons why the transaction resulted in a gain.

Impact of acquisitions on the results of the group

(5) If disclosure of any of the information required by SFRS(I) 3.B64.q illustrated above is impracticable, the acquirer shall disclose that fact and explain why the disclosure is impracticable. SFRS(I) 3.B64.q

Initial accounting for a business combination determined provisionally

If the initial accounting for a business combination is incomplete for particular assets, liabilities, non-controlling interests or items of consideration and the amounts recognised in the financial statements for the business combination thus have been determined only provisionally, the acquirer shall disclose the following information: SFRS(I) 3.B67.a

(i) reasons why the initial accounting for the business combination is incomplete;
(ii) the assets, liabilities, equity interests or items of consideration for which the initial accounting is incomplete; and
(iii) nature and amount of any measurement period adjustments recognised during the reporting period.

Acquisition achieved in stages

In a business combination achieved in stages, the acquirer is required to disclose: SFRS(I) 3.B64.p

- acquisition-date fair value of the equity interest in the acquiree held by the acquirer immediately before the acquisition date; and
- amount of any gain or loss recognised as a result of remeasuring to fair value the equity interest in the acquiree held by the acquirer before the business combination and the line item in profit or loss in which that gain or loss is recognised.

ROU assets and lease liabilities of acquiree

(6) For leases in which the acquiree is the lessee, the acquirer shall recognise ROU assets and lease liabilities for leases identified in accordance with SFRS(I) 16. The acquirer is not required to recognise ROU assets and lease liabilities for leases for which the lease term ends within 12 months of the acquisition date or leases for which the underlying asset is of low value. SFRS(I) 3.28A

The acquirer shall measure the lease liability at the present value of the remaining lease payments (as defined in SFRS(I) 16) as if the acquired lease was a new lease at the acquisition date. The acquirer shall measure the ROU asset at the same amount as the lease liability, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms. SFRS(I) 3.28B

7 Subsidiaries (cont'd)

7(a) Acquisition of subsidiary (cont'd)

Asset acquisition

On [date], the Group purchased 100% equity interest in XYZ Properties Pte Ltd ("XPPL) for a cash consideration of $XXX. The principal activity of XPPL is that of property investment. The Group has made the purchase to increase its investment portfolio of commercial properties. SFRS(I) 3.B64.a-d SFRS(I) 1-7.40.a,b

The assets in XPPL largely consist of land, buildings, leased assets and leasehold improvements, and equipment. The Group has assessed under the optional 'concentration test' (1) that substantially all of the fair value of the gross assets acquired in XPPL is concentrated in the portfolio of commercial properties, which represents a group of similar identifiable assets, held by XPPL. Accordingly, the Group has accounted for the purchase of XPPL as an asset acquisition in these financial statements. SFRS(I) 3.B7 SFRS(I) 3.B8-B12

Details of the acquired assets and assumed liabilities as recognised by the Group at the acquisition date, and the effects on the cash flows of the Group, are as follows: (2) SFRS(I) 1-7.40.d

	The Group 2022 $	
Property, plant and equipment		
Right-of-use assets		
Investment properties		
Cash and cash equivalents		SFRS(I) 1-7.40.c
Loans and borrowings		
Lease liabilities		
Trade and other payables		
Total identifiable assets and liabilities		
Add: Loss on initial recognition		
Total cash consideration		
Cash consideration paid		
Cash in acquired entity		
Net cash outflow		

Guidance Notes – Asset acquisition

(1) The optional 'concentration test' permits a simplified assessment of whether an acquired set of activities and assets is not a business. In some circumstances, it may be more efficient to assess whether a substantive process is acquired. An entity can choose to apply the 'concentration test' on a transaction by transaction basis. SFRS(I) 3.B7B

(2) For the acquisition of an asset or a group of assets that does not constitute a business, the cost of the group shall be allocated to the individual identifiable assets and liabilities on the basis of their relative fair values at the purchase date. Subsequently, the initial recognition requirements for each identifiable asset and liability are applied in accordance with their accounting policies. For certain assets and liabilities, loss on initial recognition may arise due to their initial recognition treatment. SFRS(I) 3.2.b

7 Subsidiaries (cont'd)

7(b) Disposal of subsidiary

On 1 May 2022, the Group disposed its wholly-owned subsidiary, FKT Engineering (M) Sdn Bhd, in its Engineering Materials segment to streamline the operations in the segment and to generate cash flows for the other subsidiaries in the Group. SFRS(I) 10.B97

Details of the disposal are as follows:

	The Group 2022 $	Reference
Carrying amounts of net assets over which control was lost		SFRS(I) 1-7.40.d
Cash and cash equivalents	49,822	SFRS(I) 10.25.a
Trade and other receivables	200,994	SFRS(I) 10.25.B98.a
Inventories	174,768	
Trade and other payables	(162,219)	
Current tax liabilities	(13,550)	
Net assets derecognised	249,815	
Consideration received/ receivable		SFRS(I) 1-7.40.a
Cash and cash equivalents	250,000	SFRS(I) 1-7.40.b
Deferred consideration	50,000	SFRS(I) 10.B98.b.i
Total consideration received/receivable	300,000	
Gain on disposal		SFRS(I) 10.25.c
Total consideration received/receivable	300,000	SFRS(I) 10.B98.d
Less: Net assets derecognised	(249,815)	
Gain on disposal	50,185	
Net cash inflows arising on disposal		
Consideration received in cash and cash equivalents	250,000	SFRS(I) 1-7.40.b
Less: Cash and cash equivalents disposed	(49,822)	SFRS(I) 1-7.40.c
Net cash inflows arising on disposal	200,178	SFRS(I) 1-7.39

The deferred consideration of $50,000 is due to be settled in cash by the purchaser on 1 November 2022. SFRS(I) 10.B98.b.i

The gain on disposal of subsidiary is recorded within "other gains and losses" in profit or loss. SFRS(I) 10.B98.d

Guidance Notes – Disposal of subsidiary

Loss of control

If a parent loses control of a subsidiary, the parent: SFRS(I) 10.25
- (a) derecognises the assets and liabilities of the former subsidiary from the consolidated statement of financial position;
- (b) recognises any investment retained in the former subsidiary at its fair value when control is lost (that fair value shall be regarded as the fair value on initial recognition of a financial asset in accordance with SFRS(I) 9 or, when appropriate, the cost on initial recognition of an investment in an associate or joint venture); and
- (c) recognises the gain or loss associated with the loss of control attributable to the former controlling interest.

SFRS(I) 10.B97–B99 set out guidance for the accounting for the loss of control. SFRS(I) 10.B97-B99

Changes in ownership interests in subsidiaries and other businesses

An entity shall disclose, in aggregate, in respect of both obtaining and losing control of subsidiaries or other businesses: SFRS(I) 1-7.40
- (a) total consideration paid or received;
- (b) portion of the consideration consisting of cash and cash equivalents;
- (c) amount of cash and cash equivalents in the subsidiaries or other businesses over which control is obtained or lost; and
- (d) amount of the assets and liabilities other than cash or cash equivalents in the subsidiaries or other businesses over which control is obtained or lost, summarised by each major category.

8 Associates

	The Group 2022 $	The Group 2021 $	The Company 2022 $	The Company 2021 $	
Unquoted equity shares, at cost	**47,038,000**	47,038,000	**41,716,168**	41,716,168	
Share of post-acquisition profits and reserves, net of dividend received	**5,551,466**	2,026,830	**-**	-	
Currency translation differences	**(3,197,487)**	(3,223,714)	**-**	-	
	49,391,979	45,841,116	**41,716,168**	41,716,168	
Amounts due from associates on long-term loan account	**7,584,625**	7,412,879	**7,584,625**	7,412,879	SFRS(I) 1-32.16
	56,976,604	53,253,995	**49,300,793**	49,129,047	

The amounts due from associates on long-term loan account are an extension of the Group's and the Company's net investment in the associates, which are unsecured, interest bearing at 3% (2021: 3%) per annum, with no fixed terms of repayment and not expected to be repaid within twelve months from the reporting date. SFRS(I) 1-32.16 SFRS(I) 1-27.10

Details of the Group's significant associates at the reporting date are as follows: (2) SFRS(I) 12.21.a

Name of associate	Principal activities	Nature of relationship with the Group	Principal place of business / Country of incorporation	Proportion of ownership interest and voting rights held by the Group 2022	2021
Held by the Company					
Mon Alpha Sdn Bhd [(a)] [(e)]	Property investment and management	Provide property management services to the Group's customers in Malaysia.	Malaysia	**25%**	25%
High Charlie Limited [(b)]	Sale of engineering materials	Provide access to new markets in Hong Kong and PRC.	Hong Kong	**20%**	20%
Held by Dalvey Investment Pte Ltd					
San Developer Pte Ltd [(c)] [(d)]	Property investment and management	Provide access to a specific niche of customers in Singapore.	Singapore	**15%**	15%

(a) Audited by member firm of FKT International Limited. (3) SGX 717
(b) Audited by Heng Keng & Partners for equity accounting purposes. (3) SGX 718
(c) Audited by Foo Kon Tan LLP.

(d) Although the Group owns less than 20% of the ownership interest and voting rights in San Developer Pte Ltd, management is of the view that the Group has significant influence over San Developer Pte Ltd because there is an agreement with the other shareholders whereby the Group has the right to appoint its representatives for one third of the investee's board of directors. (4) SFRS(I) 12.7.b SFRS(I) 12.9.e

(e) The financial year end date of Mon Alpha Sdn Bhd is 31 October. This was the reporting date established when the associate was incorporated. For the purposes of applying the equity method of accounting, the financial statements of Mon Alpha Sdn Bhd for the year ended 31 October 2022 are used, and appropriate adjustments are made for the effects of significant transactions between 31 October 2022 and 31 December 2022. (5) SFRS(I) 12.22.b

Information about the Group's non-significant associates at the reporting date are summarised as follows: SFRS(I) 12.4 SFRS(I) 12.10.a.i SFRS(I) 12.B4.d SFRS(I) 12.B5,B6

Principal activities	Principal place of business / Country of incorporation	Number of non-significant associates 2022	2021
Interior design	Singapore	**1**	1
Property marketing	Hong Kong	**1**	1
Property marketing	Malaysia	**1**	1

8 Associates (cont'd)

All of the above associates are accounted for using the equity method in the Group's consolidated financial statements. (1) SFRS(I) 12.21.b.i

Summarised financial information in respect of the Group's material associates are set out below. The information below reflect the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for any differences in accounting policies between the Group and the associates. (6) SFRS(I) 12.21.b.ii SFRS(I) 12.B14.a

SFRS(I) 12.B12

	Mon Alpha Sdn Bhd		High Charlie Limited		San Developer Pte Ltd	
	2022	2021	**2022**	2021	**2022**	2021
	$	$	**$**	$	**$**	$
Current assets	**93,829,827**	84,454,518	**80,293,089**	71,256,798	**118,162,575**	106,352,446
Non-current assets	**53,887,229**	49,882,654	**50,889,902**	46,677,282	**59,988,343**	57,798,824
Current liabilities	**(48,244,622)**	(42,099,121)	**(41,665,299)**	(39,998,235)	**(54,899,236)**	(50,022,314)
Non-current liabilities	**(20,445,266)**	(18,892,267)	**(17,899,322)**	(11,466,225)	**(24,467,722)**	(22,446,723)
Revenue	**12,917,695**	6,880,514	**6,173,308**	3,005,001	**18,447,611**	9,137,855
Profit from continuing operations	**5,167,078**	2,752,206	**4,321,316**	2,103,501	**7,379,044**	3,655,142
Post-tax profit from continuing operations	**3,875,308**	2,064,154	**3,586,692**	1,745,906	**6,124,607**	3,033,768
Post-tax profit from discontinued operations	**-**	-	**-**	-	**-**	-
Other comprehensive income	**1,024,378**	362,861	**853,648**	453,576	**-**	-
Total comprehensive income	**4,899,686**	2,427,015	**4,440,340**	2,199,482	**6,124,607**	3,033,768
Dividends received from associate	**-**	-	**-**	-	**-**	-

Reconciliation of the above summarised financial information to the carrying amount of the interest in the associates recognised in the Group's consolidated financial statements are as follows: SFRS(I) 12.B14.b

	Mon Alpha Sdn Bhd		High Charlie Limited		San Developer Pte Ltd	
	2022	2021	**2022**	2021	**2022**	2021
	$	$	**$**	$	**$**	$
Net assets of the associate	**79,027,168**	73,345,784	**71,618,370**	66,469,620	**98,783,960**	91,682,233
Proportion of the Group's ownership interest in the associate	**25%**	25%	**20%**	20%	**15%**	15%
	19,756,792	18,336,446	**14,323,674**	13,293,924	**14,817,594**	13,752,335
Goodwill						
Elimination of unrealised profits on downstream sales						
Carrying amount of the Group's interest in the associate	**19,756,792**	18,336,446	**14,323,674**	13,293,924	**14,817,594**	13,752,335

8 Associates (cont'd)

Aggregate information of the Group's associates that are individually immaterial are as follows: SFRS(I) 12.B16

	Individually immaterial associates	
	2022	2021
	$	$
Carrying amount of the Group's interest in the associate	**493,920**	458,411
Profit from continuing operations	**221,929**	165,963
Post-tax profit from continuing operations	**177,543**	132,770
Post-tax profit from discontinued operations	**-**	-
Other comprehensive income	**-**	-
Total comprehensive income	**177,543**	132,770

All of the associates require the Group's consent to distribute their profits. The Group does not foresee giving such consent at the reporting date. (8) SFRS(I) 12.22.a

The Group's commitments and contingent liabilities in respect of its associates are set out below: (9)

SFRS(I) 12.23.a
SFRS(I) 12.23.b

	The Group	
	2022	2021
	$	$
Commitment to provide funding for an associate's capital contribution, if called	**500,000**	500,000
Share of an associate's contingent liability in respect of a legal claim lodged by the associate's customer	**300,000**	-

Guidance Notes – Associates

Measurement of investment in associate or joint venture at FVPL

(1) A venture capital organisation, or other qualifying entity may elect to measure its investment in associate or joint venture at FVPL. This election can be made on an investment-by-investment basis. A non-investment entity investor may elect to retain the fair value accounting applied by an investment entity associate or investment entity joint venture to its subsidiaries. This election can be made separately for each investment entity associate or joint venture. SFRS(I) 1-28.18 SFRS(I) 1-28.36A

Cumulative preference shares issued by associates

If an associate has cumulative preference shares that are held by parties outside the group and that are classified as equity, the group computes its share of results after adjusting for the dividends on such shares, whether or not the dividends have been declared. SFRS(I) 1-28.37

Information about the Group's significant associates

(2) An entity shall disclose for each joint arrangement and associate that is material to the reporting entity: SFRS(I) 12.21.a
(i) name of joint arrangement or associate.
(ii) nature of the entity's relationship with joint arrangement or associate (e.g. describing nature of the activities of joint arrangement or associate and whether they are strategic to the entity's activities).
(iii) principal place of business (and country of incorporation, if applicable and different from principal place of business)
(iv) proportion of ownership interest or participating share held by the entity and, if different, proportion of voting rights held

Other auditors

(3) Where significant associates are audited by another firm of auditors, the names of the other auditors are to be disclosed accordingly. An associate is considered significant if its net tangible assets represent 20% or more of the issuer's consolidated net tangible assets, or its pre-tax profits account for 20% or more of the issuer's consolidated pre-tax profits. SGX 717,718

Significant influence with less than 20% ownership interest (and vice versa)

(4) An entity shall disclose significant judgements and assumptions made in determining that: SFRS(I) 12.9.d,e
- it does not have significant influence over an investee even though it holds 20% or more of voting rights of the investee; or
- it has significant influence over an investee even though it holds less than 20% of voting rights of the investee.

Guidance Notes – Associates (cont'd)

Reporting date of an associate different from that of the Group

(5) When an associate's financial statements used in applying equity method are as of a date or for a period that is different from that of the group, the group is required to disclose the reporting date of the associate and the reason for using a different date or period. SFRS(I) 12.22.b

Summarised financial information of associate or joint venture

(6) The summarised financial information shall be the amounts included in the SFRS(I) financial statements of associate or joint venture (i.e. not the group's share of these amounts). In addition, these amounts shall be adjusted to reflect adjustments made by the group when using the equity method, such as fair value adjustments made at acquisition and for differences in accounting policies. SFRS(I) 12.B14.a

The summarised financial information may be presented solely based on the associate's or joint venture's financial statements if: SFRS(I) 12.B15

- investee is accounted for at fair value; and
- investee does not prepare SFRS(I) financial statements and preparation on that basis would be impracticable or cause undue cost.

In that case, the entity shall disclose the basis on which the summarised financial information has been prepared.

Change in the Group's ownership interest in an associate

(7) An entity shall discontinue the use of equity method from the date when investment ceases to be associate or joint venture as follows: SFRS(I) 1-28.22

(a) If investment becomes a subsidiary, the entity shall account for its investment in accordance with SFRS(I) 3.

(b) If retained interest in the former associate or joint venture is a financial asset, the entity shall measure the retained interest at fair value, which shall be regarded as its fair value on initial recognition as a financial asset in accordance with SFRS(I) 9. The entity shall recognise in profit or loss any difference between:

(i) fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture; and

(ii) carrying amount of the investment at the date equity method was discontinued.

(c) When an entity discontinues the use of equity method, the entity shall account for all previously recognised OCI in relation to that investment on same basis as would have been required if investee had directly disposed of the related assets or liabilities.

An illustrative disclosure when there is a change in a group's ownership interest in an associate, is as follows:

"In October 2022, the Group disposed a 20% interest in [associate's name] to a non-related party for cash consideration of $2 million received in December 2022. The Group has accounted for the remaining 10% interest as an investment measured at FVOCI of which the fair value at the date of disposal was $800,000, as determined based on a discounted cash flow model. [describe key factors and assumptions used in determining the fair value]. This transaction has resulted in the recognition of a gain in profit or loss as set out below:

	2022
	$
Consideration received on part disposal of investment	***2,000,000***
Add: Fair value of retained interest in investment	***800,000***
Less: Carrying amount of investment at date of loss of significant influence	***(2,400,000)***
Gain on part disposal of investment	***400,000***

Significant restrictions

(8) When there are significant restrictions on ability of associates to transfer funds to the group in the form of cash dividends, or to repay loans or advances made by the group, the group should disclose nature and extent of significant restrictions. SFRS(I) 12.22.a

Risks associated with an entity's interests in associates and joint ventures

(9) In accordance with SFRS(I) 1-37, unless the probability of loss is remote, contingent liabilities incurred relating to its interest in associates (including its share of contingent liabilities incurred jointly with other investors with significant influence over the associates), is required to be disclosed separately from the amount of other contingent liabilities. SFRS(I) 12.23.b

Other disclosure requirements not illustrated

If an entity has stopped recognising its share of losses of an associate when applying equity method of accounting, the entity is required to disclose the unrecognised share of losses of the associate, both for the reporting period and cumulatively. SFRS(I) 12.22.c

If the associate or joint venture is accounted for by an entity using equity method and there is a quoted market price for the investment (e.g. listed on a stock exchange), the entity shall disclose the fair value of its investment in the associate or joint venture. SFRS(I) 12.21.b.iii

Joint venture and joint operation

The extent of disclosures required by SFRS(I) 12 for individually material joint ventures and joint operations is different. For example, the disclosure of summarised financial information, fair value (if there is a quoted market price) and commitments is not required for joint operations. Illustrative note disclosures about joint venture and joint operation are included in **Appendix G: Joint venture and joint operation**. SFRS(I) 12.21-23 SFRS(I) 12.B12-B13

9 Other investments [1]

		The Group and The Company		Reference
		2022	2021	
		$	$	
Non-current				
Debt investments at amortised cost:	(a)			SFRS(I) 7.8.f
- Unquoted debt securities		**1,000,000**	-	
Debt investments (classified as) at FVOCI:	(c)			SFRS(I) 7.8.h
- Unquoted debt securities		**242,000**	489,200	
- Quoted debt securities		**200,000**	500,000	
Debt investments (mandatorily measured) at FVPL:	(e)			SFRS(I) 7.8.a
- Quoted sustainability-linked debt securities				
Equity investments (designated as) at FVOCI:	(d)			SFRS(I) 7.8.h
- Unquoted equity shares		**1,500,000**	1,300,000	
		2,942,000	2,289,200	
Current				
Debt investments at amortised cost:	(a)			SFRS(I) 7.8.f
- Quoted debt securities		**-**	372,000	
Equity investments (mandatorily measured) at FVPL:	(b)			SFRS(I) 7.8.a
- Quoted equity shares (held for trading)		**926,600**	500,000	
- Unquoted equity shares (held for trading)		**900,000**	500,000	
		1,826,600	1,372,000	
Other investments - total		**4,768,600**	3,661,200	

(a) Debt investments at amortised cost

	The Group and The Company		Reference
	2022	2021	SFRS(I) 7.7
	$	$	
Non-current			
Unquoted debt securities			
- SGD floating rate notes due 31 July 2025 – issued in Singapore	**600,000**	-	
- USD corporate 4.8% fixed rate notes due 31 May 2027 – issued in US	**400,000**	-	
Current			
Quoted debt securities			
- SGD corporate 5.5% fixed rate notes due 30 April 2022 – listed in Singapore	**-**	172,000	
- USD floating rate notes due 31 January 2022 – listed in US	**-**	200,000	

These debt investments at amortised cost have an average effective interest rate of 5.8% (2021: 5.8%) per annum. SFRS(I) 7.7

The unquoted debt securities have nominal values of $950,000 at 31 December 2022. As at 31 December 2021, the nominal values of the quoted debt securities were $350,000. SFRS(I) 7.7

Gain on disposal of debt investments at amortised cost of $128,000 (2021: $nil) has been included within "other gains and losses" in profit or loss. SFRS(I) 7.20.vi SFRS(I) 7.20A

9 Other investments (cont'd)

(a) Debt investments at amortised cost (cont'd)

For purpose of impairment assessment, these investments in debt securities are considered to have low credit risk as the counterparties to these instruments have a minimum BBB+ credit rating. Accordingly, for the purpose of impairment assessment of these debts instruments, the loss allowance is measured at an amount equal to 12-month ECL. SFRS(I) 7.35G SFRS(I) 7.35H SFRS(I) 7.35M

In determining the ECL, the Group has taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the issuers of these debt instruments obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. SFRS(I) 7.35G.b

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these financial assets. SFRS(I) 7.35G.c

(b) Equity investments (mandatorily measured) at FVPL [(2)]

SFRS(I) 7.7

	The Group and The Company	
	2022	2021
	$	$
Current		
Quoted equity shares (held for trading)		
- Axon Steel, Inc. – listed in US	**926,600**	500,000
Unquoted equity shares (held for trading)		
- Mummy Engineering Limited – incorporated in Singapore	**900,000**	500,000

Investment in quoted equity shares offer the Group the opportunity for return through dividend income and fair value gains. They have no fixed maturity or coupon rate. SFRS(I) 7.7

Unquoted equity shares comprise of venture capital investment which represent less than 20% shareholdings in the investee. These investments are measured at FVPL as they represent an identified portfolio of investments which the Group manages together with an intention of profit taking when the opportunity arises. SFRS(I) 7.7 SFRS(I) 7.11.a

Fair value gain on equity investments at FVPL of $826,600 (2021: $nil) has been included in profit or loss for the year as part of "other gains and losses". SFRS(I) 7.20.a.i

9 Other investments (cont'd)

(c) Debt investments (classified as) at FVOCI

	The Group and The Company		
	2022	2021	SFRS(I) 7.7
	$	$	
Non-current			
Unquoted debt securities			
- USD corporate variable rate notes due 31 October 2025 – issued in US	**242,000**	489,200	
Quoted debt securities			
- SGD corporate variable rate notes due 30 June 2024 – listed in Singapore	**200,000**	500,000	

These debt securities are held by the Group within a business model whose objective is both to collect their contractual cash flows which are solely payments of principal and interest on the principal amount outstanding and to sell these financial assets. Hence, they are classified as at FVOCI. SFRS(I) 9.4.1.2A

The debt securities have nominal values of $440,000 (2021: $945,000) and have an average effective interest rate of 4.8% (2020: 5.2%) per annum. SFRS(I) 7.7

Change in fair value of debt investments at FVOCI during the year comprises: SFRS(I) 7.20.a.viii
- fair value loss on debt investments at FVOCI of $247,200 (2021: gain of $12,400) recognised in other comprehensive income;
- reclassification of net losses on debt investments at FVOCI of $46,700 (2021: $nil) from equity to profit or loss upon disposal; and
- impairment loss on debt investments at FVOCI of $10,000 (2021: $nil) included within "impairment loss on financial assets and contract assets" in profit or loss SFRS(I) 7.16A

For purpose of impairment assessment, these notes are considered to have low credit risk as they are held with counterparties with AA credit rating. The Group holds no collateral over this balance. Accordingly, for the purpose of impairment assessment for these debt investments, the loss allowance is measured at an amount equal to 12-month ECL. SFRS(I) 7.35G SFRS(I) 7.35H SFRS(I) 7.35M

In determining the ECL, the Group has taken into account the historical default experience, the financial position of the counterparties, as well as the future prospects of the industries in which the issuers of these debt instruments obtained from economic expert reports, financial analyst reports and considering various external sources of actual and forecast economic information, as appropriate, in estimating the probability of default of each of these financial assets occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. SFRS(I) 7.35G.b

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for these debt investments. SFRS(I) 7.35G.c

9 Other investments (cont'd)

(c) Debt investments (classified as) at FVOCI (cont'd)

The loss allowance for debt investments at FVOCI is recognised in other comprehensive income as part of the fair value reserve [3] (Note 22(iv)). The following table shows the movement in ECL that has been recognised: SFRS(I) 9.5.5.2 SFRS(I) 7.35H

	The Group and The Company		
	2022	2021	
	$	$	
12-month ECL on Debt investments at FVOCI:			
At 1 January	**-**	-	
Loss allowance recognised in profit or loss:			SFRS(I) 7.35B.b
- financial instruments acquired/originated			SFRS(I) 7.35I
- financial instruments derecognised upon settlement			
- reversal of unutilised amounts			
- changes in credit risk	**10,000**	-	
Amounts written off			
Amounts recovered			
Foreign currency exchange losses/(gains)			
At 31 December	**10,000**	-	

(d) Equity investments (designated as) at FVOCI [4]

	The Group and The Company		
	2022	2021	SFRS(I) 7.7
	$	$	
Non-current			
Unquoted equity shares			
- Unit Engineers Limited – incorporated in Hong Kong	**1,500,000**	1,300,000	

The unquoted equity shares represents investment in corporation which is engaged in research and development activities and their commercial application, and comprises less than 20% ownership interests in the investee. These equity investments are not held for trading. Instead, they are held for medium to long-term strategic purposes. Accordingly, the Group has elected to designate them as at FVOCI because the Group views that recognising short-term fluctuations in their fair value in profit or loss is not consistent with the Group's strategy of holding these investments for long-term purposes and realising their performance potential in the long run. SFRS(I) 7.7 SFRS(I) 7.11A.b

Fair value gain on equity investments at FVOCI recognised in other comprehensive income amounts to $200,000 (2021: $68,000). SFRS(I) 7.20.a.vii

Dividend income from equity investments at FVOCI amounting to $75,000 (2021: $75,000) (attributed to investments held at end of the reporting period) is included within "other income" in profit or loss. SFRS(I) 7.11A.d

No equity investment at FVOCI has been disposed during the current reporting period. [5] SFRS(I) 7.11B

9 Other investments (cont'd)

(e) Debt investments (mandatorily measured) at FVPL

	The Group and The Company		
	2022	2021	SFRS(I) 7.7
	$	$	
Non-current			
Quoted sustainability-linked debt securities			
- EUR corporate floating rate sustainability-linked notes due 31 July 2029 – listed in EU			

The quoted sustainability-linked debt securities comprises a $XXX (2021: $XXX) ten-year senior unsecured sustainability-linked bond due in 2029 that bears interest at a rate of XX-month STIBOR plus XX% per annum (2021: XX-month STIBOR plus XX% per annum) and includes a condition for which failure to meet certain sustainability performance targets linked to GHG emissions by 2026 would trigger a redemption premium at maturity. The sustainability-linked bond is mandatorily measured at FVPL because the redemption feature causes the bond to fail the SPPI criterion. SFRS(I) 7.7

The quoted sustainability-linked debt securities has a nominal value of $XXX (2021: $XXX) and an average effective interest rate of XX% per annum (2021: XX% per annum). SFRS(I) 7.7

Fair value gain on debt investments at FVPL of $XXX (2021: $XXX) has been included in profit or loss for the year as part of "other gains and losses". SFRS(I) 7.20.a.i

Further information about the financial risk management and the fair value measurement are disclosed in Note 45 and 46 respectively.

Guidance Notes – Other investments

Classification and presentation of financial instruments

(1) SFRS(I) 7:8 requires the carrying amounts of each of the following categories as defined in SFRS(I) 9, to be disclosed either in the statement of financial position or in the notes: SFRS(I) 1-1.54 SFRS(I) 7.8

- financial assets measured at FVPL, showing separately:
  - (i) those designated as such upon initial recognition or subsequently SFRS(I) 9.6.7.1
  - (ii) those mandatorily measured at FVPL
- financial liabilities at FVPL, showing separately:
  - (i) those designated as such upon initial recognition or subsequently SFRS(I) 9.6.7.1
  - (ii) those that meet the definition of held-for-trading in SFRS(I) 9
- financial assets at amortised cost
- financial liabilities at amortised cost
- financial assets at FVOCI, showing separately:
  - (i) those designated as such upon initial recognition or subsequently SFRS(I) 9.4.1.2A
  - (ii) investments in equity instruments designated as such upon initial recognition SFRS(I) 9.5.7.5

Designated financial assets at FVPL (which would otherwise be at FVOCI or amortised cost)

(2) If an entity has designated financial assets at FVPL which would otherwise be measured at FVOCI or amortised cost, the entity must provide additional disclosures as required under SFRS(I) 7.9 requirements, as follows: SFRS(I) 7.9

(a) the maximum exposure to credit risk of the financial asset (or group of financial assets) at the end of the reporting period.
(b) the amount by which any related credit derivatives or similar instruments mitigate that maximum exposure to credit risk
(c) the amount of change, during the period and cumulatively, in the fair value of the financial asset (or group of financial assets) that is attributable to changes in the credit risk of the financial asset determined either:
  (i) as the amount of change in its fair value that is not attributable to changes in market conditions that give rise to market risk; or
  (ii) using an alternative method the entity believes more faithfully represents the amount of change in its fair value that is attributable to changes in the credit risk of the asset.

  Changes in market conditions that give rise to market risk include changes in an observed (benchmark) interest rate, commodity price, foreign exchange rate or index of prices or rates.
(d) the amount of the change in the fair value of any related credit derivatives or similar instruments that has occurred during the period and cumulatively since the financial asset was designated.

Nature and extent of risks from financial instruments

An entity shall disclose information that enables users of its financial statements to evaluate the nature and extent of risks arising from financial instruments to which the entity is exposed at the end of the reporting period. Information such as the countries in which the equity securities are listed, and the interest rates and maturity dates of the debt securities shall be disclosed if the information is material to enable the users to evaluate the nature and extent of risks arising from those financial assets. SFRS(I) 7.31

Items of income, expense, gains and losses

An entity shall disclose the following items of income, expense, gains or losses either in the statement of comprehensive income or in the notes: SFRS(I) 7.20

(a) net gains or net losses on:
- financial assets or financial liabilities measured at FVPL, showing separately those on financial assets or financial liabilities designated as such upon initial recognition or subsequently, and those on financial assets or financial liabilities that are mandatorily measured at FVPL. For financial liabilities designated as at FVPL, an entity shall show separately the amount of gain or loss recognised in OCI and the amount recognised in profit or loss.
- financial liabilities measured at amortised cost.
- financial assets measured at amortised cost.
- investments in equity instruments designated at FVOCI.
- financial assets measured at FVOCI, showing separately the amount of gain or loss recognised in OCI during the period and the amount reclassified upon derecognition from accumulated OCI to profit or loss for the period.

(b) total interest revenue and total interest expense (calculated using the effective interest method) for financial assets that are measured at amortised cost or that are measured at FVOCI (showing these amounts separately); or financial liabilities that are not measured at FVPL.

(c) fee income and expense (other than amounts included in determining the effective interest rate) arising from:
  (i) financial assets and financial liabilities that are not at FVPL; and
  (ii) trust and other fiduciary activities that result in the holding or investing of assets on behalf of individuals, trusts, retirement benefit plans, and other institutions.

Guidance Notes – Other investments (cont'd)

Collateral

An entity shall disclose: SFRS(I) 7.14
(a) the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified in accordance with SFRS(I) 9.3.2.23.a; and
(b) the terms and conditions relating to its pledge.

When an entity holds collateral (of financial or non-financial assets) and is permitted to sell or repledge the collateral in the absence of default by the owner of the collateral, it shall disclose: SFRS(I) 7.15
(a) the fair value of the collateral held;
(b) the fair value of any such collateral sold or repledged, and whether the entity has an obligation to return it; and
(c) the terms and conditions associated with its use of the collateral.

Impairment assessment of debt investments at FVOCI

(3) The carrying amount of debt investments measured at FVOCI in accordance with SFRS(I) 9.4.1.2A is not reduced by a loss allowance and an entity shall not present the loss allowance separately in the statement of financial position as a reduction of the carrying amount of the financial asset. Instead, any impairment loss recognised in profit or loss is adjusted in the other comprehensive income. However, an entity shall disclose the loss allowance in the notes to the financial statements. The loss allowance table illustrated above is one way of presenting the necessary disclosure information. SFRS(I) 7.16A

(N.B. The loss allowance disclosure table for debt investments at FVOCI is also applicable for debt investments at amortised cost if there is any loss allowance for the latter.)

Impairment assessment of investments in equity instruments

(4) SFRS(I) 9 states that investments in equity instruments are not subject to impairment assessment, because these investments are now only measured at FVPL or FVOCI without recycling of fair value changes to profit or loss. SFRS(I) 7.11B

Disposal of equity investments at FVOCI

(5) If an entity has derecognised an equity investment measured at FVOCI during the reporting period, it discloses: SFRS(I) 7.11B
- reasons for disposing of the investments;
- fair value of the investments at the date of derecognition; and
- cumulative gain or loss on disposal.

Derecognition of financial assets

An entity may have transferred financial assets in such a way that part or all of the transferred financial assets do not qualify for derecognition. If the entity either continues to recognise all of the asset or continues to recognise the asset to the extent of the entity's continuing involvement, then it discloses information that enables users of its financial statements: SFRS(I) 7.42B
- to understand the relationship between transferred financial assets that are not derecognised in their entirety and the associated liabilities; and
- to evaluate the nature of, and risks associated with, the entity's continuing involvement in derecognised financial assets.

To meet the above objectives, an entity discloses at each reporting date for each class of transferred financial assets that are not derecognised in their entirety: SFRS(I) 7.42D
- the nature of the assets, the nature of the risks and rewards of ownership retained;
- a description of the nature of the relationship between the assets and the associated liabilities, including restrictions on use;
- when recourse for the associated liabilities is limited to the transferred assets, a schedule that sets out the fair value of the assets, the fair value of the associated liabilities and the net position;
- the carrying amount of the asset and associated liabilities, when the asset remains recognised in its entirety; and
- the carrying amount of the original asset, the amount that continues to be recognised and the carrying amount of the associated liabilities, when the asset remains recognised to the extent of continuing involvement.

Disclosures required by SFRS(I) 7

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values etc. are presented in the notes for financial risk management, fair value measurement and capital management, it is not necessary to repeat the same information in this note.

10 Finance lease receivables

	The Group 2022 $	2021 $	
Undiscounted lease payments to be received: (2)			SFRS(I) 16.94
- Year 1	**172,662**	57,554	
- Year 2	**172,662**	57,554	
- Year 3	**172,662**	57,554	
- Year 4	**113,984**	37,995	
- Year 5	**113,984**	37,995	
- Year 6 and onwards	**257,344**	85,781	
	1,003,298	334,433	
Unguaranteed residual values	**100,000**	100,000	SFRS(I) 16.70.c
Gross investment in lease	**1,103,298**	434,433	
Less: Unearned finance income	**(154,767)**	(51,589)	
Present value of lease payments receivable	**948,531**	382,844	
Less: Impairment loss allowance (3)			SFRS(I) 9.5.5.15.b
Net investment in the lease	**948,531**	382,844	
Presented as:			
- Non-current	**791,401**	330,467	
- Current	**157,130**	52,377	
	948,531	382,844	

During the financial year, the Group's finance lease receivables have increased because the Group enters into an additional head lease and corresponding sublease of a factory cum warehouse premise at the same time because the approval for the planned production lines have been delayed by changes in certain environmental regulations and the Group cannot terminate the lease agreement without incurring a significant penalty. (1) SFRS(I) 16.93

Information about the Group's leasing activities are disclosed in Note 42. SFRS(I) 16.52

The finance lease receivables have an average effective interest rate of approximately 6.5% (2021: 6.5%) per annum. SFRS(I) 7.7

The following table presents the amounts included in profit or loss:

	The Group 2022 $	2021 $	
Selling profit/loss for finance leases			SFRS(I) 16.90.a.i
Finance income on the net investment in finance leases			SFRS(I) 16.90.a.ii
Income relating to variable lease payments not included in the net investment in finance leases			SFRS(I) 16.90.a.iii

10 Finance lease receivables (cont'd)

Fair value of the non-current portion of finance lease receivables approximates its carrying amount because the contractual interest rates approximate the current market borrowing rates for similar instruments. SFRS(I) 7.25,29

The Group estimates the loss allowance on finance lease receivables at the end of the reporting period at an amount equal to lifetime ECL. [(3)] None of the finance lease receivables at the end of the reporting period is past due, and taking into account the historical default experience and the future prospects of the industries in which the lessees operate, [together with the value of collateral held over these finance lease receivables,] the Group considers that no finance lease receivable is impaired. SFRS(I) 7.34.a

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for finance lease receivables. SFRS(I) 7.35G.c

Further information about the financial risk management are disclosed in Note 45.

Guidance Notes – Finance lease receivables

Significant changes in carrying amount

(1) A lessor in finance leases shall provide a qualitative and quantitative explanation of the significant changes in the carrying amount of the net investment in finance leases. SFRS(I) 16.93

Maturity analysis of lease payments receivable

(2) A lessor shall disclose a maturity analysis of the lease payments receivable, showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years. A lessor shall reconcile the undiscounted lease payments to the net investment in the lease. The reconciliation shall identify the unearned finance income relating to the lease payments receivable and any discounted unguaranteed residual value. SFRS(I) 16.94

Impairment assessment of finance lease receivables

(3) Under SFRS(I) 9, an entity shall always measure the loss allowance at an amount equal to lifetime ECL for lease receivables that result from transactions that are within the scope of SFRS(I) 16, if the entity chooses as its accounting policy to measure the loss allowance at an amount equal to lifetime ECL. That accounting policy shall be applied to all lease receivables. SFRS(I) 9.5.5.15.b

Collateral

If the finance lease receivables are secured over the leased assets, the following illustrative disclosures shall be appropriate: SFRS(I) 7.15

"Finance lease receivables are secured over the assets leased. The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee. However, in the event of default, the Group is entitled to sell the asset, and has rights to any proceeds from such a sale up to the total amount receivable from the lessee."

11 Deferred tax

Deferred tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred taxes relate to the same taxation authority. SFRS(I) 1-12.74

The carrying amounts of deferred tax assets and liabilities, determined after appropriate offsetting, are shown on the statement of financial position, as follows:

	The Group		Reference
	2022	2021	
	$	$	
Deferred tax assets			
- to be recovered within 1 year from the reporting date	**100,000**	100,000	SFRS(I) 1-1.61.a
- to be recovered after 1 year from the reporting date	**200,000**	350,000	SFRS(I) 1-1.61.b
	300,000	450,000	
Deferred tax liabilities			
- to be recovered within 1 year from the reporting date	**(119,878)**	(102,378)	SFRS(I) 1-1.61.a
- to be recovered after 1 year from the reporting date	**(1,525,705)**	(1,160,140)	SFRS(I) 1-1.61.b
	(1,645,583)	(1,262,518)	
Deferred tax liabilities - net	**(1,345,583)**	(812,518)	

The movement in deferred tax assets and liabilities (prior to offsetting of balances within the same tax jurisdiction) are as follows: (1)

The Group	Tax losses $	Provisions $	Others $	Total $	SFRS(I) 1-12.81.g.i
Deferred tax assets					
At 1 January 2021	150,000	-	50,000	200,000	
Credited/(Charged) to:					
- profit or loss	275,000	-	(25,000)	250,000	SFRS(I) 1-12.81.g.ii
At 31 December 2021	**425,000**	**-**	**25,000**	**450,000**	
(Charged)/Credited to:					
- profit or loss	**(235,000)**	**85,000**	**-**	**(150,000)**	SFRS(I) 1-12.81.g.ii
At 31 December 2022	**190,000**	**85,000**	**25,000**	**300,000**	

The Group	Accelerated tax depreciation $	Fair value gains $	Others $	Total $	SFRS(I) 1-12.81.g.i
Deferred tax liabilities					
At 1 January 2021	(389,435)	(212,089)	(40,907)	(642,431)	
Currency translation differences	(11,067)	(1,452)	(1,709)	(14,228)	SFRS(I) 1-12.41
Charged to:					
- profit or loss	(566,647)	(153)	(17,557)	(584,357)	SFRS(I) 1-12.81.g.ii
- other comprehensive income	-	-	(21,502)	(21,502)	SFRS(I) 1-12.81.a,ab SFRS(I) 1-1.90
At 31 December 2021	**(967,149)**	**(213,694)**	**(81,675)**	**(1,262,518)**	
Currency translation differences	**(19,652)**	**(389)**	**(2,018)**	**(22,059)**	SFRS(I) 1-12.41
Charged to:					
- profit or loss	**(200,633)**	**(81,073)**	**(12,755)**	**(294,461)**	SFRS(I) 1-12.81.g.ii
- other comprehensive income	**-**	**-**	**(66,545)**	**(66,545)**	SFRS(I) 1-12.81.a,ab SFRS(I) 1-1.90
At 31 December 2022	**(1,187,434)**	**(295,156)**	**(162,993)**	**(1,645,583)**	

11 Deferred tax (cont'd)

Subject to the agreement by the tax authorities, the Group has unutilised tax losses of $2.9 million (2021: $5.5 million) available for offset against future profits at the reporting date. Deferred tax asset has been recognised in respect of $1.9 million (2021: $4.25 million) of these unutilised tax losses. No deferred tax asset has been recognised in respect of the remaining $1 million (2021: $1.25 million) due to the unpredictability of future profit streams. Included in unrecognised tax losses are losses of $0.6 million (2021: $0.5 million) that will expire in 2023. Other tax losses may be carried forward indefinitely subject to the conditions imposed by law including the retention of majority shareholders as defined. SFRS(I) 1-12.81.e

Deferred tax assets are recognised for tax losses and capital allowances carried forward to the extent that realisation of the related tax benefits through future taxable profits is probable. The Group's deferred tax assets include $500,000 (2021: $500,000) from a wholly-owned subsidiary, FKT Properties (HK) Limited. This subsidiary has incurred the losses over the past three financial years because of a one-time restructuring of internal operations. The Group is of the view that the related deferred tax asset is recoverable based on the estimated future taxable income of the subsidiary on the basis of the current business plan and approved budget for the subsidiary. The subsidiary is expected to produce taxable income from year 2023 onwards. The related tax losses have no expiry date. (2) SFRS(I) 1-12.82

At the reporting date, the aggregate amount of temporary differences associated with undistributed earnings of subsidiaries and associates for which deferred tax liabilities have not been recognised is $2.6 million (2021: $1.8 million). No deferred tax liabilities have been recognised in respect of these temporary differences because the Group is in a position to control the timing of reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. SFRS(I) 1-12.81.f

Guidance Notes – Deferred tax

Type of temporary differences

(1) An entity is required to disclose, in respect of each type of temporary difference, the amount of deferred tax assets and liabilities recognised in the statement of financial position. Other types of temporary difference not illustrated include those related to: SFRS(I) 1-12.81.g

- deferred development costs
- revaluation of property
- convertible bond-equity component
- retirement benefit obligations

Evidence supporting recognition of deferred tax asset

(2) An entity discloses the nature of the evidence supporting the recognition of a deferred tax asset when: SFRS(I) 1-12.82
- utilisation of the deferred tax asset is dependent on future taxable profits in excess of the profits arising from the reversal of existing taxable temporary differences; and
- the entity has suffered a loss in either the current or preceding period in the tax jurisdiction to which the deferred tax asset relates.

Temporary differences arising from investments

SFRS(I) 1-12 requires an entity to disclose the aggregate amount of temporary differences for unrecognised deferred tax liabilities arising from investment in subsidiaries, branches and associates and interests in joint ventures, as it is not often practicable to compute the deferred tax liability. SFRS(I) 1-12.81.f

Deductible temporary differences and unutilised tax losses not recognised as deferred tax asset

SFRS(I) 1-12 only requires the disclosure of the amount of deductible temporary differences and unused tax losses for which no deferred tax asset has been recognised. SFRS(I) 1-12.81.e

Amendments to SFRS(I) 1-12 *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*

The amendments narrow the scope of the initial recognition exemption to exclude transactions that give rise to equal and offsetting temporary differences e.g. leases and decommissioning liabilities. The amendments apply for annual reporting periods beginning on or after 1 January 2023. For leases and decommissioning liabilities, the associated deferred tax asset and liabilities will need to be recognised from the beginning of the earliest comparative period presented, with any cumulative effect recognised as an adjustment to retained earnings or other components of equity at that date. For all other transactions, the amendments apply to transactions that occur after the beginning of the earliest period presented.

12 Development properties

	The Group 2022 $	2021 $	
			SFRS(I) 1-1.78.c SFRS(I) 1-2.36.b SFRS(I) 1-2.37
Development properties under construction	**23,563,267**	14,389,674	
Land held for future development	**3,000,000**	3,000,000	
	26,563,267	17,389,674	
Completed development properties	**4,952,024**	5,443,092	
Development properties - total	**31,515,291**	22,832,766	
Represented by:			SFRS(I) 1-2.36.b
Development properties under construction			SFRS(I) 1-2.37
- Singapore	**11,665,043**	7,069,590	
- Hong Kong	**11,898,224**	7,320,084	
Land held for future development - PRC	**3,000,000**	3,000,000	
Completed development properties			
- Singapore	**4,952,024**	5,443,092	

Development properties of the Group comprise properties in the course of development, land held for future development and completed properties held for sale. (2) These properties have operating cycles longer than one year. Development properties are classified as current assets as they are intended for sale in the Group's normal operating cycle. Development properties amounting to $16,633,900 (2021: $11,569,100) are expected to be recovered after more than twelve months from the reporting date. (3) SFRS(I) 1-40.75.c SFRS(I) 1-1.66,68 SFRS(I) 1-1.61

	The Group 2022 $	2021 $	
			SFRS(I) 1-2.36.b SFRS(I) 1-2.37
Development properties under construction			
Land cost	**4,100,655**	3,022,682	
Development costs incurred to date	**14,704,480**	8,209,924	
Interest and others	**5,801,364**	3,588,046	SFRS(I) 1-23.26.a
	24,606,499	14,820,652	
Less: Allowance for diminution in value	**(1,043,232)**	(430,978)	
	23,563,267	14,389,674	
Completed development properties			
Completed properties held for sale, at cost	**5,948,160**	5,948,160	
Less: Allowance for diminution in value	**(996,136)**	(505,068)	
	4,952,024	5,443,092	

Interest costs capitalised during the year was $578,224 (2021: $498,722) at effective interest rates ranging from 4.1% to 4.7% (2021: 3.9% to 4.8%) per annum. SFRS(I) 1-23.26.a,b

The allowance for diminution in value for development properties held for sale was estimated taking into account estimated selling prices and estimated total construction costs. The estimated selling prices are based on expected selling prices for the development project after taking into consideration of prevailing market conditions. The estimated total construction costs include contracted amounts plus estimated costs to complete the development project. The allowance will be progressively reversed for those residential units sold above their carrying amounts. SFRS(I) 1-2.36.a

	The Group 2022 $	2021 $	
Allowance for diminution in value:			
- At 1 January	**(936,046)**	(624,400)	
- Currency translation differences	**(13,031)**	(7,034)	SFRS(I) 1-21.41.b
- Allowance made	**(1,090,291)**	(304,612)	SFRS(I) 1-2.36.e
- 31 December	**(2,039,368)**	(936,046)	

12 Development properties (cont'd)

The allowance made for diminution in value of development properties of $1,090,291 (2021: $304,612) is included within "other operating expenses" in profit or loss. SFRS(I) 1-2.36.e

As at 31 December 2022, the Group's development properties amounting to $31,515,291 (2021: $22,832,766) are mortgaged to banks to secure credit facilities (Note 23). SFRS(I) 1-2.36.h

Details of the Group's development properties as at the reporting date are as follows: [(1)] SGX 1207.11.a

Property name / Location	Description / Planned use	Gross floor area / Land area	Tenure	The Group's effective equity interest	Stage of completion (Expected or actual completion date)
Development properties under construction					
Dimi Residences, Jalan Amin, Singapore	Condominium of 40 units (27 units sold)	4,080 sqm	99-year leasehold commenced 10 April 2019	100%	68% (March 2024)
Manseh Court, Tie Meng Ding, Hong Kong	Condominium of 80 units (59 units sold)	9,820 sqm	Freehold	100%	74% (November 2023)
Land held for future development					
Lot.18, Yu Meng Lu, Shenzhen, PRC	Residential property development	12,480 sqm	70-year leasehold commenced 25 May 2020	100%	No development undertaken as yet
Completed development properties					
Yume Tower, Eng King Road, Singapore	10 townhouse units (8 units sold)	3,240 sqm	99-year leasehold commenced 31 August 2013	100%	Completed (July 2019)

Guidance Notes – Development properties

Details of properties

(1) Refer to guidance notes on PPE for property disclosure requirements under Rule 1207.11 of SGX Listing Manual. (N.B. If the property is in the course of construction, stage of completion as at the date of annual report and expected completion date shall be disclosed.) SGX 1207.11.a

Classification of property

(2) An entity shall disclose, when classification is difficult, the criteria it uses to distinguish investment property from owner-occupied property and from property held for sale in the ordinary course of business. SFRS(I) 1-40.75.c

Expected to be recovered after more than 12 months

(3) An entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled no more than twelve months after the reporting period and more than twelve months after the reporting period. SFRS(I) 1-1.61

Reversal of allowance for diminution in value

If there is a reversal of allowance previously made for diminution in value, the circumstances or events leading to this reversal shall be disclosed. SFRS(I) 1-2.36.g

13 Inventories

	The Group		
	2022	2021	
	$	$	SFRS(I) 1-1.78.c SFRS(I) 1-2.36.b SFRS(I) 1-2.37
At cost:			
Raw materials	**1,073,254**	1,046,707	
Work-in-progress	**493,316**	585,569	
Finished goods	**1,148,125**	1,134,092	
At net realisable value:			
Finished goods	**574,063**	567,046	
Rights to returned goods (1)			SFRS(I) 15.B21
	3,288,758	3,333,414	

Write-down of inventories to net realisable value of $112,093 (2021: $100,466) is included within "operating expenses" in profit or loss. SFRS(I) 1-2.36.e

Inventories of $616,642 (2021: $625,015) are expected to be recovered after more than twelve months from the reporting date. (2) SFRS(I) 1-1.61

The rights to returned goods represents the Group's rights to recover goods from customers where customers exercise their right of return under the Group's 60-day returns policy. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. SFRS(I) 15.126.d

Guidance Notes – Inventories

Costs necessary to sell inventories

The IFRS IC issued an agenda decision in June 2022 to clarify about the costs an entity includes as the estimated costs necessary to make the sale when determining the net realisable value of inventories. The entity is not allowed to limit such costs to only those that are incremental, thereby potentially excluding costs the entity must incur to sell its inventories but that are not incremental to a particular sale. An entity uses its judgement to determine which costs are necessary to make the sale considering its specific facts and circumstances, including the nature of the inventories.

Rights to recover returned goods

(1) SFRS(I) 15 and other standards do not specify where assets for rights to recover products from customers with regards to sales with a right of return should be presented. (N.B. There are 2 alternatives: either as a line item in the statement of financial position or in the 'inventories' note to the financial statements. The Group has opted for the latter.) SFRS(I) 15.B21

Inventories measured at fair value less cost to sell

When these inventories (e.g. those of commodity broker-trader) are measured at fair value less costs to sell, they are excluded from only the measurement requirements of SFRS(I) 1-2. SFRS(I) 1-2.5

The carrying amount of inventories carried at fair value less costs to sell shall be disclosed separately. SFRS(I) 1-2.36.c

Cost of inventories recognised as expense

When an entity presents an analysis of expenses using classification based on the nature of expenses in the statement of profit or loss, it discloses the costs recognised as an expense for raw materials and consumables, labour and other costs, together with the amount of the net change in inventories for the period. SFRS(I) 1-2.39

If an entity presents an analysis of expenses by function in the statement of profit or loss, then write-downs of inventory to net realisable value and any reversals should be included in 'cost of sales'. SFRS(I) 1-2.38 SFRS(I) 1-2.34

Expected to be recovered after more than 12 months

(2) An entity shall disclose the amount expected to be recovered or settled after more than twelve months for each asset and liability line item that combines amounts expected to be recovered or settled no more than twelve months after the reporting period and more than twelve months after the reporting period. SFRS(I) 1-1.61

Other disclosure requirements not illustrated

- amount of any reversal of any write-down that is recognised as a reduction in the amount of inventories recognised as expense SFRS(I) 1-2.36.f
- circumstances or events that led to the reversal of a write-down of inventories SFRS(I) 1-2.36.g
- carrying amount of inventories pledged as security for liabilities SFRS(I) 1-2.36.h

14 Derivative financial instruments

	The Group				
	2022		2021		
	Assets	**Liabilities**	Assets	Liabilities	
	$	**$**	$	$	
Derivatives not held for hedging:					
- Forward foreign currency contracts, at fair value	**-**	**(689,500)**	-	(349,800)	SFRS(I) 7.8.e
Derivatives held for hedging:					
- Interest rate swaps, at fair value	**720,983**	**-**	405,587	-	SFRS(I) 7.8.a
Derivative financial instruments - total	**720,983**	**(689,500)**	405,587	(349,800)	

(i) Forward foreign currency contracts

The Group's forward foreign currency contracts do not meet the hedge accounting criteria [(1)] and hence are accounted for at fair value through profit or loss. SFRS(I) 9.5.1.1 SFRS(I) 9.5.2.1.c

Fair value loss of derivative financial instruments at FVPL amounting to $339,700 (2021: $67,100) is included within "other gains and losses" in profit or loss. SFRS(I) 7.20.a.i

(ii) Interest rate swaps

The Group's interest rate swaps are designated and effective as cash flow hedges [(2)] and the fair value changes of these interest rate swaps in the reporting period are recognised in other comprehensive income. The net gains or losses accumulated in the cash flow hedging reserve are reclassified to profit or loss when the hedged future cash flows are no longer expected to occur or the hedged item has affected profit or loss. SFRS(I) 9.6.5.11

Under interest rate swap contracts, the Group agrees to exchange the difference between fixed and floating rate interest amounts calculated on agreed notional principal amounts. Such contracts enable the Group to mitigate the risk of changing interest rates on the cash flow exposures of the issued variable rate debt. The fair value of interest rate swaps at the reporting date is determined by discounting the future cash flows using the swap curve at the reporting date and the credit risk inherent in the contract. The average interest rate is based on the outstanding balances at the reporting date. SFRS(I) 7.22A,B SFRS(I) 7.23A SFRS(I) 7.33,34

As the critical terms of the interest rate swap contracts and their corresponding hedged items are the same, the Group performs a qualitative assessment of effectiveness and it is expected that the value of the interest rate swap contracts and the value of the corresponding hedged items will systematically change in opposite direction in response to movements in the underlying interest rates. SFRS(I) 7.22B

Hedge ineffectiveness can arise from: SFRS(I) 7.23D,E

- difference in the timing of cash flows of the hedged item and hedging instrument;
- different index (and accordingly different swap curve) linked to the hedged risk of the hedged item and hedging instrument; and
- change to the forecasted amount of cash flows of the hedged item and hedging instrument.

Further information about the financial risk management and the fair value measurement are disclosed in Note 45 and 46 respectively.

Reference

14 Derivative financial instruments (cont'd)

(ii) Interest rate swaps (cont'd)

Details regarding the interest rate swaps outstanding at the reporting date and their related hedged items are as follows:

SFRS(I) 7.23B
SFRS(I) 7.24A.a-d
SFRS(I) 7.24B
SFRS(I) 7.23C
SFRS(I) 7.23E

				Increase/(Decrease) in fair value used for calculating hedge ineffectiveness				Amount reclassified to profit or loss (included in "finance costs")	
	Maturity [(5)] date	Average [(5)] contracted fixed interest rate	Contractual [(4)] notional amount	Hedging instrument (included in "derivative financial instruments")	Hedged item (included in "borrowings")	Hedging gain/(loss) recognised in other comprehensive income	Amount of hedge ineffectiveness gain/(loss) recognised in profit or loss (included in "other gains and losses")	Due to [(6)] hedged future cash flows no longer expected to occur	Due to [(6)] hedged item affected profit or loss
The Group		%	$	$	$	$	$	$	$
2022									
Cash flow hedge									
Interest rate risk [(3)]									
- Interest rate swap asset to hedge variable rate borrowings	**December 2026**	**5.5%**	**20,000,000**	**720,983**	**(732,782)**	**720,983**	**(11,799)**	**-**	**405,587**
2021									
Cash flow hedge									
Interest rate risk									
- Interest rate swap asset to hedge variable rate borrowings	December 2025	5.5%	20,000,000	405,587	(417,046)	405,587	(11,459)	-	381,009

14 Derivative financial instruments (cont'd)

The Group has entered into master netting agreements with the following counterparties: [state the names]. Derivatives subject to offsetting, master netting agreements and any collateral pledged or received are presented below. SFRS(I) 7.13.B SFRS(I) 7.13.C

	The Group	
	2022	2021
	$	$
Counterparty [A]:		
Derivative assets		
Derivative liabilities		
Net amount of financial assets/(liabilities) presented in the statement of financial position		
Cash collateral (received)/paid		
Net amount		
Counterparty [B]:		
Derivative assets		
Derivative liabilities		
Net amount		

The derivative asset and derivative liability with Counterparty [A] meet the offsetting criteria in SFRS(I) 1-32 Financial Instruments: Presentation. Consequently, the gross derivative liability is offset against the gross derivative asset, resulting in the presentation of a net derivative asset of $XX (2021: $XX) in the Group's statement of financial position.

Cash collateral has also been received from Counterparty [A] for a portion of the net derivative asset of $XX (2021: $XX). The cash collateral of $XX (2021: $XX) does not meet the offsetting criteria in SFRS(I) 1-32, but it can be offset against the net amount of the derivative asset and derivative liability in the case of default and insolvency or bankruptcy, in accordance with associated collateral arrangements.

The derivative asset and derivative liability with Counterparty [B] do not meet the offsetting criteria in SFRS(I) 1-2. Consequently, the gross amount of the derivative asset of $XX (2021: $XX) and gross amount of derivative liability of $XX (2021: $XX) are presented separately in the Group's statement of financial position.

Guidance Notes – Derivative financial instruments

Qualifying criteria for hedge accounting

(1) A hedging relationship qualifies for hedge accounting only if all of the following criteria are met: SFRS(I) 9.6.4.1

(a) the hedging relationship consists only of eligible hedging instruments and eligible hedged items.
(b) at the inception of the hedging relationship there is formal designation and documentation of the hedging relationship and the entity's risk management objective and strategy for undertaking the hedge.
(c) the hedging relationship meets all of the following hedge effectiveness requirements:
  (i) there is an economic relationship between the hedged item and the hedging instrument;
  (ii) the effect of credit risk does not dominate the value changes that result from that economic relationship; and
  (iii) the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the entity actually hedges and the quantity of the hedging instrument that the entity actually uses to hedge that quantity of hedged item.

Types of hedging relationships

(2) There are three types of hedging relationships:

(a) fair value hedge: a hedge of the exposure to changes in fair value of a recognised asset or liability or an unrecognised firm commitment, or a component of any such item, that is attributable to a particular risk and could affect profit or loss. SFRS(I) 9.6.5.2
(b) cash flow hedge: a hedge of the exposure to variability in cash flows that is attributable to a particular risk associated with all, or a component of, a recognised asset or liability (such as all or some future interest payments on variable-rate debt) or a highly probable forecast transaction, and could affect profit or loss.
(c) hedge of a net investment in a foreign operation as defined in SFRS(I) 1-21.

Disclosures by risk category

(3) SFRS(I) 7 requires an entity to provide hedge accounting disclosures by risk categories. An entity shall determine each risk category on the basis of risk exposures it decides to hedge, and for which hedge accounting is applied. Risk categories shall be determined consistently for all hedge accounting disclosures. SFRS(I) 7 does not prescribe on the level of disaggregation of hedge accounting disclosures required, however, an entity shall use the same level of aggregation or disaggregation it uses for disclosure requirements of related information in SFRS(I) 7 and SFRS(I) 13. SFRS(I) 7.21C,D

(N.B. The table above illustrates one example on how to disclose summary quantitative data about interest rate risk exposure and the corresponding use of interest rate swaps at the reporting date. There are several other possible methods or formats, the choice of which is usually determined by the nature of hedged risk and the hedging instrument used. Other examples with regards to fair value hedge and hedge of net investment in foreign operation are included in **Appendix E: Hedge accounting**.)

Costs of hedging

SFRS(I) 9 introduces the concept of 'costs of hedging'. SFRS(I) 9 permits three exceptions where certain components of the derivative instrument may be designated as the hedging instrument, as follows: SFRS(I) 9.6.2.4

(a) separating the forward element and spot element of a forward contract, and designating only the change in the spot element as hedging instrument;
(b) separating and excluding the foreign currency basis spread from the designated hedging instrument; and
(c) separating the intrinsic value and time value of an option contract, and designating only the change in intrinsic value of an option as the hedging instrument.

Where the above exceptions are applied, the changes in the fair value of the component of the derivative instrument not designated as a hedging instrument is recognised in OCI and deferred in a hedging reserve in equity.

Contractual notional amounts

(4) SFRS(I) 7 requires the disclosure of the nominal amounts (including quantities such as tonnes or cubic metres) of the hedging instruments. While not mandatory for non-hedging derivative financial instruments, these may be included to enable users to evaluate nature and extent of risks arising from financial instruments to which the entity is exposed to during and at the end of the period. SFRS(I) 7.24A.d SFRS(I) 7.1.b

Amount, timing and uncertainty of future cash flows

(5) An entity shall disclose quantitative information by risk category to allow users of the financial statements to evaluate the terms and conditions of hedging instruments and how they affect the amount, timing and uncertainty of future cash flows by disclosing: SFRS(I) 7.23A,B

(a) a profile of the timing of the nominal amount of the hedging instrument; and
(b) the average price of the hedging instruments, if applicable.

Guidance Notes – Derivative financial instruments (cont'd)

Reclassification from cash flow hedging reserve to profit or loss

(6) SFRS(I) 7 requires that the amount reclassified from cash flow hedge reserve into profit or loss as a reclassification adjustment be differentiated between: SFRS(I) 7.24C.b.iv

(a) amounts for which hedge accounting had previously been used, but for which the hedged future cash flows are no longer expected to occur; and
(b) the amounts that have been transferred because the hedged item has affected profit or loss.

Financial liabilities designated at FVPL (with changes attributable to the change in credit risk being recognised in OCI) – illustrative disclosure

If the entity has designated a financial liability as at FVPL and is required to present the effects of changes in that liability's credit risk in other comprehensive income, it shall disclose: SFRS(I) 7.10

(a) the amount of change, cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability;
(b) the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation;
(c) any transfers of the cumulative gain or loss within equity during the period including the reason for such transfers; and
(d) if a liability is derecognised during the period, the amount (if any) presented in other comprehensive income that was realised at derecognition.

"The Group has cumulative redeemable preference shares which are classified entirely as liabilities because they are issued in a currency other than the functional currency of the Company. As the instrument contains an embedded derivative, it has been designated at FVPL on initial recognition and as such the embedded conversion feature is not separated. All transaction costs related to financial instruments designated as FVPL are expensed as incurred. SFRS(I) 7.B5.a SFRS(I) 7.21 SFRS(I) 9.4.3.5

The component of fair value changes relating to the Company's own credit risk is recognised in other comprehensive income. Amounts recorded in other comprehensive income related to credit risk are not subject to recycling in profit or loss, but are transferred to retained earnings when realised. Fair value changes relating to market risk are recognised in profit or loss. SFRSI) 9.5.7.7

SFRS(I) 7.10.a,b

	The Group	
	2022	*2021*
	$	*$*
Cumulative changes in fair value of cumulative redeemable preference shares:		
- changes in credit risk recognised in other comprehensive income	***3,282***	*3,086*
- changes in market conditions giving rise to market risk recognised in profit or loss	***4,649***	*4,344*
- financial liabilities derecognised during the year	***(3,715)***	*-*
	4,216	*7,430*
Difference between carrying amount and maturity amount:		
- Cumulative redeemable preference shares at fair value	***104,216***	*207,430*
- Amount payable at maturity	***100,000***	*200,000*
	4,216	*7,430*

Net losses accumulated in other comprehensive income realised to retained earnings upon derecognition of financial liabilities during the year amounts to $1,059. SFRS(I) 7.10.d

The Group determines the amount of fair value changes which are attributable to credit risk, by first determining the changes due to market conditions which give rise to market risk, and then deducting those changes from the total change in fair value of the cumulative redeemable preference shares. Market conditions which give rise to market risk include changes in the benchmark interest rate. Fair value movements on the conversion option embedded derivative are included in the assessment of market risk fair value changes. SFRS(I) 7.11.a

The Group believes that this approach most faithfully represents the amount of change in fair value due to the Company's own credit risk, as the changes in factors contributing to the fair value of the cumulative redeemable preference shares other than changes in the benchmark interest rate are not deemed to be significant." SFRS(I) 7.11.b

15 Contract assets

	The Group		
	2022	2021	
	$	$	
Sales contracts for development properties under construction	**3,172,034**	3,899,202	SFRS(I) 15.116.a
Construction contracts for industrial assets	**8,880,337**	9,900,622	
	12,052,371	13,799,824	
Less: Loss allowance			SFRS(I) 15.113.b
- At 1 January	**(168,231)**	(168,231)	SFRS(I) 7.35H
- Impairment loss	**(600,342)**	-	SFRS(I) 7.B8D
- At 31 December	**(768,573)**	(168,231)	
Contract assets - total	**11,283,798**	13,631,593	

As at 1 January 2022, the Group's gross contract assets related to revenue from contracts with customers amounted to $13,799,824 (2021: $12,438,178). (1) SFRS(I) 15.116.a

The Group becomes entitled to invoice customers for construction of residential properties based on achieving a series of performance-related milestones. When a particular milestone is reached, the customer is sent a relevant statement of work signed by a third party surveyor and an invoice for the related milestone payment. SFRS(I) 15.117

Amounts relating to construction contracts for industrial assets primarily relate to the Group's right to consideration for work completed but not yet billed at the reporting date. The Group invoices and receives payments from customers in line with a series of performance-related milestones. SFRS(I) 15.117

The Group recognises a contract asset for any work performed. Any amount previously recognised as a contract asset is reclassified to trade receivables at the point at which the Group invoices the customer. SFRS(I) 15.117

There are no significant changes in the contract asset balances during the reporting period. (1) SFRS(I) 15.118

The Group estimates the loss allowance on contract assets at an amount equal to lifetime ECL, using a provision matrix, and by taking into account the historical default experience and the future prospects of the industry in which the debtor operates, adjusted for the forecast direction of conditions at the reporting date. SFRS(I) 7.35G SFRS(I) 7.34.a

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the contract assets. SFRS(I) 7.35G.c

There are no contract assets past due at the reporting date, except for an amount of $640,000 (2021: $nil) over 90 days past due because of disagreement with the customer about specifications ordered. The Group has assessed this amount to be credit-impaired and has provided loss allowance in full. Consequently, this amount has also been excluded in the provision matrix for recoverability assessment. SFRS(I) 7.35B.b

The following table details the risk profile of contract assets (excluding amounts over 120 days past due) based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base. (3) SFRS(I) 7.35M SFRS(I) 7.35N SFRS(I) 9.B5.5.35

	The Group	
	2022	2021
	$	$
ECL rate (%)	**1.1%**	1.2%
Estimated total gross carrying amount at default		
- amounts not past due ($)	**11,412,371**	13,799,824
Lifetime ECL ($)	**128,573**	168,231

15 Contract assets (cont'd)

The following table shows the movement in lifetime ECL that has been recognised for contract assets in accordance with the simplified approach set out in SFRS(I) 9. (3) SFRS(I) 7.35H SFRS(I) 7.B8D

	The Group		
	2022	2021	
	$	$	
At 1 January	**168,231**	168,231	SFRS(I) 7.35B.b
Loss allowance recognised in profit or loss:			SFRS(I) 7.35I
- credit-impaired	**640,000**	-	
- changes in credit risk	**(39,658)**	-	
At 31 December	**768,573**	168,231	

The increase in proportion of gross contract assets balance at the reporting date that have become past due has contributed to the increase in loss allowance. (3) SFRS(I) 7.35I

Guidance Notes – Contract assets

Opening and closing balances

(1) An entity shall disclose the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed. SFRS(I) 15.116.a

Alternative description for 'contract assets'

SFRS(I) 15 does not prohibit an entity from using alternative descriptions in the statement of financial position for those items. If an entity uses an alternative description, the entity shall provide sufficient information for a user of the financial statements to distinguish between receivables and contract assets. SFRS(I) 15.105,109

Significant changes in contract asset and contract liability

(2) An entity shall provide an explanation of the significant changes in the contract asset and the contract liability balances during the reporting period, including qualitative and quantitative information. Examples of changes include any of the following: SFRS(I) 15.118

(a) changes due to business combinations;
(b) cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification;
(c) impairment of a contract asset;
(d) change in the time frame for a right to consideration to become unconditional (i.e. for a contract asset to be reclassified to a receivable); and
(e) change in the time frame for a performance obligation to be satisfied (i.e. for recognition of revenue arising from a contract liability).

Loss allowance for ECL

(3) Disclosure requirements regarding loss allowance for contract assets are similar to those for trade receivables, including tabular movement analysis of loss allowance and explanation of how significant changes in gross carrying amounts contribute to changes in loss allowance. Refer to guidance notes for trade receivables. SFRS(I) 7.35H SFRS(I) 7.35I

16 Contract costs

	The Group		
	2022	2021	
	$	$	
Costs to obtain sales contracts for development properties	**64,016**	60,516	SFRS(I) 15.128.a
Costs to fulfil industrial asset construction contracts	**50,894**	53,052	
	114,910	113,568	

Costs to obtain sale contracts for development properties relate to incremental commission fees paid to intermediaries as a result of obtaining residential property sales contracts. These costs are amortised on a straight-line basis over the period of construction as this reflects the period over which the residential property is transferred to the customer. SFRS(I) 15.127

Costs to fulfil industrial asset construction contracts relate to costs incurred for purchase of project-specific materials that are used in specific construction contracts. These costs are amortised to profit or loss as on a basis consistent with the pattern of consumption of the materials. SFRS(I) 15.127

Amortisation of contract costs amounting to $11,008 (2021: $10,883) are recognised within "raw materials and subcontract costs" in profit or loss. There has been no impairment loss recognised on the contract costs asset in 2022 and 2021. SFRS(I) 15.128.b

Guidance Notes – Contract costs

Incremental costs of obtaining a contract

An entity shall recognise as an asset the incremental costs of obtaining a contract with a customer if the entity expects to recover those costs. As a practical expedient, an entity may recognise the incremental costs of obtaining a contract as an expense when incurred if the amortisation period of the asset that the entity otherwise would have recognised is one year or less. When this practical expedient is applied, the entity shall disclose that fact. SFRS(I) 15.91 SFRS(I) 15.94 SFRS(I) 15.129

Costs to fulfil a contract

If the costs incurred in fulfilling a contract with a customer are not within the scope of another SFRS(I) (for example, SFRS(I) 1-2 *Inventories*, SFRS(I) 1-16 *Property, Plant and Equipment* or SFRS(I) 1-38 *Intangible Assets*), an entity shall recognise an asset from the costs incurred to fulfil a contract only if those costs meet all of the following criteria: SFRS(I) 15.95

(a) the costs relate directly to a contract or to an anticipated contract that the entity can specifically identify (e.g. costs relating to services to be provided under renewal of an existing contract or costs of designing an asset to be transferred under a specific contract that has not yet been approved);
(b) the costs generate or enhance resources of the entity that will be used in satisfying (or in continuing to satisfy) performance obligations in the future; and
(c) the costs are expected to be recovered.

Costs that relate directly to a contract (or a specific anticipated contract) include any of the following: SFRS(I) 15.97

(a) direct labour (e.g. salaries and wages of employees who provide the pro
(b) mised services directly to the customer);
(c) direct materials (e.g. supplies used in providing the promised services to a customer);
(d) allocations of costs that relate directly to the contract or to contract activities (e.g. costs of contract management and supervision, insurance and depreciation of tools, equipment and ROU assets used in fulfilling the contract);
(e) costs that are explicitly chargeable to the customer under the contract; and
(f) other costs that are incurred only because an entity entered into the contract (e.g. payments to subcontractors).

An entity shall recognise the following costs as expenses when incurred: SFRS(I) 15.98

(a) general and administrative costs;
(b) costs of wasted materials, labour or other resources to fulfil the contract that were not reflected in the price of the contract;
(c) costs that relate to past performance; and
(d) costs for which an entity cannot distinguish whether the costs relate, or not, to past performance.

17 Trade and other receivables

	The Group		The Company		
	2022	2021	**2022**	2021	
	$	$	**$**	$	SFRS(I) 1-1.78.b
Trade receivables:					
- Non-related parties	**15,933,905**	18,660,641	-	-	SFRS(I) 15.116.a
	15,933,905	18,660,641	-	-	
Less: Loss allowance					SFRS(I) 15.113.b
- At 1 January	**(474,800)**	(344,000)	-	-	SFRS(I) 7.35H
- Impairment loss	**(280,900)**	(130,800)	-	-	SFRS(I) 7.B8D
- Write-off	**180,300**	-	-	-	
- At 31 December	**(575,400)**	(474,800)	-	-	
Trade receivables - net	**15,358,505**	18,185,841	-	-	
Other receivables:					
- Ultimate holding corporation	**5,000,000**	5,000,000	**5,000,000**	5,000,000	SFRS(I) 1-24.19.a
- Subsidiaries	**-**	-	**7,300,455**	10,363,656	SFRS(I) 1-24.19.c
- Non-related parties	**1,066,289**	1,988,367	**282,240**	348,826	
Staff loans	**224,308**	544,629	-	-	SFRS(I) 1-24.18.b
Deposits	**893,442**	1,233,280	-	-	
Indemnification asset (Note 7(a))	**450,000**	-	**450,000**	-	SFRS(I) 3.B64.g.i
Deferred consideration (Note 7(b))	**50,000**	-	-	-	SFRS(I) 10.B98.b.i
Government grant receivable					SFRS(I) 1-20.20
Prepayments	**435,682**	633,288	-	-	
Trade and other receivables - total	**23,478,226**	27,585,405	**13,032,695**	15,712,482	

(i) Trade receivables

As at 1 January 2022, the Group's gross trade receivables related to revenue from contracts with customers due from non-related parties amounted to $18,660,641 (2021: $6,409,392). [(1)] SFRS(I) 15.116.a

Trade receivables are non-interest bearing and are generally on 30 to 90 days (2021: 30 to 90 days) credit term. They are recognised at their original invoice amounts which represent their fair values on initial recognition. The Group assesses the potential customer's credit quality and determines credit limits to be allowed before accepting any new customer. Credit limits granted to customers are reviewed regularly. SFRS(I) 7.7

Loss allowance for trade receivables is measured at an amount equal to lifetime ECL. The ECL on trade receivables are estimated using a provision matrix, and by reference to past default experience of the debtor and an analysis of the debtor's current financial position, adjusted for factors that are specific to the debtors, general economic conditions of the industry in which the debtors operate and an assessment of both the current as well as the forecast direction of conditions at the reporting date. In particular, the Group recognises loss allowance in full against all trade receivables over 120 days past due because historical experience has indicated that these receivables are generally not recoverable. SFRS(I) 7.35G

A trade receivable is written off when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings, or when the trade receivables are over two years past due, whichever occurs earlier. None of the trade receivables that have been written off is subject to enforcement activities. SFRS(I) 7.35F.e SFRS(I) 7.35L

17 Trade and other receivables (cont'd)

(i) Trade receivables (cont'd)

The following table details the risk profile of trade receivables from contracts with customers based on the Group's provision matrix. As the Group's historical credit loss experience does not show significantly different loss patterns for different customer segments, the provision for loss allowance based on past due status is not further distinguished between the Group's different customer base. (2)

SFRS(I) 7.35M
SFRS(I) 7.35N
SFRS(I) 9.B5.5.35

		Past due					
	Current	< 30 days	31 - 60 days	60 - 90 days	91 - 120 days	> 120 days	Total
The Group	$	$	$	$	$	$	$
2022							
ECL rate (%)	**0.2%**	**5.5%**	**9.7%**	**24.6%**	**48.9%**	**100.0%**	
Estimated total gross carrying amount at default ($)	**13,278,005**	**1,034,800**	**920,400**	**176,200**	**324,800**	**199,700**	**15,933,905**
Lifetime ECL ($)	**27,800**	**56,400**	**89,200**	**43,400**	**158,900**	**199,700**	**575,400**
2021							
ECL rate (%)	0.7%	4.8%	9.9%	27.4%	47.5%	100.0%	
Estimated total gross carrying amount at default ($)	16,852,541	1,000,400	301,500	165,200	190,200	150,800	18,660,641
Lifetime ECL ($)	110,800	47,900	29,800	45,200	90,300	150,800	474,800

The table below shows the movement in lifetime ECL that has been recognised for trade receivables in accordance with the simplified approach set out in SFRS(I) 9: (3a) (3b)

SFRS(I) 9.5.5.2
SFRS(I) 7.35H

	Lifetime ECL (not credit-impaired)			
	Collectively assessed	Individually assessed	Lifetime ECL (credit-impaired)	Total
The Group	$	$	$	$
2022				
At 1 January	**324,000**	**40,500**	**110,300**	**474,800**
Loss allowance recognised in profit or loss:				
- trade receivables acquired/originated				
- trade receivables derecognised upon settlement	**-**	**-**	**(30,500)**	**(30,500)**
- reversal of unutilised amounts				
- changes in credit risk	**211,400**	**50,000**	**50,000**	**311,400**
Amounts written off	**-**	**-**	**(180,300)**	**(180,300)**
Amounts recovered				
Transfer to credit-impaired	**(159,700)**	**(40,500)**	**200,200**	**-**
Transfer from credit-impaired				
Foreign currency exchange losses/(gains)				
At 31 December	**375,700**	**50,000**	**149,700**	**575,400**
2021				
At 1 January	233,700	-	110,300	344,000
Loss allowance recognised in profit or loss:				
- changes in credit risk	90,300	40,500	-	130,800
At 31 December	324,000	40,500	110,300	474,800

SFRS(I) 7.35B.b
SFRS(I) 7.35I

The increase in proportion of gross trade receivables at the reporting date that have become over 90 days past due and 31-60 days past due, offset by a one-time write-off, has contributed to the increase in loss allowance. (3b)

SFRS(I) 7.35I

17 Trade and other receivables (cont'd)

(ii) Amounts due from related parties

Amounts due from related parties, including ultimate holding corporation and subsidiaries, representing advances made to and payments made on behalf of these related parties, are non-trade in nature, non-interest bearing, unsecured and repayable on demand. They are recognised at their original billing amounts which represent their fair values on initial recognition. SFRS(I) 7.7

For purpose of impairment assessment, the non-trade amounts due from related parties are considered to have low credit risk as the timing of payment is controlled by the ultimate holding corporation taking into account cash flow management within the ultimate holding corporation's group of companies and there has been no significant increase in the risk of default on these amounts since initial recognition. Accordingly, for the purpose of impairment assessment for the non-trade amounts due from related parties, the loss allowance is measured at an amount equal to 12-month ECL. SFRS(I) 7.35G

(iii) Other receivables and assets

Other receivables, including staff loans, indemnification asset [(4)] and deferred consideration, are non-trade in nature, non-interest bearing, unsecured and repayable on demand or within the next twelve months from the reporting date. SFRS(I) 7.7

For purpose of impairment assessment, these other receivables are considered to have low credit risk as they are not due for payment at the end of the reporting period and there has been no significant increase in the risk of default on them since initial recognition. Accordingly, for the purpose of impairment assessment for them, the loss allowance is measured at an amount equal to 12-month ECL. SFRS(I) 7.35G SFRS(I) 7.35H SFRS(I) 7.35M

In determining the ECL, the Group has taken into account the historical default experience and the financial position of the counterparties, adjusted for factors that are specific to the debtors and general economic conditions, in estimating the probability of default occurring within their respective loss assessment time horizon, as well as the loss upon default in each case. SFRS(I) 7.35G

The deposits have been assessed to be placed with counterparties that are creditworthy and accordingly, no allowance for non-recovery of these deposits is required. SFRS(I) 7.35G

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for trade and other receivables. SFRS(I) 7.35G.c

Further information about the financial risk management are disclosed in Note 45.

Guidance Notes – Trade and other receivables

Unconditional right to consideration

Any unconditional rights to consideration are presented separately as a receivable. A right to consideration is 'unconditional' if only the passage of time is required before payment of that consideration is due. SFRS(I) 15.105,108

Opening and closing balances

(1) An entity shall disclose the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed. SFRS(I) 15.116.a

Guidance Notes – Trade and other receivables (cont'd)

Segregation by customers

(2) Depending on diversity of its customer base, the entity would use appropriate groupings if historical credit loss experience shows significantly different loss patterns for different customer segments. Examples of criteria used to group assets include geographical region, product type, customer rating, collateral or trade credit insurance and type of customer (such as wholesale or retail). SFRS(I) 9.B5.5.35

Analysis of loss allowance

(3a) SFRS(I) 7.35H requires an entity to explain the reasons for the changes in the loss allowance during the period. In addition to the required tabular reconciliation from the opening balance to the closing balance of the loss allowance, it may be necessary to provide a narrative explanation of the changes. This narrative explanation may include an analysis of the reasons for changes in the loss allowance during the period, including: SFRS(I) 7.35H SFRS(I) 7.B8D

(a) the portfolio composition;
(b) the volume of financial instruments purchased or originated; and
(c) the severity of the expected credit losses.

Changes in gross trade receivables that contribute to changes in loss allowance

(3b) SFRS(I) 7.35I requires an entity to provide an explanation of how significant changes in the gross carrying amount of financial instruments during the period contributed to changes in the loss allowance. However, it does not explicitly require a reconciliation of movements in the gross carrying amounts in a tabular format and the requirement could be addressed using a narrative explanation. Examples of changes in gross carrying amount of financial instruments that contribute to changes in loss allowance may include: SFRS(I) 7.35I

(a) changes because of financial instruments originated or acquired during the reporting period;
(b) the modification of contractual cash flows on financial assets that do not result in a derecognition of those financial assets;
(c) changes because of financial instruments derecognised (including those that are written-off) during the period; and
(d) changes arising from whether the loss allowance is measured at an amount equal to 12-month or lifetime ECL.

Subsequent measurement of indemnification asset

(4) At the end of each subsequent reporting period, the acquirer shall measure an indemnification asset that was recognised at the acquisition date on the same basis as the indemnified liability or asset, subject to any contractual limitation on its amount. An indemnification asset is not subsequently measured at its fair value but is assessed for its collectability. SFRS(I) 3.57

Collateral

If an entity has pledged any financial asset as collateral, then it discloses: SFRS(I) 7.14
- the carrying amount of financial assets pledged as collateral for liabilities or contingent liabilities; and
- the terms and conditions related to the pledge.

Transfer and derecognition of trade receivables

SFRS(I) 7 requires disclosure for transactions involving transfers of financial assets, where an asset is transferred but is not derecognised, or where an asset is derecognised but the entity continues to have a continuing involvement to the asset after the sale. Below is such an illustrative disclosure: SFRS(I) 7.42A SFRS(I) 7.42B SFRS(I) 7.42D SFRS(I) 9.B4.1.3

"The carrying amounts of trade receivables include receivables of $325,000 that are subject to a factoring arrangement. Under this arrangement, the Group has transferred the relevant receivables to the non-related factor in exchange for cash and is prevented from selling or pledging the receivables. However, the Group has retained credit risk. The Group therefore continues to recognise the transferred assets in their entirety in its statement of financial position. The amount repayable under the factoring agreement of $310,000 is presented as secured borrowing. The Group considers that the held-to-collect business model remains appropriate for these receivables and hence continues measuring them at amortised cost. The relevant carrying amounts are as follows:

	The Group	
	2022	*2021*
	$	*$*
Transferred receivables	***325,000***	-
Associated secured borrowings	***(310,000)***	-

Disclosures required by SFRS(I) 7

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values etc. are presented in the notes for financial risk management, fair value measurement and capital management, it is not necessary to repeat the same information in this note.

18 Cash and cash equivalents

	The Group		The Company		
	2022	2021	**2022**	2021	
	$	$	**$**	$	
Cash at bank	**5,128,204**	14,258,984	**1,924,853**	4,975,540	
Fixed deposits	**15,000,000**	21,000,000	**10,000,000**	14,000,000	
Cash on hand	**20,981**	34,092	**-**	-	
Cash and bank balances in the statement of financial position	**20,149,185**	35,293,076	**11,924,853**	18,975,540	SFRS(I) 1-7.45
Add: Cash and bank balances in disposal group held-for-sale (Note 19)	**150,800**	-			SFRS(I) 5.38,40
Less: Encumbered fixed deposits	**(3,100,000)**	(5,700,000)			SFRS(I) 1-7.48,49
Less: Bank overdrafts					SFRS(I) 1-7.8
Cash and cash equivalents in the statement of cash flows	**17,199,985**	29,593,076			

Fixed deposits of the Group and the Company earn interest ranging from 0.6% to 1.4% (2021: 0.5% to 1.2%) per annum and have tenures ranging from 7 to 60 days (2021: 7 to 60 days), except for a term deposit of $1,400,000 (2021: $1,400,000) which has a maturity term of 1 year (2021: 1 year) but is classified as cash equivalent on the basis that this deposit is used to secure a facility that is cancellable on short notice within 3 days (2021: 3 days) by the borrower and the deposit can be released without significant penalty or change in value. SFRS(I) 7.7 SFRS(I) 1-7.7-9 SFRS(I) 1-7.46

Included in the cash at bank of a wholly-owned subsidiary in Singapore are amounts of $600,000 (2021: $700,000) held under and subject to the provisions in the Housing Developers (Project Account) Rules in Singapore, that are restricted to payments for expenditure incurred on development properties. (1) SFRS(I) 12.10.b.i SFRS(I) 12.13.a.i

As at 31 December 2022, a wholly-owned subsidiary in PRC has fixed deposits of $1,500,000 (2021: $2,000,000) placed with banks and financial institutions in PRC, the repatriation of which out of the country is subject to the local Foreign Exchange Control Regulations. (1) SFRS(I) 12.10.b.i SFRS(I) 12.13.a.i

As at 31 December 2022, fixed deposits of the Group amounting to $3,100,000 (2021: $5,700,000) are pledged to banks and financial institutions to secure credit facilities. SFRS(I) 1-7.48,49

Further information about the financial risk management are disclosed in Note 45.

Guidance Notes – Cash and cash equivalents

Demand deposits with restrictions on use arising from a contract with a third party

The IFRS IC issued an agenda decision in April 2022 which clarifies that restrictions on the use of a demand deposit arising from a contract with a third party do not result in the deposit no longer being cash, unless those restrictions change the nature of the deposit in a way that it would no longer meet the definition of cash.

Cash and cash equivalents not available for use

(1) There may be circumstances in which cash and cash equivalents held by an entity are not available for use by the Group. An entity discloses, together with a commentary, the amount of significant cash and cash equivalent balances not available for use by the Group. SFRS(I) 1-7.48,49

Cash equivalents in statement of cash flows

Under SFRS(I) 1-7, cash equivalents are defined as "short-term, highly liquid investment that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value". An investment normally qualifies as a cash equivalent when it has a short maturity of, say, three month or less from the date of "acquisition". SFRS(I) 1-7.7-9

In view of the variety of cash management practices and banking arrangements and in order to comply with SFRS(I) 1-1, an entity discloses the policy which it adopts in determining the composition of cash and cash equivalents. SFRS(I) 1-7.46

Bank overdrafts

Bank overdrafts which are repayable on demand form an integral part of an entity's cash management. In these circumstances, bank overdrafts are included as a component of cash and cash equivalents. Cash management includes managing cash and cash equivalents for the purpose of meeting short-term commitments rather than for investment or other purposes. A characteristic of such banking arrangements is that the bank balance often fluctuates from being positive to overdrawn. SFRS(I) 1-7.8

19 Disposal group classified as held-for-sale and discontinued operations

On 15 October 2022, the Group has publicly announced the decision of its Board of Directors to sell FKT Hotel Limited ("FHL"), a wholly-owned subsidiary, which is a hotel operator. On 1 December 2022, the Company's shareholders have approved the plan for sale of FHL, that is expected to be completed within a year from the reporting date. As at 31 December 2022, FHL is classified as a disposal group held-for-sale and as a discontinued operation. The business of FHL represents the entirety of the Group's Hotel Operations segment. [(1)] The disposal has not been completed yet at the date of these financial statements. SFRS(I) 5.30 SFRS(I) 5.41

(a) The major classes of assets and liabilities comprising the disposal group classified as held-for-sale are as follows: SFRS(I) 5.38

	The Group 2022 $	
Assets		
Property, plant and equipment	**406,399**	
Cash and bank balances	**150,800**	SFRS(I) 1-7.40.c
Trade and other receivables	**1,719,791**	
Inventories	**678,832**	
	2,955,822	
Liabilities		
Trade and other payables	**(2,255,000)**	
Net assets of disposal group	**700,822**	

(b) The cumulative income recognised in other comprehensive income relating to disposal group classified as held-for-sale are as follows: SFRS(I) 5.38

	The Group 2022 $
Currency translation reserve	**104,302**

(c) The results of the discontinued operations and the re-measurement of the disposal group are as follows: [(2)] [(3)] SFRS(I) 5.33.b

	The Group 2022 $	The Group 2021 $	
Revenue	**4,629,576**	5,481,704	SFRS(I) 5.33.b.i
Expenses	**(5,760,252)**	(6,930,224)	SFRS(I) 5.33.b.i
Loss before tax of disposal group	**(1,130,676)**	(1,448,520)	SFRS(I) 5.33.b.i SFRS(I) 5.33.b.ii
Tax	**90,502**	100,671	SFRS(I) 1-12.81.h.ii
Loss after tax of disposal group	**(1,040,174)**	(1,347,849)	SFRS(I) 5.33.a.i
Pre-tax loss recognised on re-measurement of disposal group to fair value less costs to sell	**(169,606)**	-	SFRS(I) 5.33.b.iii
Tax	**10,882**	-	SFRS(I) 5.33.b.iv SFRS(I) 1-12.81.h.i
Post-tax loss recognised on re-measurement of disposal group to fair value less costs to sell	**(158,724)**	-	SFRS(I) 5.33.a.ii SFRS(I) 5.41.c
Loss from discontinued operations, net of tax	**(1,198,898)**	(1,347,849)	

(d) Earnings per share from discontinued operations is disclosed in Note 37. SFRS(I) 1-33.38

19 Disposal group classified as held-for-sale and discontinued operations (cont'd)

(e) The impact of the discontinued operations on the cash flows of the Group for the financial year ended 31 December 2022 are as follows: (2) SFRS(I) 5.33.c

	The Group	
	2022	2021
	$	$
Operating cash outflows	**(906,478)**	(1,293,996)
Investing cash outflows	**(102,800)**	(54,600)
Financing cash flows	**-**	-
Net decrease in cash and cash equivalents	**(1,009,278)**	(1,348,596)

Guidance Notes – Disposal group classified as held-for-sale and discontinued operations

Segment related information

(1) For an entity presenting segment information in accordance with SFRS(I) 8, the entity discloses the reportable segment in which the non-current asset (or disposal group) is presented in accordance with SFRS(I) 8. SFRS(I) 5.41.d

Presentation

(2) An entity shall re-present the statement of profit or loss and other comprehensive income and statement of cash flows for the discontinued operations for prior periods. In contrast, the statement of financial position information for the prior year is not re-presented. SFRS(I) 5.34 SFRS(I) 1-1.38

Results of discontinued operations and re-measurement of disposal group

(3) The analysis of the results of the discontinued operations and the remeasurement of the disposal group shall be disclosed either in the notes or in the statement of profit or loss and other comprehensive income. (N.B. The Group has elected to disclose the necessary information in the notes.) SFRS(I) 5.33.b

If the entity elects to present the analysis of the results of the discontinued operations in the statement of profit or loss and other comprehensive income, the analysis should be presented in a section identified as relating to discontinued operations. The analysis is not required for disposal groups that are newly acquired subsidiaries that meet the criteria to be classified as held-for-sale on acquisition. SFRS(I) 5.39 SFRS(I) 5.11

Disclosure requirements

Disclosures in other SFRS(I) do not apply to non-current assets (or disposal groups) classified as held-for-sale or discontinued operations, unless those other SFRS(I) require: SFRS(I) 5.5,5B

- specific disclosures in respect of non-current assets (or disposal groups) classified as held-for-sale or discontinued operations
- disclosures about the measurement of assets and liabilities within a disposal group that are not within the scope of the measurement requirements of SFRS(I) 5 and such disclosures are not already provided in the other notes, such as follows:

  (i) deferred tax assets in SFRS(I) 1-12
  (ii) assets arising from employee benefits under SFRS(I) 1-19
  (iii) financial assets within the scope of SFRS(I) 9
  (iv) non-current assets that are accounted for in accordance with the fair value model in SFRS(I) 1-40
  (v) non-current assets that are measured at fair value less costs to sell in accordance with SFRS(I) 1-41 *Agriculture*
  (vi) contractual rights under insurance contracts as defined in SFRS(I) 4 *Insurance Contracts*

For example, disclosure requirements for fair value measurement under SFRS(I) 13 are required for financial assets within the scope of SFRS(I) 9 and investment properties accounted for at fair value, even if they are classified as held-for-sale.

SFRS(I) 12.B17 clarifies that disclosures of summarised information are not required when an entity's interest in a subsidiary, joint venture or associate (or a portion of its interest in a joint venture or an associate) is classified as held-for-sale in accordance with SFRS(I) 5. The other disclosure requirements in SFRS(I) 12 shall continue to apply to an entity's held-for-sale interests. SFRS(I) 12.B17

SFRS(I) 33.68A provides an option to present the earnings per share from discontinued operations either on the face of the statement of profit or loss and other comprehensive income or in the notes. SFRS(I) 33.68A

If the disposal group has cash and cash equivalents at the time of disposal, the amount of cash and cash equivalents over which control is lost shall be disclosed. SFRS(I) 1-7.40.c

20 Share capital

	The Group and The Company				
	2022	2021	**2022**	2021	
	Number of ordinary shares		**$**	$	SFRS(I) 1-1.78.e SFRS(I) 1-1.79.a.ii,iv SFRS(I) 1-1.106.d
Issued and paid up:					
- At 1 January	**90,000,000**	72,000,000	**56,882,005**	35,000,000	
- Issue of new shares for cash	**1,988,000**	18,000,000	**1,994,000**	21,882,005	
- Exercise of share options	**12,000**	-	**43,200**	-	SFRS(I) 1-1.79.a.vii
- Issue of new shares in business combination					SFRS(I) 1-7.43
- At 31 December	**92,000,000**	90,000,000	**58,919,205**	56,882,005	

All issued ordinary shares are fully paid. There is no par value for these ordinary shares. SFRS(I) 1-1.79.a.ii,iii

Fully paid ordinary shares carry one vote per share and entitle the holder to participate in dividends, and to share in the proceeds of winding up the Company in proportion to the number of and amounts paid on the shares held. These rights are subject to the prior entitlements of the 4% redeemable preference shares (Note 23) which are classified as liabilities. All rights attached to the Company's shares held by the Group are suspended until those shares are reissued. SFRS(I) 1-1.79.a.v

In July 2022, the Company issues 1,988,000 ordinary shares for a total consideration of $1,994,000 for cash to provide funds for general working capital purposes. In June 2021, the Company issued 18,000,000 ordinary shares for a total consideration of $21,882,005 for cash to provide funds for the expansion of the Group's operations. All newly issued shares rank pari passu in all aspects with the previously issued shares. SFRS(I) 1-1.79.a.iv

In October 2022, 12,000 ordinary shares have been issued as a result of the exercise of vested share options at average price of $3.60, arising from the FKT Holdings Limited Employee Share Option Scheme. Information relating to this share option scheme, including details of options issued, exercised and lapsed during the financial year and options outstanding at the reporting date, are set out in Note 39. SFRS(I) 1-1.79.a.vii

In July 2022, XXX ordinary shares are issued at fair value of $XXX as consideration transferred in the Group's acquisition of [name of acquire] (Note 7(a)). SFRS(I) 1-7.43

Guidance Notes – Share capital

Disclosure requirements for each class of share capital SFRS(I) 1-1.79.a

(i) the number of shares authorised;
(ii) the number of shares issued and fully paid, and issued but not fully paid;
(iii) par value per share, or that the shares have no par value;
(iv) a reconciliation of the number of shares outstanding at the beginning and at the end of the period;
(v) the rights, preferences and restrictions attaching to that class including restrictions on the distribution of dividends and the repayment of capital;
(vi) shares in the entity held by the entity or by its subsidiaries or associates; and
(vii) shares reserved for issue under options and contracts for the sale of shares, including terms and amounts.

Non-redeemable preference shares – illustrative disclosure

"Holders of non-redeemable preference shares receive a non-cumulative dividend of XX cents per share at the Company's discretion, or whenever dividends to ordinary shareholders are declared. They do not have the right to participate in any additional dividends declared for ordinary shareholders. Non-redeemable preference shares do not carry the right to vote." SFRS(I) 1-1.79.a.v

Rights issue – illustrative disclosure

"In November 2022, the Company invites its shareholders to subscribe to a rights issue of XXX ordinary shares at an issue price of $XX per share on the basis of XX share for every XX fully or partly paid ordinary shares held, with such shares to be issued on, and rank for dividends after, 31 December 2022. The issue has been fully subscribed." SFRS(I) 1-1.106.d.iii SFRS(I) 1-1.112.c

21 Treasury shares

	The Group and The Company				
	2022	2021	**2022**	2021	
	Number of ordinary shares		**$**	$	
Treasury shares:					SFRS(I) 1-1.79.a SFRS(I) 1-32.34 SFRS(I) 1-32.AG36
- At 1 January	**-**	-	**-**	-	
- Purchase of treasury shares	**1,000,000**	-	**(1,418,000)**	-	
- At 31 December	**1,000,000**	-	**(1,418,000)**	-	

In June 2022, the Company acquires 1,000,000 shares of the Company in the open market. The total amount paid to acquire the shares is $1,418,000 and this is presented as a component within the shareholder's equity. These shares are held as treasury shares. The Company intends to reissue these shares to senior executives who exercise their share options under the FKT Holdings Limited Employee Share Option Scheme. SFRS(I) 1-32.33

Guidance Notes – Treasury shares

Recognition and presentation

SFRS(I) 32 states that treasury shares must be deducted from equity and that no gain or loss shall be recognised on the purchase, sale, issue or cancellation of such shares. However, SFRS(I) 32 does not specify where in equity the treasury shares should be presented. (N.B. The Group has elected to present these treasury shares as a separate line item in the statement of financial position, or they may be presented in another equity category, deducted from retained earnings or presented in a specific reserve account.) SFRS(I) 1-32.33

An entity discloses separately the number of treasury shares held, either in the statement of financial position or the statement of changes in equity, or in the notes. SFRS(I) 1-32.34 SFRS(I) 1-1.79.a.vi

Shares acquired from related parties

If any of the shares are acquired from the group's or the company's related parties, then an entity discloses details of the transaction in accordance with SFRS(I) 1-24. SFRS(I) 1-24.18

Re-issue of treasury shares – illustrative disclosure

"On [date of re-issue], the Company re-issues 10,000 treasury shares pursuant to the FKT Holdings Limited Employee Share Option Scheme at the exercise price of $3 each. The cost of the treasury shares re-issued amounts to $35,000. The total consideration (net of expense) for the treasury shares issued is as follows: SFRS(I) 1-32.34

	The Group and The Company	
	2022	*2021*
	$	*$*
Exercise price	***30,000***	-
Value of employee services	***10,000***	-
Transaction cost	***(3,000)***	-
Net consideration received	***37,000***	-

Consequently, upon the re-issue of treasury shares, the excess of net consideration received over the cost of treasury shares amounting to $2,000 has been recognised in the [name of reserve account]."

22 Reserves

		The Group		The Company		
		2022	2021	**2022**	2021	SFRS(I) 1-1.78.e
		$	$	**$**	$	SFRS(I) 1-1.79.b
			(Restated)			SFRS(I) 1-1.106.d SFRS(I) 1-1.106A
Capital reserve	(i)	**5,156,250**	5,156,250	-	-	
Currency translation reserve	(ii)	**688,397**	524,364	-	-	
Share option reserve	(iii)	**219,959**	129,910	**219,959**	129,910	
Fair value reserve	(iv)	**838,452**	402,128	-	-	
Cash flow hedging reserve	(v)	**720,983**	405,587	-	-	
Equity component of convertible bond	(vi)	**235,600**	235,600	**235,600**	235,600	
Reserve of disposal group classified as held-for-sale	(vii)	**104,302**	-	-	-	
Asset revaluation reserve	(viii)					SFRS(I) 16.77.f
Retained earnings	(ix)	**40,876,385**	45,458,367	**12,302,803**	24,530,015	
		48,840,328	52,312,206	**12,758,362**	24,895,525	

	The Group		The Company	
	2022	2021	**2022**	2021
	$	$	**$**	$
(i) Capital reserve				
At 1 January and 31 December	**5,156,250**	5,156,250	**-**	**-**

The capital reserve arises from the application of reverse acquisition accounting in 2011. SFRS(I) 1-1.79.b

	The Group		The Company		
	2022	2021	**2022**	2021	
	$	$	**$**	$	SFRS(I) 1-21.52.b
(ii) Currency translation reserve					
At 1 January	**524,364**	317,140	**-**	-	
Currency translation differences arising from foreign operations	**316,528**	288,641	**-**	-	SFRS(I) 1-21.39
Non-controlling interests' share of currency translation reserve (2a)	**(48,193)**	(81,417)	**-**	-	SFRS(I) 1-21.48B
Reclassification of currency translation reserve related to disposal group classified as held-for-sale	**(104,302)**	-	**-**	-	SFRS(I) 5.38
At 31 December	**688,397**	524,364	**-**	-	

The currency translation reserve comprises all foreign currency differences arising from the translation of the financial statements of foreign operations, as well as the effective portion of any foreign currency differences arising from hedges of a net investment in a foreign operation. (2) SFRS(I) 1-1.79.b

	The Group		The Company		
	2022	2021	**2022**	2021	
	$	$	**$**	$	
(iii) Share option reserve					
At 1 January	**129,910**	20,157	**129,910**	20,157	
Recognition of share-based payments	**112,249**	109,753	**112,249**	109,753	SFRS(I) 2.50
Exercise of share options	**(22,200)**	-	**(22,200)**	-	
At 31 December	**219,959**	129,910	**219,959**	129,910	

The share option reserve arises on the grant of share options to employees under the FKT Holdings Limited Employee Share Option Scheme (Note 39). SFRS(I) 1-1.79.b

22 Reserves (cont'd)

	The Group		The Company		Reference
	2022	2021	**2022**	2021	
	$	$	**$**	$	
(iv) Fair value reserve					
At 1 January	**402,128**	180,400	-	-	
Fair value (losses)/gains on debt investments at FVOCI	**(247,200)**	12,400	-	-	SFRS(I) 7.20.a.viii
Reclassification of net loss on debt investments at FVOCI from equity to profit or loss upon disposal	**46,700**	-	-	-	SFRS(I) 7.20.a.viii
Impairment loss on debt investments at FVOCI (Note 9(c))	**10,000**	-	-	-	SFRS(I) 7.16A
Fair value gains on equity investments at FVOCI	**200,000**	68,000	-	-	SFRS(I) 7.20.a.vii
Share of fair value reserve of associates	**426,824**	141,328	-	-	
At 31 December	**838,452**	402,128	-	-	

The fair value reserve comprises the cumulative net change in the fair value of: SFRS(I) 1-1.79.b

- equity investments designated at FVOCI; and
- debt investments at FVOCI until the assets are derecognised or reclassified, which is also adjusted by the amount of loss allowance. (1)

	The Group		The Company		Reference
	2022	2021	**2022**	2021	
	$	$	**$**	$	
(v) Cash flow hedging reserve					
At 1 January	**405,587**	381,009	-	-	
Fair value gains on interest rate swaps entered into for cash flow hedges	**720,983**	405,587	-	-	SFRS(I) 7.24C.b.i
Reclassification of fair value gains on interest rate swaps designated as cash flow hedges from equity to profit or loss	**(405,587)**	(381,009)	-	-	SFRS(I) 7.24C.b.iv
At 31 December	**720,983**	405,587	-	-	

The cash flow hedging reserve comprises the effective portion of the cumulative net change in the fair value of hedging instruments used in cash flow hedges, pending subsequent recognition in profit or loss or directly included in the initial cost or other carrying amount of a non-financial asset or non-financial liability. SFRS(I) 1-1.79.b

	The Group		The Company	
	2022	2021	**2022**	2021
	$	$	**$**	$
(vi) Equity component of convertible bond				
At 1 January and 31 December	**235,600**	235,600	**235,600**	235,600

The equity component of convertible bond is the value of the equity conversion rights relating to the convertible bonds (Note 23). SFRS(I) 1-1.79.b

22 Reserves (cont'd)

	The Group		The Company		
	2022	2021	**2022**	2021	
	$	$	**$**	$	
(vii) Reserve of disposal group classified as held-for-sale					
At 1 January	**-**	-	-	-	
Reclassification of currency translation reserve related to disposal group classified as held-for-sale	**104,302**	-	-	-	SFRS(I) 5.38
At 31 December	**104,302**	-	-	-	

The reserve of disposal group classified as held-for-sale is the cumulative income recognised in other comprehensive income relating to the disposal group reclassified out from the currency translation reserve. SFRS(I) 1-1.79.b

	The Group		The Company		
	2022	2021	**2022**	2021	
	$	$	**$**	$	SFRS(I) 1-16.77.f
(viii) Asset revaluation reserve					
At 1 January					
Revaluation gain/(loss)					
Share of asset revaluation reserve of associates					
Transfer to retained earnings (3)					
At 31 December					

The asset revaluation reserve arises on the revaluation of land and buildings. Where revalued land or buildings are sold, the portion of the asset revaluation reserve that relates to that asset, and is effectively realised, is transferred directly to retained earnings. The asset revaluation reserve is not available for distribution to the Company's shareholders. SFRS(I) 1-1.79.b SFRS(I) 1-16.77.f

	The Group		The Company		
	2021	2020	**2021**	2020	
	$	$ (Restated)	**$**	$	
(ix) Retained earnings					
At 1 January	**45,267,738**	42,638,673	**24,530,015**	24,653,365	
Profit/(Loss) for the year	**2,156,647**	4,405,065	**(5,679,212)**	1,652,650	
Dividends paid	**(6,548,000)**	(1,776,000)	**(6,548,000)**	(1,776,000)	SFRS(I) 1-1.107
At 31 December	**40,876,385**	45,267,738	**12,302,803**	24,530,015	

The retained earnings comprise the distributable reserves recognised in the preceding years less any dividends declared. The total of such profits brought forward and the profit derived for the current reporting period constitute the total distributable reserves, that is the maximum amount available for distribution to the shareholders, at the reporting date. SFRS(I) 1-1.79.b

Guidance Notes – Reserves

Reconciliation

An entity shall present, either in the statement of changes in equity or in the notes, for each accumulated balance of each class of other comprehensive income a reconciliation between the carrying amount at the beginning and the end of the period, separately disclosing each item of other comprehensive income and transactions with owners. SFRS(I) 1-1.106.d

Reclassification adjustments relating to components of other comprehensive income must also be disclosed, either in the statement of comprehensive income or in the notes. Reclassification adjustments are amounts reclassified to profit or loss in the current period that have been recognised in other comprehensive income in the current or previous periods. They arise, for example, on disposal of a foreign operation and when a hedged forecast transaction affects profit or loss. SFRS(I) 1-1.92,94 SFRS(I) 1-1.7,95

Fair value reserve on debt investment at FVOCI

(1) The carrying amount of financial assets measured at FVOCI is not reduced by a loss allowance and an entity shall not present the loss allowance separately in the statement of financial position as a reduction of the carrying amount of the financial asset. However, an entity shall disclose the loss allowance in the notes to the financial statements. SFRS(I) 7.16A

(N.B. Impairment loss on debt investment at FVOCI that is recognised in profit or loss is adjusted in the movement of the fair value reserve account on the debt investment at FVOCI. Refer to Note 9(c) for the loss allowance movement schedule.)

Nature and purpose

A description of the nature and purpose of each reserve within equity must be disclosed either in the statement of financial position or in the notes. This applies to each reserve, including general reserves, capital profits reserves and any others in existence. SFRS(I) 1-1.79.b

In providing a description of the nature and purpose of the reserves, it would be appropriate to refer to any restrictions on their distribution or any other important characteristics. For example, in the case of:

(a) the property, plant and equipment revaluation surplus: there is a specific requirement to disclose any restrictions on the distribution of the balance to shareholders SFRS(I) 1-16.77.f

(b) the amount of the revaluation surplus that relates to intangible assets: there is a specific requirement to disclose the balance at the beginning and end of the period, indicating the changes during the period and any restrictions on the distribution of the balance to shareholders. SFRS(I) 1-38.124.b

(N.B. The amount of reserves that are distributable will usually depend on the Articles of Association of the company subject to any regulatory restrictions.)

Currency translation reserve

(2) For a monetary item that is receivable from or payable to a foreign operation for which settlement is neither planned nor likely to occur in the foreseeable future, the item is in substance a part of the entity's net investment in that foreign operation. Currency translation differences arising from such items shall be recognised (a) in profit or loss in the separate financial statements of the reporting entity or the foreign operation; and (b) in a separate component of equity in the consolidated financial statements. SFRS(I) 1-21.15,32

(2a) Non-controlling interests' share of reserve movement (net of tax) should be separately disclosed, where applicable. (N.B. This applies to all reserve accounts.) SFRS(I) 1-21.48B

Transfer of revaluation surplus on PPE

(3) An entity may elect to transfer revaluation surplus of an item of PPE directly to retained profits when that asset is derecognised. An entity can also choose to transfer the revaluation surplus to retained profits progressively as the asset is used by the entity; the amount to be transferred will then be the difference in depreciation based on the revalued amount and the depreciation based on the asset's original cost. SFRS(I) 1-16.41

Credit risk reserve – illustrative disclosure

	The Group		*The Company*		
	2022	*2021*	***2022***	*2021*	
	$	*$*	***$***	*$*	
At 1 January					
Fair value gain on financial liabilities designated as at FVPL attributable to changes in credit risk					SFRS(I) 7.20.a.i
Transfer of credit risk reserve to retained earnings upon derecognition of related financial liabilities					
At 31 December					

The changes in fair value of financial liabilities designated as at FVPL attributable to the financial liabilities' own credit risk are recognised in other comprehensive income and accumulated in the credit risk reserve. The cumulative gain or loss accumulated in this reserve is not subsequently reclassified to profit or loss. SFRS(I) 9.5.7.7

23 Borrowings

SFRS(I) 7.8.g

	The Group		The Company	
	2022	2021	**2022**	2021
	$	$	**$**	$
Non-current (1)				
Bank loans	**15,742,759**	18,106,083	**13,111,750**	5,597,750
Convertible bonds	**6,984,500**	6,856,000	**6,984,500**	6,856,000
Redeemable preference shares	**5,000,000**	5,000,000	**5,000,000**	5,000,000
Sustainability-linked bond				
	27,727,259	29,962,083	**25,096,250**	17,453,750
Current (1)				
Bank overdrafts				
Bank loans	**12,111,992**	12,270,703	**1,173,222**	982,888
Dividends on redeemable preference shares	**100,000**	100,000	**100,000**	100,000
	12,211,992	12,370,703	**1,273,222**	1,082,888
Borrowings - total	**39,939,251**	42,332,786	**26,369,472**	18,536,638

(i) Bank overdrafts and loans

Bank overdrafts of $XXX, repayable on demand, have weighted average effective interest rate of XX% (2021: XX%) per annum. Bank overdrafts of $XXX (2021: $XXX) have been secured by a charge over the Group's and the Company's cash and bank balances of $XXX (2021: $XXX) (Note 18). SFRS(I) 7.14

The Company has two principal bank loans:

(a) Term investment loan outstanding of $9,729,097 (2021: $3,781,763) raised in March 2016. A second drawdown was made in March 2021. Repayments commenced in September 2016 and continue until August 2031. The term loan is secured by a charge over the Company's cash and bank balances (Note 18) and certain of the Group's investment properties (Note 6). The term loan carries interest per annum at the prime rate. SFRS(I) 7.7,14

(b) Term loan outstanding of $4,555,875 (2021: $2,798,875) raised in July 2017. A second drawdown was made in July 2021. Repayments commenced in January 2019 and continue until December 2027. The term loan is secured by a charge over the Company's cash and bank balances (Note 18). The term loan carries fixed interest rate at 5.7% per annum. SFRS(I) 7.7,14

In addition, the subsidiaries of the Group have two principal bank loans:

(c) Term construction loan outstanding of $10,046,519 (2021: $15,864,099) raised in May 2012. Repayments commenced in June 2012 and continue until May 2042. The term loan is secured by the Group's development properties (Note 12) and certain of the Group's investment properties (Note 6). The term loan carries interest per annum at 3.2% plus 12-month SIBOR. SFRS(I) 7.7,14

(d) Revolving working capital loan outstanding of $3,523,260 (2021: $7,932,049). The revolving loan is secured by the Group's cash and bank balances (Note 18) and freehold land and building (Note 4). The revolving loan carries interest per annum at 2.7% plus 12-month SIBOR (2021: 2.5% plus 12-month SIBOR). SFRS(I) 7.7,14

The two principal bank loans of the subsidiaries, which are also secured by a negative pledge, impose certain debt ratio covenants on the subsidiaries that have received these loans. The negative pledge states that the subsidiaries will not provide any other security over its assets until the loans have been fully repaid. The financial ratios to be met by the subsidiaries are as follows: SFRS(I) 7.7,14

- debts do not, at any time, exceed 50% of total tangible assets, and
- borrowing costs do not exceed 50% of net profits before borrowing costs and taxes for each half-year period.

All bank overdrafts and loans are denominated in Singapore dollar. SFRS(I) 7.7

23 Borrowings (cont'd)

(i) Bank overdraft and loans (cont'd)

The Group's and the Company's available borrowing facilities committed by the banks at the reporting date, in respect of which all conditions precedent have been met, are as follows: SFRS(I) 1-7.50

	The Group		The Company	
	2022	2021	**2022**	2021
	$	$	**$**	$
Expiring and subject to annual review:				
- within one year	**25,000,000**	25,000,000	**15,000,000**	20,000,000
- within two to five years	**20,000,000**	15,000,000	**10,000,000**	10,000,000
	45,000,000	40,000,000	**25,000,000**	30,000,000

(ii) Convertible bonds

The convertible bonds, issued with a nominal amount of $7,000,000 denominated in Singapore dollar in January 2019, are secured by a personal guarantee of a controlling shareholder cum director and are due for full repayment at par in December 2024. Interest of 5% per annum is paid at every year end until the settlement date. The bonds are convertible into ordinary shares of the Company at any time between the issue date and the repayment date, based on a rate of 3 shares per $1 nominal value of the bonds. (2) SFRS(I) 7.17 SFRS(I) 1-1.79.a.vii

The fair value of the liability component, included in non-current borrowings, was calculated using a market interest rate for an equivalent non-convertible bond at the date of issue. This was a non-recurring fair value hierarchy Level 2 measurement. The residual amount, representing the value of the equity conversion component, net of deferred tax, was included in the shareholders' equity as the "equity component of convertible bond" account. SFRS(I) 1-32.28 SFRS(I) 13.93

The net proceeds received from the issue of the convertible bonds are split between the liability element and an equity component, representing the fair value of the embedded option to convert the liability into equity of the Company, as follows: SFRS(I) 1-32.31

	The Group and the Company	
	2022	2021
	$	$
Nominal value of convertible bonds at issuance	**7,000,000**	7,000,000
Equity conversion component on initial recognition (net of deferred tax)	**(235,600)**	(235,600)
Liability component on initial recognition	**6,764,400**	6,764,400
Accumulated interest charged	**1,270,100**	791,600
Accumulated interest paid	**(1,050,000)**	(700,000)
Liability component at the reporting date	**6,984,500**	6,856,000

(iii) Redeemable preference shares

In July 2018, the Company issued 5,000,000 cumulative redeemable preference shares at $1 per share denominated in Singapore dollar to its immediate and ultimate holding corporation, which pay fixed dividends of 4% per annum payable at end of June every year. All preference shares, fully paid on issuance, do not carry the right to vote and rank ahead of ordinary shares in the event of a liquidation. The preference shares are redeemable in full mandatorily at $1 per share after ten years from the issue date, or unconditionally by the Company at any time between the issue date and the redemption date in December 2028. These cumulative redeemable preference shares have been classified entirely as borrowings. SFRS(I) 1-32.18.a SFRS(I) 1-1.79.a.v

23 Borrowings (cont'd)

(iv) Sustainability-linked bond

In July 2022, the Group issues a $XXX unsecured sustainability-linked bond due 30 June 2042, that is tied to improvement in performance against tailor-made ESG targets. The coupon rate of the bond of XX% per annum is subject to a step-up margin of XX% per annum from the coupon payment due date on 30 June 2028 if the stated sustainability performance targets of [GHG emissions intensity reduction and water conservation rating] are not achieved by 31 December 2027. The bond has been issued in accordance with the Group's sustainable financing framework which outlines the Group's strategic approach, key performance indicators and sustainability-linked transactions. Net proceeds from the bond are used for financing or refinancing the Group's [renewable energy and water conservation] projects. The bond is initially recognised at fair value plus transaction costs and then subsequently measured at amortised cost. SFRS(I) 7.7,14,21

(v) Contractual repricing dates

The exposure of the borrowings of the Group and of the Company to interest rate changes based on the contractual repricing dates at the end of the reporting period are as follows: SFRS(I) 7.22A.c SFRS(I) 7.34.a

	The Group		The Company	
	2022	2021	**2022**	2021
	$	$	**$**	$
1 year or less	**12,111,992**	12,270,703	**1,173,222**	982,888
1 - 5 years	**15,196,250**	17,553,750	**25,196,250**	17,553,750
More than 5 years	**12,631,009**	12,508,333	**-**	-
	39,939,251	42,332,786	**26,369,472**	18,536,638

(vi) Fair values

The fair values of non-current borrowings are determined based on fair value hierarchy Level 2 measurement by discounting of cash flows at the market borrowing rates of equivalent financial instruments at the reporting date, as follows: SFRS(I) 7.25,29 SFRS(I) 13.97

	The Group		The Company	
	2022	2021	**2022**	2021
	$	$	**$**	$
Bank loans	**13,460,059**	15,480,701	**11,210,546**	4,786,076
Convertible bonds	**6,125,407**	6,012,712	**6,125,407**	6,012,712
Redeemable preference shares	**4,220,000**	4,220,000	**4,220,000**	4,220,000
Sustainability-linked bond				

	The Group		The Company	
	2022	2021	**2022**	2021
	%	%	**%**	%
Bank loans	**5.7%**	5.6%	**5.9%**	5.8%
Convertible bonds	**5.3%**	5.3%	**5.3%**	5.2%
Redeemable preference shares	**4.3%**	4.2%	**4.3%**	4.2%
Sustainability-linked bond				

Further information about the financial risk management and the fair value measurement are disclosed in Note 45 and 46 respectively.

Guidance Notes – Borrowings

Disclosure information

An entity discloses information that enables users of its financial statements to evaluate the significance of borrowings for its financial position and performance, such as follows: SFRS(I) 7.7

- interest rates (contractual / effective)
- currency denomination
- maturity dates
- repayment terms
- lender's identity (e.g. if it is a related party)
- pledges and collaterals
- debt covenants
- conversion option / embedded derivatives

(N.B. These information can be disclosed in the note of the related asset or liability, or in the note for financial risk management.)

Financial assets pledged as collateral

If the entity has any assets pledged as collateral for liabilities or contingent liabilities, it shall disclose the carrying amount of financial assets it has pledged as collateral for liabilities or contingent liabilities, including amounts that have been reclassified, and the terms and conditions relating to its pledge. SFRS(I) 7.14

(1) **Agreement to refinance or reschedule payments**

The current portion of long-term debt is classified as current even if an agreement to refinance or reschedule payments on a long-term basis is completed after the reporting date but before the financial statements are authorised for issue. SFRS(I) 1-1.72

However, if at the reporting date, an entity expects and is able, solely at its own discretion, to refinance or roll over an obligation for at least 12 months after the reporting date under an existing loan facility, then it classifies the obligation as non-current even if the loan otherwise would be current. SFRS(I) 1-1.73

However, when refinancing or rolling over the borrowing is not at the discretion of the entity (e.g. there is no arrangement for refinancing), the potential to refinance is not considered and the borrowing is classified as current. SFRS(I) 1-1.74

Defaults and breaches

For loans payable at the reporting date, an entity shall disclose: SFRS(I) 7.18

- details of default during the period of principal, interest, sinking fund, or redemption terms of those loans payable
- carrying amount of loans payable in default at the reporting date
- whether default was remedied, or terms of loans payable were renegotiated, before the financial statements were authorised for issue.

(N.B. An example illustrative disclosure, including implication on going concern, is included in guidance notes for basis of preparation.)

If, during the period, there were breaches of loan agreement terms other than those described above, an entity shall disclose the same information as required above if those breaches permitted the lender to demand accelerated repayment (unless the breaches were remedied, or the terms of the loan were renegotiated, on or before the reporting date). SFRS(I) 7.19

Instrument that contains both liability and equity components

(2) If an entity has issued an instrument that contains both a liability and an equity component, or an instrument that has multiple embedded derivative features, the values of which are interdependent (such as a callable convertible debt instrument), then an entity discloses the existence of these features. SFRS(I) 7.17

Conversion at maturity

On conversion of a convertible instrument at maturity, the entity derecognises the liability component and recognises it as equity. The original equity component remains in equity. There is no gain or loss on conversion at maturity. SFRS(I) 1-32.AG32

Early redemption or repurchase before maturity

When an entity extinguishes a convertible instrument before maturity through an early redemption or repurchase in which the original conversion rights are unchanged, the entity shall allocate the redemption consideration paid (including any transaction costs) to the liability and equity components of the instrument at the date of repurchase or redemption. Any resulting gain or loss is treated in accordance with accounting principles applicable to the related component, as follows: SFRS(I) 1-32.AG33

- difference between consideration allocated to the liability component and its carrying value is recognised in profit or loss; and
- amount of consideration relating to the equity component is recognised in equity.

Disclosures required by SFRS(I) 7

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values etc. are presented in the notes for financial risk management, fair value measurement and capital management, it is not necessary to repeat the same information in this note.

24 Lease liabilities

	The Group		
	2022	2021	SFRS(I) 16.58
	$	$	SFRS(I) 7.39
Undiscounted lease payments due: (3)			SFRS(I) 7.B11
- Year 1	**702,392**	804,633	
- Year 2	**620,856**	725,788	
- Year 3	**539,320**	631,099	
- Year 4	**539,320**	545,722	
- Year 5	**457,784**	545,722	
- Year 6 and onwards	**260,722**	571,290	
	3,120,394	3,824,254	
Less: Unearned interest cost	**(312,520)**	(364,548)	
Lease liabilities	**2,807,874**	3,459,706	
Presented as:			
- Non-current	**2,142,359**	2,704,726	
- Current	**665,515**	754,980	
	2,807,874	3,459,706	

Interest expense on lease liabilities of $56,032 (2021: $63,107) is recognised within "finance costs" in profit or loss. SFRS(I) 16.53.b

Rental expenses not capitalised in lease liabilities but recognised within "operating expenses" in profit or loss are set out below: (1)

The Group	**2022** **$**	2021 $	
Short-term leases	**131,298**	140,893	SFRS(I) 16.53.c
Leases of low-value asset	**81,536**	79,802	SFRS(I) 16.53.d
Variable lease payments not dependent on an index or rate	**48,903**	45,082	SFRS(I) 16.53.e

Total cash outflows for all leases in the year amount to $1,035,688 (2021: $1,147,388). (4) SFRS(I) 16.53.g

As at 31 December 2022, the Group's short-term lease commitments at the reporting date are not substantially dissimilar to those giving rise to the Group's short-term lease expense for the year. (5) SFRS(I) 16.55

The Group's lease liabilities are secured by the lessors' title to the leased assets. SFRS(I) 16.59.c

Information about the Group's leasing activities are disclosed in Note 42. (2) SFRS(I) 16.52

Further information about the financial risk management are disclosed in Note 45.

Guidance Notes – Lease liabilities

Lease costs not capitalised in lease liabilities

(1) For those lease contracts exempted from recognition of lease liabilities, an entity is required to disclose their related lease expenses, as follows:
- short-term lease expense SFRS(I) 53.c
- lease expense of low-value asset SFRS(I) 53.d
- variable lease expense due to payments not dependent on an index or rate SFRS(I) 53.e

Lease information in a single note or separate section

(2) SFRS(I) 16 requires lessees and lessors to disclose information in a single note or a separate section in the financial statements. However, there is no need to duplicate certain information that is already presented elsewhere, provided that information is incorporated by cross-reference in a single note or separate section. The Group provides most of the required disclosures by SFRS(I) 16 in Note 42. Cross-references are provided for certain required information outside of this note. SFRS(I) 16.52

Maturity analysis

(3) A lessee shall disclose a maturity analysis of lease liabilities in accordance with requirements of SFRS(I) 7 separately from the maturity analysis of other financial liabilities. Unlike disclosure requirements for finance lease receivables (which require showing the undiscounted lease payments to be received on an annual basis for a minimum of each of the first five years and a total of the amounts for the remaining years), such a detailed breakdown is not required for lease liabilities where breakdown by appropriate number of time bands is adequate. SFRS(I) 16.58 SFRS(I) 7.39,B11

Total cash outflows for all leases

(4) An entity shall disclose its total cash outflows for all leases, which shall include all lease payments regardless whether the payments are capitalised as part of lease liabilities. The entity's total cash outflows for its leases shall include all cash outflows of operating, investing and financing activities related to the entity's leases. For example, cash outflows in the period giving rise to a lease prepayment asset classified within investing activities shall be included too. SFRS(I) 15.53.g

Lease commitments for short-term leases

(5) A lessee is required to disclose amount of its lease commitments for short-term leases, if the portfolio of short-term leases to which it is committed at the reporting date is dissimilar to the portfolio of short-term leases that is related to the short-term lease expense disclosed for the period. SFRS(I) 16.55

25 Provisions

	The Group 2022 $	2021 $	
			SFRS(I) 1-37.84,85
Warranty	**183,122**	269,640	
Restructuring	**100,000**	-	
Legal claims	**534,984**	412,865	
Pollutant emissions			
Carbon tax			
Onerous contracts			
Provisions - total	**818,106**	682,505	
Presented as:			
Non-current	**534,984**	412,865	
Current	**283,122**	269,640	
	818,106	682,505	

(i) Warranty [(1)]

	The Group 2022 $	2021 $	
At 1 January	**269,640**	256,800	
Currency translation differences	**3,108**	2,890	SFRS(I) 1-21.41.b
Provision made	**28,903**	56,882	SFRS(I) 1-37.84.b
Provision utilised	**(118,529)**	(46,932)	SFRS(I) 1-37.84.c
At 31 December	**183,122**	269,640	

The provision for warranty claims represents the present value of the Group's best estimate of the future outflow of economic benefits that will be required under the Group's 2-year warranty program for its engineering material products. The estimate has been made on the basis of historical warranty trends and may vary as a result of new materials, altered manufacturing processes or other events affecting product quality. SFRS(I) 1-37.85

(ii) Restructuring [(2)]

	The Group 2022 $	2021 $	
At 1 January	**-**	-	
Provision made	**100,000**	-	SFRS(I) 1-37.84.b
At 31 December	**100,000**	-	

Following the announcement of the plan to sell FKT Hotel Limited (Note 19), the Group has recognised a provision for expected restructuring costs that comprise mainly contract termination costs, consulting fee and employee termination benefits. Estimated costs are based on the terms of the relevant contracts. The sale of FKT Hotel Limited is expected to be completed in 2023. SFRS(I) 1-37.85

25 Provisions (cont'd)

(iii) Legal claims

	The Group		
	2022	2021	
	$	$	
At 1 January	**412,865**	306,428	
Provision made	**-**	90,000	SFRS(I) 1-37.84.b
Provision reversed	**(48,524)**	-	SFRS(I) 1-37.84.d
Additions - Business combination (Note 7(a))	**150,000**	-	SFRS(I) 3.B64.j
Amortisation of discount	**20,643**	16,437	SFRS(I) 1-37.84.e
At 31 December	**534,984**	412,865	

The provision for legal claims is calculated as the present value of the expected settlement amounts and legal costs in several lawsuits for which the Group is the defendant. The recognised provision reflects the Group's best estimates of the most likely outcomes in these lawsuits. Estimates are based on the likelihood of an adverse decision against the Group and the most probable settlement or compensation amounts required by the courts, as advised by the legal consultants engaged by the Group. As a result of the acquisition of Nami Engineering Pte Ltd ("NEPL") (Note 7(a)) in 2022, the Group has assumed and recognised a contingent liability of $150,000 from business combination, relating to an ongoing legal claim against NEPL by a customer alleging defective products. SFRS(I) 1-37.85 SFRS(I) 3.B64.j

(iv) Pollutant emissions

	The Group		
	2022	2021	
	$	$	
At 1 January			
Currency translation differences			SFRS(I) 1-21.41.b
Provision made			SFRS(I) 1-37.84.b
Provision utilised			SFRS(I) 1-37.84.c
Provision reversed			SFRS(I) 1-37.84.d
At 31 December			

During 2022, the Group has recognised a provision for pollutant emissions of $XXX. The provision is expected to be settled by surrendering the emissions certificates to the government in 2023. A provision of $XXX as at 31 December 2021 has been settled in 2022 in a similar manner.

(v) Carbon tax

	The Group		
	2022	2021	
	$	$	
At 1 January			
Currency translation differences			SFRS(I) 1-21.41.b
Provision made			SFRS(I) 1-37.84.b
Provision utilised			SFRS(I) 1-37.84.c
Provision reversed			SFRS(I) 1-37.84.d
At 31 December			

The Group operates several manufacturing plants in countries that apply carbon tax to each facility that directly emits above a pre-determined threshold of GHG annually. These jurisdictions require carbon tax levied to be settled via carbon credit sold by their regulators. The use of international carbon credit from other jurisdictions is prohibited in these countries.

25 Provisions (cont'd)

(vi) Onerous contracts

	The Group		Reference
	2022	2021	
	$	$	
At 1 January			
Adjustment on initial application of amendments to SFRS(I) 1-37 (Note XX)			
Currency translation differences			SFRS(I) 1-21.41.b
Assumed in business combination			SFRS(I) 3.B64.j
Provision made			SFRS(I) 1-37.84.b
Provision utilised			SFRS(I) 1-37.84.c
Provision reversed			SFRS(I) 1-37.84.d
Unwinding of discount			SFRS(I) 1-37.84.e
At 31 December			

The provision for onerous contracts represents the present value of future payments that the Group is obligated to make under non-cancellable service purchase contracts with its subcontractors, less revenue expected to be earned from the Group's related maintenance service sale contracts with its customers. The service purchase contracts and maintenance service sale contracts have remaining contractual periods of 4 to 6 years.

Guidance Notes – Provisions

Limited disclosure situation

In extremely rare cases, disclosure of some or all of the information required in respect of provisions can be expected to seriously prejudice the position of the entity in a dispute with other parties. In such cases, only the following are disclosed: SFRS(I) 1-37.92

- the general nature of the dispute;
- the fact that the required information has not been disclosed; and
- the reason why.

Assurance-type warranty provision

(1) If a customer does not have the option to purchase a warranty separately, then an entity accounts for the warranty in accordance with SFRS(I) 1-37 unless the promised warranty, or a part of the promised warranty, provides the customer with a service (i.e. service-type warranty) in addition to the assurance that the product complies with agreed-on specifications. SFRS(I) 15.B30

Restructuring provision

(2) SFRS(I) 1-37 applies to provisions for restructuring, including in the context of discontinued operations. SFRS(I) 1-37.9

Decommission provision – illustrative disclosure

"The provision for decommissioning costs represents the present value of the Group's best estimate of the future outflow of economic benefits that will be required to remove leasehold improvements from leased properties. The estimate has been made on the basis of quotes obtained from external contractors. The unexpired term of the leases ranges from 3 to 7 years." SFRS(I) 1-37.85

Rights to interests arising from decommissioning, restoration and environmental rehabilitation funds

An entity discloses its interest in and the nature of any decommissioning, restoration and environmental rehabilitation funds, as well as any restrictions on access to the funds' assets. SFRS(I) INT 5.11

If an obligation to make contributions to the decommissioning, restoration and environmental rehabilitation fund has not been recognised as a liability, then an entity discloses the estimated financial effect of the obligation, a description of uncertainties related to the amount or timing of contributions, and any possible reimbursement. SFRS(I) 1-37.86 SFRS(I) INT 5.12

If a right to receive reimbursement from the decommissioning, restoration and environmental rehabilitation fund has been recognised as an asset, then an entity discloses the amounts of the asset and expected reimbursement. SFRS(I) 1-37.85.c SFRS(I) INT 5.13

26 Contract liabilities

	The Group		
	2022	2021	
	$	$	SFRS(I) 15.116.a
Consideration billed in advance to purchasers of development properties	**3,498,824**	3,088,256	
Advances from customers for construction contracts of industrial assets	**7,224,283**	7,261,100	
Upfront payments by customers for maintenance services	**1,289,034**	1,080,328	
	12,012,141	11,429,684	

As at 1 January 2022, the Group's gross contract liabilities related to revenue from contracts with customers amounted to $11,429,684 (2021: $11,528,232). (1) SFRS(I) 15.116.a

A contract liability is recognised when the Group bills in advance to customers for their purchase of development properties under construction in advance of the percentage of completion of construction, and is then subsequently released to revenue recognised when the corresponding stage of completion is achieved. SFRS(I) 15.117

Contract liability relating to construction contracts of industrial assets primarily relates to the Group's obligation to transfer goods and services to customers for which the Group has received advances from customers for these construction contracts. The contract liability arises as and when a particular milestone payment exceeds the revenue recognised to date under the cost–to–cost method. SFRS(I) 15.117

Revenue relating to maintenance services is recognised over time although the customer pays up-front in full for these services. A contract liability is recognised for revenue relating to the maintenance services at the time of the initial sales transaction and is released over the service period. SFRS(I) 15.117

There are no significant changes in the contract asset balances during the reporting period. (2) SFRS(I) 15.118

	The Group		
	2022	2021	
	$	$	
Revenue recognised in current period that were included in contract liabilities at beginning of financial year: (3)			SFRS(I) 15.116.b
- Development properties under construction	**2,779,430**	2,599,823	
- Construction contracts of industrial assets	**6,501,855**	6,124,098	
- Maintenance services	**1,160,131**	1,070,233	
Revenue recognised in current period from performance obligations satisfied in previous periods: (3)			SFRS(I) 15.116.c
- Construction contracts of industrial assets	**500,588**	459,152	
Aggregate amount of transaction price allocated to contracts that are partially or fully unsatisfied as at end of financial year: (4)			SFRS(I) 15.120.a
- Development properties under construction	**35,051,000**	45,882,000	
- Construction contracts of industrial assets	**65,788,000**	86,098,000	
- Maintenance services	**14,788,000**	18,902,000	
Transaction price allocated to unsatisfied performance obligations as at end of financial year may be recognised as revenue in the next reporting periods as follows: (4)			SFRS(I) 15.120.b SFRS(I) 15.122
- Year 2022	**-**	59,158,000	
- Year 2023	**57,811,000**	45,862,000	
- Year 2024	**28,908,000**	45,862,000	
- Year 2025	**28,908,000**	-	

As permitted under SFRS(I) 15 *Revenue from Contracts with Customers*, the aggregated transaction prices allocated to unsatisfied contracts of periods one year or less, or are billed based on time incurred, are not disclosed. (5) SFRS(I) 15.121,122

Guidance Notes – Contract liabilities

Opening and closing balances

(1) An entity shall disclose the opening and closing balances of receivables, contract assets and contract liabilities from contracts with customers, if not otherwise separately presented or disclosed. SFRS(I) 15.116.a

Alternative description for 'contract liabilities'

SFRS(I) 15 does not prohibit an entity from using alternative descriptions in the statement of financial position for those items. If an entity uses an alternative description, the entity shall provide sufficient information for a user of the financial statements to distinguish between payables and contract liabilities. SFRS(I) 15.106,109

(2) **Significant changes in contract asset and contract liability**

An entity shall provide an explanation of the significant changes in the contract asset and the contract liability balances during the reporting period, including qualitative and quantitative information. Examples of changes include any of the following: SFRS(I) 15.118

(a) changes due to business combinations;
(b) cumulative catch-up adjustments to revenue that affect the corresponding contract asset or contract liability, including adjustments arising from a change in the measure of progress, a change in an estimate of the transaction price (including any changes in the assessment of whether an estimate of variable consideration is constrained) or a contract modification;
(c) impairment of a contract asset;
(d) change in the time frame for a right to consideration to become unconditional (i.e. for a contract asset to be reclassified to a receivable); and
(e) change in the time frame for a performance obligation to be satisfied (i.e. for recognition of revenue arising from a contract liability).

Revenue recognised in reporting period

(3) An entity shall disclose revenue recognised in the reporting period:

- that was included in the contract liability balance at the beginning of the period; and SFRS(I) 15.116.b
- from performance obligations satisfied (or partially satisfied) in previous periods (e.g. changes in transaction price). SFRS(I) 15.116.c

Transaction price allocated to the remaining performance obligations

(4) An entity shall disclose the following information about its remaining performance obligations: SFRS(I) 15.120

(a) the aggregate amount of the transaction price allocated to the performance obligations that are unsatisfied (or partially unsatisfied) as of the end of the reporting period; and
(b) an explanation of when the entity expects to recognise them as revenue, using either of the following ways:
   (i) on a quantitative basis using the time bands that would be most appropriate for the duration of the remaining performance obligations; or
   (ii) by using qualitative information.

Practical expedient applied in disclosing transaction price allocated to unsatisfied performance obligations

(5) There is a practical expedient available for entities not to disclose information about its remaining unsatisfied performance obligations, if either of the following conditions is met: SFRS(I) 15.121

(a) the performance obligation is part of a contract that has an original expected duration of one year or less; or
(b) the entity recognises revenue from the satisfaction of the performance obligation based on its right to invoice.

Entities are required to explain qualitatively whether they are applying the practical expedient above, and whether any consideration from contracts with customers is not included in the transaction price, and therefore, not included in the information disclosed about transaction price allocated to unsatisfied performance obligations. SFRS(I) 15.122

27 Trade and other payables

	The Group		The Company		
	2022	2021	**2022**	2021	
	$	$ (Restated)	**$**	$	SFRS(I) 1-1.78.b
Trade payables:					
- Associates	**3,387,255**	2,566,224	**-**	-	SFRS(I) 1-24.19.d
- Non-related parties	**11,164,203**	9,816,955	**-**	-	
	14,551,458	12,383,179	**-**	-	
Other payables:					
- Subsidiaries	**-**	-	**1,004,623**	2,388,244	SFRS(I) 1-24.19.c
- Non-related parties	**4,252,862**	3,624,462	**693,718**	944,269	
Refund liabilities	**1,563,082**	1,403,448	**-**	-	SFRS(I) 15.B21.b
Financial guarantees - on behalf of subsidiary	**-**	-	**106,490**	147,380	SFRS(I) 1-24.21.h
Contingent consideration (Note 7(a))	**520,000**	-	**-**	-	SFRS(I) 3.B64.g.i
Deferred income					
- Government grant [2]					SFRS(I) 1-20.39.b,c
Security deposits from tenants	**800,000**	700,000	**-**	-	
Accruals for operating expenses	**1,637,724**	1,688,265	**298,402**	437,113	
Trade and other payables - total	**23,325,126**	19,799,354	**2,103,233**	3,917,006	

The average credit period on purchases of goods and services is 60 to 120 days (2021: 60 to 120 days). Trade and other payables, comprising amounts outstanding for trade purchases and operating costs, are unsecured and non-interest bearing. The Group has financial risk management policies in place to ensure that all payables are within the credit timeframe. SFRS(I) 7.7

Other payables due to subsidiaries are non-trade in nature, unsecured, interest-free and repayable on demand. SFRS(I) 7.7

Refund liabilities relate to customers' right to return products within 60 days of purchase. At the point of sale, a refund liability and a corresponding adjustment to revenue is recognised for those products expected to be returned. The Group uses its accumulated historical experience to estimate the number of returns on a portfolio level using the expected value method. SFRS(I) 15.119.d SFRS(I) 15.126.d

The Company provides financial guarantees to banks in respect of loans borrowed by a wholly-owned subsidiary (Note 7). The carrying amount of this financial guarantee contract relates to the unamortised financial guarantee fee at the reporting date. SFRS(I) 1-32.16

On the acquisition of Nami Engineering Pte Ltd in July 2022 (Note 7(a)), the Group had recognised a contingent consideration payable with acquisition date fair value of $520,000. At the reporting date, there have been no changes to the amounts recognised arising from changes in range of outcomes or valuation techniques applied. [1] SFRS(I) 3.B67.b

In 2022, the Group has received emissions certificates amounting to $XXX (2021: $XXX) from the government. The Group has emitted pollutants above the limit in 2022 and 2021, and therefore the deferred income related to this government grant as at 31 December 2022 is $nil (2021: $nil).

Further information about the financial risk management and the fair value measurement are disclosed in Note 45 and 46 respectively.

Guidance Notes – Trade and other payables

Loss allowance on financial guarantee contracts – illustrative disclosure

For an amount of loss allowance on financial guarantee contracts provided by an entity to non-related external parties, the following illustrative disclosure shall be appropriate:

"At the reporting date, the Group has assessed the past due status of the debts under guarantee, the financial position of the debtors as well as the economic outlook of the industries in which the debtors operate, and concludes that there has not been a significant increase in the credit risk since initial recognition of the related financial guarantee contract. Accordingly, the loss allowance for financial guarantee contracts issued by the Group is measured at an amount equal to 12-month ECL. SFRS(I) 7.35G.a,b

There has been no change in the estimation techniques or significant assumptions made during the current reporting period in assessing the loss allowance for the financial guarantee contract. SFRS(I) 7.35G.c

The movement in loss allowance that has been recognised for the financial guarantee contracts is set out below: SFRS(I) 7.35H

	The Group		
	2022	*2021*	
	$	*$*	
12-month ECL on financial guarantee contracts:			
At 1 January			
Loss allowance recognised in profit or loss:			SFRS(I) 7.35B.b
- financial guarantee contracts issued/(derecognised)			SFRS(I) 7.35I
- reversal of unutilised amounts			
- changes in credit risk			
Foreign currency exchange losses/(gains)			
At 31 December			

Contingent consideration in business combination

(1) For each reporting period after the acquisition date until the entity settles a contingent consideration liability or the liability is cancelled or expires, the acquirer shall disclose the following: SFRS(I) 3.B67.b

(i) any changes in the recognised amounts, including any differences arising upon settlement;
(ii) any changes in the range of outcomes (undiscounted) and the reasons for those changes; and
(iii) the valuation techniques and key model inputs used to measure contingent consideration.

Government grant

(2) An entity may present a government grant receipt related to an asset as deferred income, or present the grant receipt as a deduction in arriving at the carrying amount of the asset. Regardless of the presentation method, the grant amount is amortised over the life of the asset. SFRS(I) 1-20.24

An entity shall disclose any unfulfilled conditions and other contingencies attached to government grants awarded to it. SFRS(I) 1-20.39.c

Disclosures required by SFRS(I) 7

If information about contractual and effective interest rates, maturity dates, foreign currency denomination and fair values etc. are presented in the notes for financial risk management, fair value measurement and capital management, it is not necessary to repeat the same information in this note.

28 Revenue

The Group derives its revenue from the transfer of goods and services over time and at a point in time in the following major product or service lines. This is consistent with the revenue information that is disclosed for each reportable segment [(2)] in Note 41. A disaggregation of the Group's revenue for the year is as follows: [(1)]

SFRS(I) 15.114,115
SFRS(I) 15.B89

The Group	Continuing operations Real Estate $	Industrial Construction $	Engineering Materials $	Total $	Discontinued operations - Hotel Operations $	
						SFRS(I) 15.114 SFRS(I) 15.115 SFRS(I) 15.B89
2022						
Major product or service lines						
Sale of completed development properties	**10,831,528**	**-**	**-**	**10,831,528**	**-**	
Sale of development properties under construction	**8,747,294**	**-**	**-**	**8,747,294**	**-**	
Construction of industrial assets	**-**	**36,425,141**	**-**	**36,425,141**	**-**	
Rendering of maintenance service	**-**	**5,899,323**	**-**	**5,899,323**	**-**	
Sale of engineering materials	**-**	**-**	**37,995,363**	**37,995,363**	**-**	
Hotel stays and valet parking services	**-**	**-**	**-**	**-**	**3,447,288**	
Sale of food and beverages	**-**	**-**	**-**	**-**	**1,182,288**	
Revenue from contracts with customers	**19,578,822**	**42,324,464**	**37,995,363**	**99,898,649**	**4,629,576**	
Rental income from investment properties	**2,750,278**	**-**	**-**	**2,750,278**	**-**	SFRS(I) 1-40.75.f.i
Total Revenue	**22,329,100**	**42,324,464**	**37,995,363**	**102,648,927**	**4,629,576**	
Timing of satisfaction of performance obligations						
At point in time	**10,831,528**	**-**	**37,995,363**	**48,826,891**	**1,182,288**	
Over time	**8,747,294**	**42,324,464**	**-**	**51,071,758**	**3,447,288**	
Revenue from contracts with customers	**19,578,822**	**42,324,464**	**37,995,363**	**99,898,649**	**4,629,576**	
2021						
Major product or service lines						
Sale of completed development properties	9,828,920	-	-	9,828,920	-	
Sale of development properties under construction	8,371,902	-	-	8,371,902	-	
Construction of industrial assets	-	28,354,759	-	28,354,759	-	
Rendering of maintenance service	-	4,800,344	-	4,800,344	-	
Sale of engineering materials	-	-	28,760,900	28,760,900	-	
Hotel stays and valet parking services	-	-	-	-	4,089,223	
Sale of food and beverages	-	-	-	-	1,392,481	
Revenue from contracts with customers	18,200,822	33,155,103	28,760,900	80,116,825	5,481,704	
Rental income from investment properties	2,054,268	-	-	2,054,268	-	SFRS(I) 1-40.75.f.i
Total Revenue	20,255,090	33,155,103	28,760,900	82,171,093	5,481,704	
Timing of satisfaction of performance obligations						
At point in time	9,828,920	-	28,760,900	38,589,820	1,392,481	
Over time	8,371,902	33,155,103	-	41,527,005	4,089,223	
Revenue from contracts with customers	18,200,822	33,155,103	28,760,900	80,116,825	5,481,704	

Guidance Notes – Revenue

Separate disclosure

SFRS(I) 15 requires revenue recognised from contracts with customers to be disclosed separately from the other sources of income such that the other amounts are presented separately in the statement of comprehensive income in accordance with other SFRS(I). SFRS(I) 15.113.a

Disaggregation of revenue

(1) SFRS(I) 15 requires an entity to disaggregate revenue recognised from contracts with customers into categories that depict how the nature, amount, timing and uncertainty of revenue and cash flows are affected by economic factors. This disaggregation will depend on the entity's individual facts and circumstances. In determining the appropriate categories, an entity considers how revenue is disaggregated in: SFRS(I) 15.112 SFRS(I) 15.114

- disclosures presented outside the financial statements (e.g. earnings releases, annual reports or investor presentations); SFRS(I) 15.B88
- information reviewed by the CODM for evaluating the financial performance of operating segments; and
- other similar information that is used by the entity or users of the entity's financial statements to evaluate performance or make resource allocation decisions.

(2) If an entity discloses disaggregated revenue on a basis other than that used for revenue information disclosed for each reportable segment, the entity should disclose sufficient information to allow users of the financial statements to understand the relationship between these two disclosures. SFRS(I) 15.115

Examples of categories that might be appropriate include, but are not limited to, the following: SFRS(I) 15.B89

Category	*Example*
(i) Type of goods or services	Major product or service lines
(ii) Geographical location	Country or region (e.g. Asia)
(iii) Market or type of customers	Government or non-government customers
(iv) Type of contract	Fixed-price or time-and-materials contracts
(v) Contract duration	Short-term or long-term contracts
(vi) Timing of transfer of goods or services	Goods or services transferred to customers at point in time or over time
(vii) Sales channels	Goods or services sold directly to end-consumers or through intermediaries

It is not explicitly required to include discontinued operations as part of the disaggregation of revenue from contracts with customers. SFRS(I) 5.5B

Estimates of variable consideration

In assessing whether it is highly probable that a significant reversal in the amount of cumulative revenue recognised will not occur once the uncertainty related to the variable consideration is subsequently resolved, an entity shall consider both the likelihood and the magnitude of the revenue reversal. Factors that could increase the likelihood or the magnitude of a revenue reversal include, but are not limited to, any of the following: SFRS(I) 15.57

(a) the amount of consideration is highly susceptible to factors outside the entity's influence (i.e. factors may include volatility in a market, the judgement or actions of third parties, weather conditions and a high risk of obsolescence);
(b) the uncertainty about the amount of consideration is not expected to be resolved for a long period of time;
(c) the entity's experience (or other evidence) with similar types of contracts is limited, or that experience (or other evidence) has limited predictive value;
(d) the entity has a practice of either offering a broad range of price concessions or changing the payment terms and conditions of similar contracts in similar circumstances; and
(e) the contract has a large number and broad range of possible consideration amounts.

Hedge of a sale

When an entity hedges a sale, whether in forecast transaction or firm commitment, the costs of hedging related to that sale are reclassified to profit or loss as part of the cost related to that sale in the same period as the revenue from the hedged sale is recognised. When these costs of hedging are reclassified to profit or loss, an entity may choose an accounting policy to present them: SFRS(I) 9.B6.5.29.a

- as revenue: because they relate to a hedge of revenue (however, they should not be presented or disclosed as revenue from contracts with customers in the scope of SFRS(I) 15 because they are not); or
- in another appropriate line item of income or expense: because the term 'cost related to that sale' could be interpreted as precluding presentation as revenue.

29 Interest income [(1)]

	The Group		Reference
	2022	2021	
	$	$	
From continuing operations			
Financial assets at amortised cost: [(1a)]			
- Debt investments	**34,564**	26,381	SFRS(I) 7.20.b
- Cash and cash equivalents	**237,445**	129,920	SFRS(I) 7.20.b
- Finance lease receivables	**22,109**	8,902	SFRS(I) 16.90.a.ii
- Loans to associate	**391,724**	362,932	SFRS(I) 1-24.18
	685,842	528,135	
Debt investments at FVOCI [(1a)]	**27,424**	28,623	SFRS(I) 7.a.viii
	713,266	556,758	SFRS(I) 7.20.b

Guidance Notes – Interest income

Materiality

If immaterial, an entity may combine 'interest income' with 'other income' and/or 'other gains or losses'.

Interest income

(1) Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance). SFRS(I) 9.5.4.1

Financial assets at amortised cost or FVOCI

(1a) Entities must disclose the total interest income (calculated using the effective interest rate method) for financial assets that are measured at amortised cost and debt instruments that are measured at FVOCI separately. SFRS(I) 7.20.b

Furthermore, for financial assets at FVOCI, interest calculated using the effective interest method and dividends are recognised in profit or loss, separately from the fair value gains or losses which are recognised in other comprehensive income.

Financial assets at FVPL

In relation to interest income from financial assets at FVPL, an entity can choose to present: SFRS(I) 9.5.7.1 SFRS(I) 7.20.a

- as part of the net fair value gains or losses; or
- interest income, interest expense and dividend income separately (however, when this option is applied, interest income and expense disclosed shall be that computed using the effective interest method)

30 Other income

	The Group		Reference
	2022	2021	
	$	$	
From continuing operations			
Rental income from operating lease:			
- Sublease	**75,244**	104,032	SFRS(I) 16.53.f
- Variable lease payments received that do not depend on an index or rate	**12,823**	20,872	SFRS(I) 16.90.b
Rental income from finance lease:			
- Variable lease payments received not included in net investment in finance lease	**30,885**	22,082	SFRS(I) 16.90.a.iii
Rental concession			
Dividend income:			
- Equity investments at FVOCI (attributed to investments held at end of the reporting period)	**75,000**	75,000	SFRS(I) 7.11A.d
Government grant income	**225,000**	60,000	SFRS(I) 1-20.29
	418,952	281,986	

In 2021, included in government grant income is Job Support Scheme ("JSS") grant of $XXX from the Singapore Government to help employers to retain their local employees during the period of economic uncertainty as a result of COVID-19. JSS grant income is allocated over the period of uncertainty to match the related staff costs for which the grant is intended to compensate. SFRS(I) 1-20.39

Emissions certificates amounting to $XXX (2021: $XXX) surrendered to the government as the Group emits pollutants during the year are released from deferred income and included in government grant income.

The Group as lessor

In 2021, included in government grant income are property tax rebate of $XXX and cash grant of $XXX from the Singapore Government as part of relief measures to help businesses deal with the impact from COVID-19. For the property tax rebate, the Group is obliged to pass on the benefits of $XXX to its tenants and has transferred these to the tenants in form of rental rebates, and accordingly the amount is recorded as government grant expense in operating expenses (Note 32). For the cash grant, the Group is obliged to waive up to XX months of rental to eligible tenants, and consequently has recognised variable lease payment of $XXX as a reduction to rental income in profit or loss and offset the obligation for rental reliefs against the lease receivable. SFRS(I) 1-20.39

The Group as lessee

In 2021, included in government grant income is rental rebate of $XXX relating to property tax rebate from the Singapore Government which is mandated to be fully passed on by the landlord to the Group as tenant. SFRS(I) 1-20.39

In 2021, included in rental concession is rental rebate of $XXX for the Group's leased buildings under the Rental Relief Framework as mandated by the Singapore Government whereby the landlord is obliged to waive up to XX months of rental to the Group as tenant.

31 Other gains or losses

	Note	The Group 2022 $	2021 $	Reference
From continuing operations				
(Loss)/Gain on disposal of property, plant and equipment		**(29,139)**	23,849	SFRS(I) 1-1.98.c
Fair value gains/(losses) of investment properties	6	**437,779**	(504,006)	SFRS(I) 1-40.76.d
Loss on settlement of pre-existing relationship with acquiree in business combination	7(a)	**(250,000)**	-	SFRS(I) 3.B52.a
Gain on disposal of subsidiary	7(b)	**50,185**	-	SFRS(I) 1-1.98.e
Gain on disposal of debt investments at amortised cost		**128,000**	-	SFRS(I) 1-1.98.d
Reclassification of net loss on debt investments at FVOCI from equity to profit or loss upon disposal		**(46,700)**	-	SFRS(I) 7.20.a.viii
Fair value gain of equity investments at FVPL		**826,600**	-	SFRS(I) 7.20.a.i
Fair value loss of derivative financial instruments at FVPL		**(339,700)**	(67,100)	SFRS(I) 7.20.a.i
Foreign currency exchange gains - net (2)		**345,141**	758,489	SFRS(I) 1-21.52.a
		1,122,166	211,232	

Guidance Notes – Other income; Other gains or losses

'Day-one' gain or loss

An entity discloses the following in respect of any 'day-one' gain or loss: SFRS(I) 7.28

- an accounting policy; and
- the aggregate difference still to be recognised in profit or loss, and a reconciliation between the opening and closing balance thereof.

Government grant

Government grants may be presented as: SFRS(I) 1-20.37,29

- an item in other income;
- a reduction against depreciation expense (for asset-related grants); or
- a deduction against related expense (for income-related grants).

Foreign currency exchange gains or losses

Foreign currency exchange differences arising from operating activities should form part of other gains and losses while those arising from financing activities should form part of finance expenses. SFRS(I) 1-21.52.a

Items of income, expense, gains or losses from financial assets and liabilities

SFRS(I) 7 requires separate disclosure of net gains/losses, income and expense either in the statement of profit or loss and other comprehensive income or in the notes for: SFRS(I) 7.20.a

- financial assets or financial liabilities measured at FVPL, showing separately those on financial assets or financial liabilities designated as such upon initial recognition or subsequently in accordance with SFRS(I) 9, and those on financial assets or financial liabilities that are mandatorily measured at FVPL in accordance with SFRS(I) 9 (e.g. financial liabilities that meet the definition of held-for-trading in SFRS(I) 9) (for financial liabilities designated as at FVPL, an entity shall show separately the amount of gain or loss recognised in other comprehensive income and the amount recognised in profit or loss);
- financial liabilities measured at amortised cost;
- financial assets measured at amortised cost;
- investments in equity instruments designated at FVOCI in accordance with SFRS(I) 9; and
- financial assets measured at FVOCI in accordance with SFRS(I) 9, showing separately the amount of gain or loss recognised in other comprehensive income during the period and the amount reclassified upon derecognition from accumulated other comprehensive income to profit or loss for the period.

Derecognition of financial assets at amortised cost

If the entity has gain or loss recognised in the statement of profit or loss and other comprehensive income arising from the derecognition of financial assets measured at amortised cost, the entity shall disclose: SFRS(I) 7.20A

- an analysis of the gain or loss, showing separately gains and losses arising from derecognition of those financial assets; and
- the reasons for derecognising those financial assets.

32 Other expenses

	Note	The Group 2022 $	2021 $ (Restated)	Reference
From continuing operations				
Audit fees:				SGX 1207.6.a
- auditor of the Company		**308,098**	306,561	
- other auditors – network firms		**112,083**	103,708	
- other auditors – non-network firms				
Non-audit fees:				SGX 1207.6.a
• Audit-related services ("ARS")				
- auditor of the Company		**42,688**	42,202	
- other auditors – network firms		**38,972**	36,877	
- other auditors – non-network firms				
• Non-ARS				
- auditor of the Company		**17,800**	16,700	
- other auditors – network firms				
- other auditors – non-network firms				
Allowance made for diminution in value of development properties	12	**1,090,291**	304,612	SFRS(I) 1-2.36.e
Bank charges		**23,822**	28,672	
Carbon tax				
Communication		**30,678**	34,908	
Directors' fees		**60,000**	60,000	SFRS(I) 1-24.18.a
Distribution		**398,044**	354,988	
Entertainment		**29,033**	34,981	
Government grant expense				
Impairment loss on goodwill (2)	3	**20,000**	-	SFRS(I) 3.B67.d.v
Impairment loss on property, plant and equipment (2)	4	**207,141**	-	SFRS(I) 1-16.73.e.v
Insurance		**167,723**	287,782	
Legal claims				
Loss recognised on re-measurement of disposal group to fair value less costs to sell	19	**169,606**	-	SFRS(I) 5.33.b.iii
Marketing and promotion		**167,887**	383,098	
Office supplies		**36,673**	30,877	
Onerous contracts				
Pollutant emissions				
Printing and stationery		**35,766**	28,987	
Packing and delivery		**47,882**	39,088	
Professional fees		**207,883**	189,883	
Rental expenses:				
- short-term leases		**131,298**	140,893	SFRS(I) 16.53.c
- leases of low-value assets		**81,536**	79,802	SFRS(I) 16.53.d
- variable lease payments not included in measurement of lease liability		**48,903**	45,082	SFRS(I) 16.53.e
Repairs and maintenance of plant and equipment		**278,823**	250,782	
Research and development		**167,822**	190,877	
Restructuring				
Security		**156,022**	200,899	
Taxes and licences		**240,877**	200,552	
Transport and travelling		**117,822**	188,766	
Upkeep and maintenance of properties		**189,033**	130,986	
Utilities		**150,772**	190,981	
Write-down of inventories to net realisable value	13	**112,093**	100,466	SFRS(I) 1-2.36.e
Others		**92,763**	92,169	
		5,229,834	4,246,179	

Guidance Notes – Other expenses

Reconciliation of other expenses

This reconciliation is required only for entities that present expenses by function whereby significant or material expense items by nature are reconciled to total expenses classified by function in the statement of profit or loss. In case of classification of expenses by nature, the reconciliation is not required if the reporting entity already presents all these expense items in other notes. SFRS(I) 1-1.104

Audit and non-audit fee

This requirement is only applicable to companies listed on the SGX. Disclosure is required in the annual report, not necessarily in the financial statements. There is no requirement for non-listed companies to disclose auditors' remuneration. The aggregate amount of fees paid to the auditors, broken down into audit and non-audit services, is required. If no audit or non-audit fees are paid, a nil statement is required. SGX 1207.6.a

33 Finance costs [(1)]

	Note	The Group 2022 $	2021 $	Reference
From continuing operations				
Interest expense:				SFRS(I) 7.20.b
- bank loans and overdrafts		**2,349,465**	1,963,441	
- convertible bonds		**478,500**	441,600	
- dividends on redeemable preference shares		**200,000**	200,000	
- lease liabilities [(2)]		**56,032**	63,107	SFRS(I) 16.53.b
Borrowing costs - total		**2,349,465**	1,963,441	
Less: Borrowing costs capitalised in development properties	12	**(578,224)**	(498,722)	SFRS(I) 1-23.26.a
		2,449,741	2,169,426	
Loss on modification of bank loan	23			SFRS(I) 9.5.4.3
Change in fair value of contingent consideration	27			SFRS(I) 7.20.a.i
Unwinding of discount on provision for legal claims		**20,643**	16,437	SFRS(I) 1-37.84.e
Reclassification of fair value gains on interest rate swaps designated as cash flow hedges from equity to profit or loss [(3)]	14	**(405,587)**	(381,009)	SFRS(I) 9.6.5.11.d.ii
Loss on hedge ineffectiveness of cash flow hedges [(3)]		**11,799**	11,459	SFRS(I) 7.24C.b.ii
Foreign currency exchange losses - net		**121,823**	146,264	SFRS(I) 1-21.52.a
		2,198,419	1,962,577	

The capitalisation rate used to determine the amount of borrowing costs to be capitalised is the weighted average interest rate applicable to the Group's borrowings during the year of 4.1% to 4.7% (2021: 3.9% to 4.8%) per annum. SFRS(I) 1-23.26.b

During the financial year, the Group renegotiates an existing bank loan so as to refinance the construction of a development property. The refinancing results in the recognition of a modification loss of $XXX in profit or loss. SFRS(I) 9.5.4.3

Guidance Notes – Finance costs

Items of finance cost

(1) Finance costs will normally include:

(a) costs that are borrowing costs for the purposes of SFRS(I) 1-23: SFRS(I) 1-23.5,6
 (i) interest expense calculated using the effective interest rate method SFRS(I) 7.IG13
 (ii) interest in respect of lease liabilities, and
 (iii) exchange differences arising from foreign currency borrowings to the extent that they are regarded as an adjustment to interest costs
(b) the unwinding of the effect of discounting provisions SFRS(I) 1-37.60
(c) dividends on preference shares that are classified as debt SFRS(I) 1-32.35,40
(d) the amortisation of discounts and premiums on debt instruments that are liabilities SFRS(I) 9.B5.4.4
(e) interest on tax payable where the interest element can be identified separately
(f) increase in the present value of the costs to sell in relation to assets that are held for sale, where the sale is expected to occur beyond one year SFRS(I) 5.17

Interest expense on lease liabilities

(2) Interest expense on lease liabilities must also be presented as a component of finance cost in the statement of profit or loss and other comprehensive income. SFRS(I) 16.49

Costs associated with cash management

(3) Costs which may also be classified as finance cost include other costs associated with the entity's management of cash, cash equivalents and debt. For example, fair value changes on interest rate hedges, the ineffective portion of cash flow interest rate hedges or a loss on the extinguishment of a liability. SFRS(I) 9.6.5.11.d.ii SFRS(I) 7.24C.b.ii

34 Profit for the year

Other than as disclosed elsewhere in these financial statements, profit for the year has been arrived after charging/(crediting):

The Group	Note	From continuing operations 2022 $	2021 $ (Restated)	From discontinued operations 2022 $	2021 $ (Restated)	Total 2022 $	2021 $ (Restated)	Reference
Depreciation and amortisation:								
- Intangible assets	3	**80,000**	60,000	**-**	-	**80,000**	60,000	SFRS(I) 1-38.118.d
- Property, plant and equipment	4	**1,889,752**	1,762,664	**88,710**	71,345	**1,978,462**	1,834,009	SFRS(I) 1-16.75.a
- Right-of-use assets	5	**416,562**	435,048	**-**	-	**416,562**	435,048	SFRS(I) 16.53.a
		2,386,314	2,257,712	**88,710**	71,345	**2,475,024**	2,329,057	SFRS(I) 1-1.104
Impairment loss on financial assets and contract assets:								
- Debt investments at FVOCI	9	**10,000**	-	**-**	-	**10,000**	-	SFRS(I) 7.16A
- Trade receivables	17	**280,900**	130,800	**103,400**	58,100	**384,300**	188,900	SFRS(I) 15.113.b
- Contract assets	15	**600,342**	-	**-**	-	**600,342**	-	SFRS(I) 15.113.b
		891,242	130,800	**103,400**	58,100	**994,642**	188,900	SFRS(I) 1-1.82.ba
Provision made/(reversed) for:								
- Warranty	25	**28,903**	56,882	**-**	-	**28,903**	56,882	SFRS(I) 1-37.84.b
- Restructuring	25	**100,000**	-	**-**	-	**100,000**	-	SFRS(I) 1-37.84.b
- Legal claims	25	**(48,524)**	90,000	**-**	-	**(48,524)**	90,000	SFRS(I) 1-37.84.b
		80,379	146,882	**-**	-	**80,379**	146,882	
Employee benefits:								
- Wages and salaries		**21,899,455**	20,003,423	**3,001,228**	2,809,446	**24,900,683**	22,812,869	SFRS(I) 1-19.5.a
- Defined contribution plans, including Central Provident Fund		**2,001,138**	1,900,472	**290,727**	266,092	**2,291,865**	2,166,564	SFRS(I) 1-19.46
- Defined benefit plans								SFRS(I) 1-19.46
- Share-based payments (equity-settled)		**112,249**	109,753	**-**	-	**112,249**	109,753	SFRS(I) 2.50,51.a
- Share-based payments (cash-settled)								SFRS(I) 2.50,51.a
- Other staff benefits		**2,308,892**	2,208,956	**130,982**	120,933	**2,439,874**	2,329,889	SFRS(I) 1-19.6
		26,321,734	24,222,604	**3,422,937**	3,196,471	**29,744,671**	27,419,075	SFRS(I) 1-1.104
Amortisation of contract costs	16	**11,008**	10,883	**-**	-	**11,008**	10,883	SFRS(I) 15.128.b
Cost of sale of development properties recognised as expense		**60,004,909**	39,055,541	**-**	-	**60,004,909**	39,055,541	SFRS(I) 1-2.36.d
Cost of inventories recognised as expense		**7,237,353**	5,717,638	**550,772**	370,029	**7,788,125**	6,087,667	SFRS(I) 1-2.36.d
Allowance made for diminution in value of development properties	12	**1,090,291**	304,612	**-**	-	**1,090,291**	304,612	SFRS(I) 1-2.36.e
Write-down of inventories to net realisable value	13	**112,093**	100,466	**32,088**	25,079	**144,181**	125,545	SFRS(I) 1-2.36.e

Guidance Notes – Profit for the year

Breakdown of disclosure items

The objective of the note is to provide a breakdown of other income, other gains or losses and an analysis of expenses by nature, and also show all of the profit or loss items that are required to be disclosed under various SFRS(I). However, individual profit or loss items can be disclosed together with their relevant information to which they belong. For example, gains or losses related to various financial instruments held by the entity can be disclosed together with the amounts on the statement of financial position in their respective notes. SFRS(I) 1-1.104

Cross-reference to statement of cash flows

Non-cash adjustment items in the statement of cash flows include those attributed to discontinued operations because 'profit or loss' as starting point include that of both continuing and discontinued operations. Therefore, although there is no requirements to disclose breakdown of these profit or loss items for discontinued operations, an entity may disclose so to allow for cross-reference to the statement of cash flows. SFRS(I) 1-7.10,11 SFRS(I) 5.33.c

Classification of expenses by function

An entity classifying expenses by function discloses additional information on the nature of expenses, including depreciation and amortisation expense and employee benefits expense. SFRS(I) 1-1.104

When items of income or expense are material, an entity shall disclose their nature and amount separately. SFRS(I) 1-1.97

Type of expenses

The classification of expenses may vary with the type of expense. For example, where expenses are classified by nature, wages and salaries paid to employees involved in research and development (R&D) activities may be classified as employee benefits expense, while amounts paid to external organisations for R&D may be classified as external R&D expense. However, where expenses are classified by function, both the wages and salaries and external payments should be classified as R&D expense. SFRS(I) 1-1.104

Depreciation and amortisation

Depreciation and amortisation expenses include those of the entity's right-of-use assets. SFRS(I) 16.53.a

Employee benefits expenses

Although SFRS(I) 1-19 does not require specific disclosures about employee benefits other than post-employment benefits, other SFRS(I) may require disclosures. For example, where the expense resulting from such benefits is material and so would require disclosure under SFRS(I) 1-1. Similarly, termination benefits may result in an expense needing disclosure in order to comply with SFRS(I) 1-1. SFRS(I) 1-19.25 SFRS(I) 1-19.158 SFRS(I) 1-19.171

Share-based payment expense

The remeasurement of the liability in relation to cash-settled share-based payment arrangement in employee benefits expense may be included in finance income or finance costs. SFRS(I) 2.IG19

Research and development costs

Research and development costs that are not eligible for capitalisation are expensed in the period incurred. SFRS(I) 1-38.126

Cost of sales

If an entity presents an analysis of expenses by function in the statement of profit or loss, then cost of inventories, write-downs of inventory to net realisable value and any reversals, shall be included in 'cost of sales'. SFRS(I) 1-1.98.a SFRS(I) 1-2.36.d

35 Tax expense

	Note	The Group 2022 $	2021 $ (Restated)	
Tax expense/(benefit) comprise:				SFRS(I) 1-12.79
From continuing operations				
Current income tax				
- current year		**177,191**	**782,225**	SFRS(I) 1-12.80.a
- under provision in prior years		**-**	**312,246**	SFRS(I) 1-12.80.b
Deferred income tax		**444,461**	**334,357**	SFRS(I) 1-12.80.c
		621,652	**1,428,828**	
From discontinued operations				
Current income tax	19	**(101,384)**	**(100,671)**	SFRS(I) 1-12.81.h
		520,268	**1,328,157**	

Domestic income tax is calculated at 17% (2021: 17%) of the estimated assessable profit for the year. Taxation for other jurisdictions is calculated at the rates prevailing in the relevant jurisdictions. SFRS(I) 1-12.81.c

The total tax charge for the year can be reconciled to the accounting profit as follows: (1)

	The Group 2022 $	2021 $ (Restated)	SFRS(I) 1-12.81.c
Profit/(Loss) before tax from:			
- Continuing operations	**4,933,702**	8,014,702	
- Discontinued operations	**(1,130,676)**	(1,448,520)	
	3,803,026	6,566,182	
Tax calculated at Singapore tax rate of 17% (2021: 17%)	**646,514**	1,116,251	SFRS(I) 1-12.85
Effects of:			
- expenses not deductible for tax purposes (a)	**189,464**	121,274	
- income not subject to tax (b)	**(70,112)**	(50,403)	
- tax concessions			
- different tax rates of subsidiaries operating in other jurisdictions	**281,030**	165,662	SFRS(I) 1-12.85
- share of results of associates	**(526,628)**	(336,873)	
- change in expected manner of recovery of asset			
- unused tax losses and capital allowances not recognised as deferred tax assets			
- utilisation of previously unrecognised tax losses and capital allowances			
- change in tax laws affecting deferred tax			
- under provision of current income tax in prior years	**-**	312,246	SFRS(I) 1-12.80.b
Tax expense	**520,268**	1,328,157	

(a) Expenses not deductible for tax purposes relate mainly to depreciation and amortisation of non-qualifying assets and other disallowed expenses incurred in the ordinary course of business. SFRS(I) 1-12.81.c

(b) Income not subject to tax relate mainly to exempt interest received and fair value changes and foreign exchange differences arising from financial instruments. SFRS(I) 1-12.81.c

The income tax relating to each component of other comprehensive income are disclosed in Note 36. (2) SFRS(I) 1-12.81.ab SFRS(I) 1-1.90

35 Tax expense (cont'd)

The income tax recognised directly in equity comprises: [(2)]

	The Group		
	2022	2021	
	$	$	
Current tax:			SFRS(I) 1-12.81.a
Share-issue expenses			
Share buy-back expenses			
Deferred tax:			SFRS(I) 1-12.81.a
Share-issue and buy-back expenses deductible over 5 years			
Initial recognition of equity component of compound financial instruments			
Excess of tax deductions related to share-based payments			

Guidance Notes – Tax expense

Relationship between tax expense and accounting profit

(1) Entities can explain the relationship between tax expense (income) and accounting profit by disclosing reconciliations between: SFRS(I) 1-12.81.c SFRS(I) 1-12.85

- tax expense and the product of accounting profit multiplied by the applicable tax rate, or
- the average effective tax rate and the applicable tax rate.

The applicable tax rate can either be the domestic rate of tax in the country in which the entity is domiciled, or it can be determined by aggregating separate reconciliations prepared using the domestic rate in each individual jurisdiction. Entities should choose the method that provides the most meaningful information to users.

Income tax recognised outside profit or loss

(2) Under certain circumstances, current and deferred tax is recognised outside profit or loss either in other comprehensive income or directly in equity, depending on the item that the tax relates to. Entities must disclose separately: SFRS(I) 1-1.90 SFRS(I) 1-12.81.a SFRS(I) 1-12.81.ab SFRS(I) 1-12.62A

- the amount of income tax relating to each component of other comprehensive income, including reclassification adjustments (either in the statement of comprehensive income or in the notes), and
- the aggregate current and deferred tax relating to items that are charged directly to equity (without being recognised in other comprehensive income).

Tax related to changes in accounting policy and errors

An entity discloses separately the amount of tax expense (income) related to those changes in accounting policies and errors that are included in the determination of profit or loss in accordance with SFRS(I) 1-8 because they cannot be accounted for retrospectively. SFRS(I) 1-12.80.h

Change in tax rate – illustrative disclosure

Where the applicable tax rate changed during the year, the adjustments to the deferred tax balances appear as another reconciling item in the reconciliation of prima facie income tax payable to income tax expense. SFRS(I) 1-12.81.d

"The reduction of the corporation tax rate in [country name] from 30% to 28% has been substantively enacted on 26 June 2022 and will be effective from 1 January 2025. As a result, the relevant deferred tax balances have been remeasured. Deferred tax expected to reverse in the years leading up to 1 January 2025 has been measured using the effective rate of 30% that will apply in [country name] for the relevant periods. For years ending after 31 December 2024, the Group has used the new tax rate of 28% to compute deferred tax balances.

Further reductions to the tax rate in [country name] have been announced which will reduce the rate by 1% per annum to 24% by 1 January 2028. However, these changes are expected to be enacted separately each year. As a consequence, they are deemed as not substantively enacted at the reporting date and, therefore, are not recognised in these financial statements.

The impact of the change in tax rate has been recognised in tax expense in profit or loss, except to the extent that it relates to items previously recognised outside profit or loss. For the Group, such items include in particular remeasurements of post-employment benefit liabilities and the expected tax deduction in excess of the recognised expense for equity-settled share-based payments."

36 Other comprehensive income, after tax

SFRS(I) 1-1.90
SFRS(I) 1-12.81.ab

The Group	2022 Before tax $	2022 Tax credit /(charge) $	2022 After tax $	2021 Before tax $	2021 Tax credit /(charge) $	2021 After tax $
Items that may be reclassified subsequently to profit or loss						
Debt investments at FVOCI						
- Fair value (losses)/gains	**(297,831)**	**50,631**	**(247,200)**	14,940	(2,540)	12,400
- Net losses reclassified from equity to profit or loss upon disposal	**56,265**	**(9,565)**	**46,700**	-	-	-
- Impairment loss	**12,048**	**(2,048)**	**10,000**	-	-	-
Interest rate swaps entered into for cash flow hedges						
- Fair value gains	**868,654**	**(147,671)**	**720,983**	488,659	(83,072)	405,587
- Net gains reclassified from equity to profit or loss upon hedged item affected profit or loss	**(488,659)**	**83,072**	**(405,587)**	(459,047)	78,038	(381,009)
Share of fair value reserve of associates	**426,824**	**-**	**426,824**	141,328	-	141,328
Currency translation differences arising from foreign operations	**268,335**	**-**	**268,335**	207,224	-	207,224
	845,636	**(25,581)**	**820,055**	393,104	(7,574)	385,530
Items that will not be reclassified subsequently to profit or loss						
Equity investments at FVOCI - Fair value gains	**240,964**	**(40,964)**	**200,000**	81,928	(13,928)	68,000
Currency translation differences arising from foreign operations	**48,193**	**-**	**48,193**	81,417	-	81,417
	289,157	**(40,964)**	**248,193**	163,345	(13,928)	149,417
	1,134,793	**(66,545)**	**1,068,248**	556,449	(21,502)	534,947

37 Earnings per share

(a) Basic earnings per share

	From continuing operations		From discontinued operations		Total		
	2022	2021 (Restated)	**2022**	2021 (Restated)	**2022**	2021 (Restated)	SFRS(I) 1-33.68
Profit/(Loss) attributable to owners of the Company ($)	**3,355,545**	5,752,914	**(1,198,898)**	(1,347,849)	**2,156,647**	4,405,065	SFRS(I) 1-33.70.a
Weighted average number of ordinary shares outstanding for basic earnings per share	**90,997,000**	81,000,000	**90,997,000**	81,000,000	**90,997,000**	81,000,000	SFRS(I) 1-33.70.b
Basic earnings/(loss) per share (Cents)	**3.69**	7.10	**(1.32)**	(1.66)	**2.37**	5.44	

(b) Diluted earnings per share

	From continuing operations		From discontinued operations		Total		
	2022	2021 (Restated)	**2022**	2021 (Restated)	**2022**	2021 (Restated)	
Profit/(Loss) attributable to owners of the Company ($)	**3,355,545**	5,752,914	**(1,198,898)**	(1,347,849)	**2,156,647**	4,405,065	SFRS(I) 1-33.70.a
Add back:							
- Interest expense on convertible bonds, net of tax ($)	**478,500**	441,600	**-**	-	**478,500**	441,600	SFRS(I) 1-33.33.b
Profit (diluted) used to determine diluted earnings per share ($)	**3,834,045**	6,194,514	**(1,198,898)**	(1,347,849)	**2,635,147**	4,846,665	SFRS(I) 1-33.70.a
Weighted average number of ordinary shares outstanding for basic earnings per share	**90,997,000**	81,000,000	**90,997,000**	81,000,000	**90,997,000**	81,000,000	SFRS(I) 1-33.70.b
Adjustments for:							
- Conversion of convertible bonds	**21,000,000**	21,000,000	**-**	-	**21,000,000**	21,000,000	SFRS(I) 1-33.36
- Exercise of share options	**174,000**	169,000	**-**	-	**174,000**	169,000	SFRS(I) 1-33.36
Weighted average number of ordinary shares (diluted) used to determine diluted earnings per share	**112,171,000**	102,169,000	**90,997,000**	81,000,000	**112,171,000**	102,169,000	SFRS(I) 1-33.70.b
Diluted earnings/(loss) per share (Cents)	**3.42**	6.06	**(1.32)**	(1.66)	**2.35**	4.74	

37 Earnings per share (cont'd)

Basic earnings per share is calculated by dividing the net profit attributable to owners of the Company by the weighted average number of ordinary shares outstanding during the financial year. SFRS(I) 1-33.10

For the purpose of calculating diluted earnings per share, profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding are adjusted for the effects of all dilutive potential ordinary shares. The Company has two categories of dilutive potential ordinary shares: convertible bonds and share options. SFRS(I) 1-33.33,36

Convertible bonds are assumed to have been converted into ordinary shares at issuance and the net profit is adjusted to eliminate the interest expense less the tax effect. SFRS(I) 1-33.72

For share options, the weighted average number of shares on issue has been adjusted as if all dilutive share options are exercised. The number of shares that could have been issued upon the exercise of all dilutive share options less the number of shares that could have been issued at fair value (determined as the average market value of the Company's shares) for the same total proceeds is added to the denominator as the number of shares issued for no consideration. The average market value of the Company's shares for purposes of calculating the dilutive effect of share options has been based on quoted market prices for the period during which the options are outstanding. No adjustment is made to the net profit. SFRS(I) 1-33.72

For calculation of diluted earnings per share from discontinued operations, the convertible bonds and share options are not considered because they are antidilutive. These convertible bonds and share options can potentially dilute basic earnings per share in the future. (1) SFRS(I) 1-33.70.c

Guidance Notes – Earnings per share

Compliance

SFRS(I) 1-33 requires that earnings per share (EPS) information to be presented by entities whose ordinary shares or potential ordinary shares are publicly traded and by entities that are in the process of issuing ordinary shares or potential ordinary shares in public securities markets. If other entities choose to disclose EPS information in financial statements that comply with SFRS(I), such disclosures should comply fully with all the requirements of SFRS(I) 1-33. SFRS(I) 1-33.12

SFRS(I) 1-33 requires that basic and diluted earnings per share be computed based on the amounts attributable to ordinary owners of the parent entity in respect of (a) profit or loss from continuing operations attributable to the parent entity; and (b) profit or loss attributable to the parent entity.

Voluntary disclosure

Entities may voluntarily disclose per share amounts for other components of total comprehensive income or separate income statement, subject to the requirements of SFRS(I) 1-33, i.e. provided that: SFRS(I) 1-33.73 SFRS(I) 1-33.73A

- such amounts are calculated using the weighted average number of ordinary shares determined in accordance with SFRS(I) 1-33;
- basic and diluted amounts per share relating to such a component are disclosed with equal prominence and presented in the notes; and
- the entity discloses the basis on which the numerator is determined, including whether amounts per share are before or after tax.

If a component of the statement of comprehensive income (or separate income statement) is used that is not reported as a line item in the statement of comprehensive income (or separate income statement), reconciliation shall be provided between the component used and a line item that is reported in the statement of comprehensive income (or separate income statement).

Retrospective adjustment for changes in number of shares

If the number of ordinary or potential ordinary shares increases as a result of a capitalisation, bonus issue or share split, or decreases as a result of a reverse share split before the financial statements are authorised for issue, the basic and diluted EPS for all periods presented shall be adjusted retrospectively, even when this occurs after the reporting date. The fact that EPS calculations reflect such changes in the number of shares shall be disclosed. SFRS(I) 1-33.64

Guidance Notes – Earnings per share (cont'd)

Share transactions after the reporting date

An entity is required to provide a description of material share transactions that occurred after the reporting date and that are not retrospectively adjusted in the calculation of EPS. SFRS(I) 1-33.70.d

Changes in accounting policies

When initial application of a SFRS(I) has an effect on the current period or any prior period, would have such an effect except that it is impracticable to determine the amount of the adjustment, or might have an effect on future periods, an entity shall disclose, among others, for the current period and each prior period presented, to the extent practicable, the amount of the adjustment if SFRS(I) 1-33 applies to the entity, for basic and diluted earnings per share. SFRS(I) 1-8.28.f.ii

Potential dilutive instruments which are anti-dilutive during the period

(1) An entity is required to disclose instruments (including contingently issuable shares) that could potentially dilute basic earnings per share in the future, but are not included in the calculation of diluted earnings per share because they are anti-dilutive for the periods covered. SFRS(I) 1-33.70.c

Other potential dilutive instruments – illustrative disclosures

Partly paid ordinary shares

"Partly paid ordinary shares carry the right to participate in dividends in proportion to the amount paid relative to the total issue price. To that extent they have been recognised as ordinary share equivalents in the determination of basic earnings per share. Amounts uncalled on partly paid shares and calls in arrears are treated as the equivalent of options to acquire ordinary shares, and are included as potential ordinary shares in the determination of diluted earnings per share." SFRS(I) 1-33.72

Rights to deferred shares

"Rights to deferred shares granted to executives under the Group's short-term incentive scheme are included in the calculation of diluted earnings per share, assuming all outstanding rights will vest. The rights are not included in the determination of basic earnings per share." SFRS(I) 1-33.46,72

Non-redeemable participating preference shares

"The non-redeemable participating preference shares are classified as equity and are a separate category of ordinary shares for the purposes of determining earnings per share, rather than potential ordinary shares. The shares are bought back and cancelled during the year. They have not been included in the determination of basic or diluted earnings per share as no shares are on issue at year end in this category of ordinary shares." SFRS(I) 1-33.72

Cumulative redeemable preference shares

"The cumulative redeemable preference shares are not ordinary or potential ordinary shares and have not been included in the determination of basic and diluted earnings per share. These shares are classified as liabilities." SFRS(I) 1-33.72

38 Dividends

	The Group and the Company		
	2022	2021	
	$	$	
Ordinary shares			SFRS(I) 1-1.107
Interim tax-exempt (one tier) dividend of 3.57 cents per share for 2022	**3,288,000**	-	
Final tax-exempt (one-tier) dividend of 3.54 cents per share for 2021	**3,260,000**	-	
Final tax-exempt (one-tier) dividend of 1.97 cents per share for 2020	**-**	1,776,000	
	6,548,000	1,776,000	
Non-redeemable participating preference shares [1]			SFRS(I) 1-1.107
Annual dividend of XX% (2021: XX%) on the face value of the shares			
	6,548,000	1,776,000	

	The Group		
	2022	2021	
	$	$	
By a subsidiary to non-controlling interests [1]			SFRS(I) 1-1.107
XX cents per qualifying ordinary share for [year]			

In respect of the current financial year, the directors of the Company propose that a final dividend of 1.48 cents per share will be paid to shareholders on 25 May 2023. This dividend is subject to approval by shareholders at the Annual General Meeting scheduled on 6 April 2023 and has not been included as a liability in these financial statements. The proposed dividend is payable to all shareholders on the register of members on 21 April 2023. The total estimated dividend to be paid is $1,361,000 which will be accounted for in the shareholders' equity as an appropriation of retained earnings in the financial year ending 31 December 2023. SFRS(I) 1-1.137.a SFRS(I) 1-10.12,13

Guidance Notes – Dividends

Eligibility

It shall be noted that no dividend may be paid, and no other distribution (whether in cash or otherwise) of the company's assets may be made, to the company in respect of its treasury shares. CA 76J.4

Non-cash dividends – illustrative disclosure

The difference between the dividend paid/payable and the carrying amount of the assets distributed is presented as a separate line item in profit or loss. SFRS(I) INT 17.15

Where an entity distributes non-cash assets to its owners, the following illustrative disclosure shall be appropriate:

"In August 2022, the Company transferred all of its shares held in a wholly-owned subsidiary, [name of subsidiary], to its immediate and ultimate holding corporation as a non-cash dividend. The dividend is measured at the fair value of the subsidiary amounting to $XXX. The difference of $XXX between the fair value of the shares and their carrying amount of $XXX is presented within "other income" in profit or loss." SFRS(I) INT 17.11 SFRS(I) INT 17.14 SFRS(I) INT 17.16

Cumulative preference dividends not recognised

An entity discloses the amount of any cumulative preference dividends not recognised. SFRS(I) 1.1.137.b

Tax consequences of dividends to shareholders

An entity discloses the amount of tax consequences of dividends to shareholders that are proposed or declared before the financial statements are authorised for issue, but that are not recognised as a liability in the financial statements. An entity also discloses the important features of the tax system and the factors that will affect the amount of the potential tax consequences of dividends. SFRS(I) 1-12.81.i SFRS(I) 1-12.87A

Other disclosure requirements not illustrated

(1) An entity shall also disclose dividends paid/payable for other share category, such as non-redeemable participating preference shares. If non-controlling interests has been paid/payable dividend by a subsidiary during the year, the group shall disclose that fact too. SFRS(I) 1-1.107

39 Share-based payments

(i) Equity-settled share option scheme

The Company has put in place a share option scheme named as the FKT Holdings Limited Employee Share Option Scheme (the "Scheme") since the financial year ended 31 December 2012. Under the Scheme, the Company may grant options to directors and employees of the parent company who have contributed to the success and development of the Group; employees of the Company and its subsidiaries holding office of the rank (or equivalent) of Executive or Section Head and above; or directors of the Company and its subsidiaries, whether holding office in executive or non-executive capacity or who are also controlling shareholders (as defined in the SGX Listing Manual), to subscribe for ordinary shares of the Company, provided that certain limits on entitlements for participants of the Scheme are not exceeded. The Scheme does not extend to directors and employees of associated companies of the Company and the Group. The Scheme is administered by the Remuneration Committee. The options may be exercised in full or in respect of 1,000 shares or a multiple thereof, on payment of the exercise price at any time after the second anniversary, but before the fifth anniversary, of the grant. The options granted by the Company do not entitle the holders of the options, by virtue of such holding, to any rights to participate in any share issue of any other company. SFRS(I) 2.45.a

Details of the share options outstanding during the year are as follows: SFRS(I) 2.45.b

The Group and the Company

2022

Date options granted	Balance at 1.1.2022	Granted /(Forfeited) during the year	Exercised during the year	Balance at 31.12.2022	Exercise price per share	Number of option holders at 31.12.2022	Period exercisable
30.6.2019	**10,000**	**(6,000)**	**-**	**4,000**	$1.70	2	1.7.2019 to 30.6.2024
30.6.2020	**51,000**	**(19,000)**	**(2,000)**	**30,000**	$1.60	10	1.7.2020 to 30.6.2025
30.6.2021	**108,000**	**(18,000)**	**(10,000)**	**80,000**	$1.40	21	1.7.2021 to 30.6.2026
30.6.2022	**-**	**110,000**	**(20,000)**	**90,000**	$1.30	22	1.7.2022 to 30.6.2027
	169,000	**67,000**	**(32,000)**	**204,000**			

2021

Date options granted	Balance at 1.1.2021	Granted /(Forfeited) during the year	Exercised during the year	Balance at 31.12.2021	Exercise price per share	Number of option holders at 31.12.2021	Period exercisable
30.6.2018	6,000	(6,000)	-	-	$1.80	2	1.7.2018 to 30.6.2023
30.6.2019	16,000	(6,000)	-	10,000	$1.70	3	1.7.2019 to 30.6.2024
30.6.2020	60,000	(9,000)	-	51,000	$1.60	12	1.7.2020 to 30.6.2025
30.6.2021	-	108,000	-	108,000	$1.40	22	1.7.2021 to 30.6.2026
	82,000	87,000	-	169,000			

The weighted average share price at the exercise date for share options exercised during the year is $1.35 (2021: $nil). The options outstanding at the end of the year have a weighted average remaining contractual life of 2.0 years (2021: 2.9 years). SFRS(I) 2.45.c,d

39 Share-based payments (cont'd)

(i) Equity-settled share option scheme (cont'd)

On 30 June 2022, the Company granted options to subscribe 110,000 ordinary shares of the Company at exercise price of $1.30 per share ("2022 Options"). The 2022 Options are exercisable from 1 July 2022 and will expire on 30 June 2027. Fair value of the 2022 Options granted was estimated to be $112,249 based on the Black-Scholes Pricing Model. SFRS(I) 2.47.a

On 30 June 2021, the Company granted options to subscribe 108,000 ordinary shares of the Company at exercise price of $1.40 per share ("2021 Options"). The 2021 Options are exercisable from 1 July 2021 and will expire on 30 June 2026. Fair value of the 2021 Options granted was estimated to be $109,753 based on the Black-Scholes Pricing Model. SFRS(I) 2.47.a

The inputs into the Black-Scholes Pricing Model are as follows: SFRS(I) 2.47.a

	The Group and the Company	
	2022	2021
Weighted average share price ($)	**$1.41**	$1.52
Weighted average exercise price ($)	**$1.39**	$1.48
Expected volatility (%)	**40%**	40%
Expected life (number of years)	**5**	5
Risk free rate (%)	**3.5%**	3.5%
Expected dividend yield (%)	**nil%**	nil%

Expected volatility is determined by calculating the historical volatility of the Company's share price over the previous 4 years. The expected life used in the model has been adjusted, based on the Group's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations. SFRS(I) 2.47.a

The Group and the Company have recognised total expenses of $112,249 (2021: $109,753) related to equity-settled share-based payment transactions during the year. SFRS(I) 2.51.a

(ii) Cash-settled share-based payments [(1)]

The Group has issued to certain employees share appreciation rights ("SAR") that require the Group to pay the intrinsic value of the SAR to the employee at the exercise date. As at 31 December 2022, the Group and the Company have recorded liabilities of $XXX (2021: $XXX). The Group and the Company have recorded total expenses of $XXX (2021: $XXX) during the year in respect of the SAR. As at 31 December 2022, the total intrinsic value of the vested SAR is $XXX (2021: $XXX). The fair value of the SAR is determined using the Black-Scholes Pricing Model based on the assumptions as set out below: SFRS(I) 2.45.a SFRS(I) 2.51.a,b

	The Group and the Company	
	2022	2021
Share price at measurement date ($)		
Expected volatility (%)		
Risk free rate (%)		
Expected dividend yield (%)		

39 Share-based payments (cont'd)

(iii) Other share-based payment plan

Under the Company's employee share purchase plan, all employees may purchase the Company's shares at XX% of the closing market price on the date of grant during a two-week period each year. Employees may purchase shares having a value not exceeding XX% of their gross compensation during the offering period. The shares so purchased are generally placed in the employees share savings plan and will only be released to employees who remain in the Group's employment for a period of XX years from the date of grant. Pursuant to the plan, the Company has issued XX shares (2021: XX shares) during the year, at an average share price of $XX (2021: $XX). The discount of $XXX (2021: $XXX) is expensed over the vesting period of XX years. SFRS(I) 2.45.a

Guidance Notes – Share-based payments

Modification to share-based payments

For share-based payment arrangements that have been modified during the period, the entity is required to disclose: SFRS(I) 2.47.c

- an explanation of those modifications;
- the incremental fair value granted (as a result of those modifications); and
- information of how the incremental fair value granted was measured. SFRS(I) 2.47.a,b

An illustrative disclosure is as follows:

"In [month/year], the Company increases the vesting period for the employee share options granted in [month/year] to XX years and reduces the exercise price to $XX to reflect the recent fall in the Company's share price. The fair value of the options at the date of the modification has been determined to be $XX. The incremental fair value of $XX is recognised as an expense over the period from the modification date to the end of the extended vesting period. The expense for the original option grant continues to be recognised as if the terms have not been modified.

The fair value of the modified options is determined using the same model and principles as described above, with the following model inputs: [provide details]"

Fair value of goods and services received

In share-based payment transactions where the fair value of goods and services received is determined based on the fair value of equity instruments other than share options, an entity discloses how it has determined the fair value of such equity instruments. Such disclosure includes: SFRS(I) 2.47.b

- if fair value is not measured on the basis of an observable market price, then how it is determined;
- whether and how expected dividends are incorporated into the measurement of fair value; and
- whether and how any other features of the equity instruments granted are incorporated into the measurement of fair value.

Share award disclosures

(1) The detailed disclosures in SFRS(I) 2 are only required for share options. However, share awards are equivalent to share options with a zero exercise price. It is therefore appropriate to provide similar disclosures to the extent they are applicable to the share awards. SFRS(I) 2.45

Information about the fair value measurement of share appreciation rights should be disclosed. The following disclosures should be considered for disclosure for cash-settled share-based payments: SFRS(I) 2.52

- for awards granted during the period, disclosures about fair value measurement at grant date and at the reporting date; and
- for awards granted in previous periods but unexercised at the reporting date, disclosures about fair value measurement at the reporting date.

40 Related party transactions

Other than as disclosed elsewhere in these financial statements, the following transactions took place between the Group and these related parties at terms agreed between the parties: SFRS(I) 1-24.18,19

(a) Trading and other transactions and commitments

	The Group		
	2022	2021	
	$	$	
Sales of goods and/or services to:			
- fellow subsidiaries	**15,608,900**	13,589,000	SFRS(I) 1-24.19.g
- other related parties	**5,879,300**	4,780,300	SFRS(I) 1-24.19.g
Purchase of materials and/or services from:			
- holding corporation	**(5,709,400)**	(3,400,300)	SFRS(I) 1-24.13
- associates/joint ventures	**(16,789,800)**	(15,879,700)	SFRS(I) 1-24.19.d
Payments made on behalf to/(by) and reimbursed by/(to):			
- holding corporation	**600,700**	503,400	SFRS(I) 1-24.13
- fellow subsidiaries	**(450,400)**	(305,400)	SFRS(I) 1-24.19.g
Management/Professional/Technical fees received from/(paid to):			
- holding corporation	**(1,400,200)**	(1,203,200)	SFRS(I) 1-24.13
- associates/joint ventures	**1,200,400**	1,030,600	SFRS(I) 1-24.19.d
Advances/(Repayments) made to/from:			
- holding corporation	**503,200**	406,300	SFRS(I) 1-24.13
- fellow subsidiaries	**(405,600)**	(304,100)	SFRS(I) 1-24.19.g
Sale/(Purchase) commitments to/from: (1)			
- fellow subsidiaries	**30,506,000**	25,607,000	SFRS(I) 1-24.19.g
- other related parties	**10,406,000**	8,040,000	SFRS(I) 1-24.19.g

The Company is a subsidiary of FKT Global Ltd, incorporated in United Kingdom, which is also the Company's ultimate holding corporation. Fellow subsidiaries refer to members of the holding corporation's group of companies. SFRS(I) 1-24.19.g

Other related parties comprise mainly companies which are controlled by the Group's key management personnel and their close family members. SFRS(I) 1-24.9

Sale of goods are made at the Group's usual list prices at average discounts of 3%. Purchases are made at market price discounted to reflect the quantity of goods purchased and the relationships between the companies. SFRS(I) 1-24.23

All intercompany balances are unsecured, interest-free and repayable on demand, unless otherwise stated elsewhere in these financial statements. No guarantees have been given or received. No expense has been recognised in the reporting period for bad or doubtful debts in respect of the amounts owed by related parties. SFRS(I) 1-24.18.b SFRS(I) 1-24.18.c SFRS(I) 1-24.18.d

40 Related party transactions (cont'd)

(b) Key management personnel compensation [2]

	The Group		
	2022	2021	
	$	$	
Wages and salaries	**2,200,690**	2,001,304	SFRS(I) 1-24.17.a
Defined contribution plans, including Central Provident Fund	**214,056**	200,132	SFRS(I) 1-24.17.b
Defined benefit plans			SFRS(I) 1-24.17.b
Share-based payments (equity-settled)	**45,023**	40,233	SFRS(I) 1-24.17.e
Share-based payments (cash-settled)			SFRS(I) 1-24.17.e
Other staff benefits	**210,507**	205,472	SFRS(I) 1-24.17.c
	2,670,276	2,447,141	

The remuneration of key management personnel, all of which are the Company's directors, is determined by the Remuneration Committee having regard to the performance of individuals and market trends. SFRS(I) 1-24.17

Guidance Notes – Related party transactions

Guarantees

It is not uncommon for controlling shareholder cum director to give guarantees in respect of the borrowings of an entity, often without making a charge to the entity. The provision of such a guarantee will be a related party transaction and should be clearly disclosed here. SFRS(I) 1-24.18

Commitments

(1) If an entity has had related party transactions during the period, it shall disclose the nature of the related party relationships as well as information about these transactions and outstanding balances, including commitments. An entity shall disclose commitments to do something if a particular event occurs or does not occur in the future, including recognised and unrecognised executory contracts. The following are examples of commitments which could require disclosure of the amounts as at the reporting date, and the related terms and conditions: SFRS(I) 1-24.18

- long-term incentive schemes for KMP
- agreements with members of KMP to pay certain benefits in the event of termination of employment
- agreements (including options) between the entity and a related party to purchase or sell assets
- agreements (including options) to provide services to or receive services from a related party
- commitments under lease agreements with related parties

Key management personnel (KMP) compensation paid by another related entity

(2) The disclosure required is in respect of services provided to the entity. Therefore, where KMP are paid a single salary in respect of services to more than one entity within the group, it will be necessary to allocate the amounts paid between the services provided to the different group entities for the purposes of disclosure in the separate financial statements of each individual group entity. SFRS(I) 1-24.17

Non-monetary benefits to KMP

For purposes of SFRS(I) 1-24, it would be appropriate to disclose non-monetary benefits granted to KMP. For example, where a member of KMP is given, as part of his employment package, the benefit of staying in a residential property owned by the reporting entity, it would be appropriate to disclose the depreciation of the property recognised in the period, because that is the amount the entity has recognised in profit or loss in respect of the benefits. SFRS(I) 1-24.17.c

SFRS(I) 1-24 does not require disclosure of fair value of the benefit provided. The entity should consider whether the amount recognised reflects the nature of the benefit provided. If the fair value of the benefit could be determined reliably, disclosure of additional information that is relevant to users, including a description of the terms and conditions of the compensation, is encouraged. SFRS(I) 1-24.17.c

KMP services to reporting entity

A reporting entity discloses as a related party any entity, or any member of a group of which it is a part, that provides KMP services to the reporting entity or to the parent of the reporting entity. SFRS(I) 1-24.9.b

41 Operating segments

The Group has the following strategic divisions, which are its reportable segments. These divisions offer different products and services, and are managed separately because they require different technology and marketing strategies. The Group's Chief Executive Officer ("CEO") (the chief operating decision maker ("CODM")) reviews internal management reports of each division on a monthly basis. The following summary describes the operations in each of the Group's reportable segments: (1) SFRS(I) 8.20-22

(i)	Real Estate:	Property investment and development of property for sale.
(ii)	Industrial Construction:	Construction and engineering design of heavy industrial assets and machineries.
(iii)	Engineering Materials:	Sale of engineering materials used in construction and maintenance activities.
(iv)	Hotel Operations: (discontinued operations)	Operation and management of hotel and related facilities and restaurants.

Other operations include investment holding, property management and interior design. None of these business units meets any of the criteria to be classified as reportable segments in 2022 and 2021. SFRS(I) 8.16

There are varying levels of integration between the Industrial Construction and Engineering Materials segments. This integration includes transfers of raw materials and shared distribution services, respectively. Inter-segment pricing is determined on an arm's length basis. SFRS(I) 8.27.a

Information regarding the results of each reportable segment is included below. Performance of each segment is measured based on segment profit (loss) before tax, as included in the internal management reports that are reviewed by the Group's CEO. Segment profit (loss) is used to measure performance as management believes that such information is the most relevant in evaluating the results of certain segments relative to other entities that operate within these industries. SFRS(I) 8.27

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit earned by each segment without allocation of central administration costs and directors' salaries, share of results of associates, interest income, investment income, finance costs and tax expense. This is the measure reported to the CODM for the purposes of resource allocation and assessment of segment performance. SFRS(I) 8.27 SFRS(I) 8.23.f

For the purposes of monitoring segment performance and allocating resources between segments, the CODM also monitors the tangible, intangible and financial assets attributable to each segment. SFRS(I) 8.27

All assets are allocated to reportable segments other than investment in associates (Note 8), tax assets and certain financial assets. Goodwill has been allocated to reportable segments as described in Note 3. Assets used jointly by reportable segments are allocated on the basis of the revenues earned by individual reportable segments. SFRS(I) 8.27

41 Operating segments (cont'd)

Information of the reportable segments as reviewed by the CODM, before any reconciling adjustments to the Group's consolidated financial information, are set out below: (2)

	Continuing operations						Discontinued operations -						
	Real Estate		Industrial Construction		Engineering Materials		Hotel Operations		Other operations		Total		
The Group	**2022 $**	2021 $ (Restated)	**2022 $**	2021 $ (Restated)	**2022 $**	2021 $ (Restated)	**2022 $**	2021 $ (Restated)	**2022 $**	2021 $ (Restated)	**2022 $**	2021 $ (Restated)	
External revenue	**22,329,100**	20,255,090	**42,324,464**	33,155,103	**37,995,363**	28,760,900	**4,629,576**	5,481,704	**-**	-	**107,278,503**	87,652,797	SFRS(I) 8.23.a,32
Inter-segment revenue	**-**	-	**-**	-	**4,150,890**	2,689,034	**-**	-	**159,024**	120,372	**4,309,914**	2,809,406	SFRS(I) 8.23.b
Interest income	**698,374**	544,916	**-**	-	**-**	-	**-**	-	**14,892**	11,842	**713,266**	556,758	SFRS(I) 8.23.c
Finance costs	**2,091,122**	1,875,310	**-**	-	**107,297**	87,267	**-**	-	**-**	-	**2,198,419**	1,962,577	SFRS(I) 8.23.d
Depreciation and amortisation	**225,655**	180,932	**1,200,834**	1,000,548	**959,825**	741,184	**88,710**	71,345	**-**	-	**2,475,024**	1,994,009	SFRS(I) 8.23.e
Segment profit (loss) before tax	**1,102,245**	2,509,822	**1,108,932**	2,609,983	**1,186,971**	1,731,843	**(1,198,898)**	(1,347,849)	**16,872**	13,492	**2,216,122**	5,517,291	SFRS(I) 8.21.b,23
Share of results of associates	**3,097,812**	1,981,606	**-**	-	**-**	-	**-**	-	**-**	-	**3,097,812**	1,981,606	SFRS(I) 8.23.g
Other material non-cash items:													
- Impairment loss on financial assets and contract assets	**310,200**	-	**400,142**	60,534	**180,900**	70,266	**103,400**	58,100	**-**	-	**994,642**	188,900	SFRS(I) 8.23.i
- Allowance made for diminution in value of development properties	**1,090,291**	304,612	**-**	-	**-**	-	**-**	-	**-**	-	**1,090,291**	304,612	SFRS(I) 8.23.i
- Fair value gains/(losses) of investment properties	**437,779**	(504,006)	**-**	-	**-**	-	**-**	-	**-**	-	**437,779**	(504,006)	SFRS(I) 8.23.i
Reportable segment assets	**65,349,898**	61,226,086	**32,098,877**	34,099,825	**30,766,244**	33,088,724	**2,955,822**	-	**32,087**	26,722	**131,202,928**	128,441,357	SFRS(I) 8.21.b
Investment in associates	**56,976,604**	53,253,995	**-**	-	**-**	-	**-**	-	**-**	-	**56,976,604**	53,253,995	SFRS(I) 8.24.a
Capital expenditure	**224,532**	-	**1,123,378**	86,376	**987,223**	78,092	**-**	-	**-**	-	**2,335,133**	164,468	SFRS(I) 8.24.b
Reportable segment liabilities	**(41,300,814)**	(31,855,150)	**(19,800,344)**	(21,399,822)	**(17,988,022)**	(21,990,326)	**(2,255,000)**	-	**(15,877)**	(12,988)	**(81,360,057)**	(75,258,286)	SFRS(I) 8.21.b

41 Operating segments (cont'd)

Reconciliation of the revenue, profit or loss, assets and liabilities of the reportable segments to the Group's consolidated financial information are as follows: (3) SFRS(I) 8.28

	The Group		
	2022	2021	
	$	$	
		(Restated)	
Revenue			SFRS(I) 8.28.a
Total revenue for reportable segments	**111,588,417**	90,462,203	
Revenue for other operations	**-**	-	
Elimination of inter-segment revenue	**(4,309,914)**	(2,809,406)	
Elimination of discontinued operations	**(4,629,576)**	(5,481,704)	
Consolidated revenue	**102,648,927**	82,171,093	
Profit or loss before tax			SFRS(I) 8.28.b
Total profit or loss before tax for reportable segments	**2,199,250**	5,503,799	
Profit or loss before tax for other operations	**16,872**	13,492	
	2,216,122	5,517,291	
Elimination of inter-segment profits	**(659,883)**	(233,522)	
Elimination of discontinued operations	**1,198,898**	1,347,849	
Unallocated amounts:			
- other corporate expenses	**(919,247)**	(598,522)	
Share of results of associates	**3,097,812**	1,981,606	
Consolidated profit before tax from continuing operations	**4,933,702**	8,014,702	
Assets			SFRS(I) 8.28.c
Total assets for reportable segments	**131,170,841**	128,414,635	
Assets for other operations	**32,087**	26,722	
Investment in associates	**56,976,604**	53,253,995	
Other unallocated amounts	**5,890,034**	7,099,823	
Consolidated total assets	**194,069,566**	188,795,175	
Liabilities			SFRS(I) 8.28.d
Total liabilities for reportable segments	**(81,360,057)**	(75,258,286)	
Liabilities for other operations	**(15,877)**	(12,988)	
Other unallocated amounts	**(3,283,946)**	(3,076,235)	
Consolidated total liabilities	**(84,659,880)**	(78,347,509)	

For the other material non-cash items of the reportable segments, there are no reconciling differences to the Group's consolidated financial information. SFRS(I) 8.28.e

The Group operates in four principal geographical areas namely, Singapore, Malaysia, Hong Kong and China. SFRS(I) 8.33.a

The Group's revenue from external customers and information about its segment assets by geographical location are detailed below: SFRS(I) 8.33.b

	Revenue		Assets	
	2022	2021	**2022**	2021
The Group	**$**	$	**$**	$
Singapore	**54,998,834**	43,899,345	**110,988,651**	107,899,023
Malaysia	**21,099,834**	20,899,342	**42,098,236**	40,899,230
Hong Kong	**17,099,823**	13,099,823	**22,890,300**	21,509,856
China	**6,462,344**	3,172,760	**12,202,345**	11,387,243
Others	**2,988,092**	1,099,823	**5,890,034**	7,099,823
Consolidated total	**102,648,927**	82,171,093	**194,069,566**	188,795,175

Includes in the Group's consolidated revenue are sales of approximately $21.8 million (2021: $18.8 million) to a corporate customer who contributes to at least 10% of the Group's revenue for 2022 and 2021 in the Industrial Construction segment. SFRS(I) 8.34

Guidance Notes – Operating segments

Requirements of SFRS(I) 8

The following segment information is required by SFRS(I) 8, to be presented in the consolidated financial statements of a group with a parent (and in the separate or individual financial statements of an entity):

- whose debt or equity instruments are traded in a public market; or
- who files, or is in the process of filing, its (consolidated) financial statements with a securities commission or other regulatory organisation for the purpose of issuing any class of instruments in a public market.

SFRS(I) 15 and SFRS(I) 8 do not have similar aggregation criteria. More disaggregation may be required for SFRS(I) 15, because SFRS(I) 8 permits aggregation in certain situations. Management should not assume the two SFRS(I) disclosures will be disaggregated at the same level, unless they can conclude that the disaggregation level is the same in both SFRS(I) and segment revenue is measured on the same basis. In that case, repetition of revenue disclosure information is not necessary.

Segment description

(1) Entities shall disclose factors used to identify its reportable segments, including the basis of organisation, and types of products and services from which each reportable segment derives its revenues. Entities must also disclose the judgements made by management in applying the aggregation criteria of the standard, including a description of the aggregated segments and the economic indicators that have been assessed in determining that the aggregated segments share similar economic characteristics. SFRS(I) 8.22

Disclosure information

(2)
- a measure of profit or loss for each reportable segment; SFRS(I) 8.23
- a measure of assets and/or liabilities for each reportable segment if such amounts are provided regularly to the CODM; and
- the following about each reportable segment if the specified amounts are included in the measure of profit or loss reviewed by the CODM or are otherwise provided regularly to the CODM, even if they are not included in that measure of segment profit or loss:
  - – revenues from external customers;
  - – revenues from transactions with other operating segments of the same entity;
  - – interest revenue;
  - – interest expense;
  - – depreciation and amortisation;
  - – material items of income and expense
  - – the entity's interest in the profit or loss of associates and joint ventures accounted for by the equity method;
  - – tax expense or income; and
  - – material non-cash items other than depreciation and amortisation.

Reconciliation of segment information to SFRS(I) financial statements

(3) Underlying SFRS(I) 8 is a 'management approach' to reporting the financial performance of operating segments, in which an entity presents segment information that is consistent with that reviewed by an entity's CODM. This means that segment information disclosed in the financial statements will not be in accordance with SFRS(I) if this is how the information reported to the CODM is prepared. SFRS(I) 8.27,28

To help users understand the segment information presented, SFRS(I) 8 requires an entity to disclose:

- information about the measurement basis adopted, such as the nature and effects of any differences between the measurements used in reporting segment information and those used in the entity's financial statements, and the nature and effect of any asymmetrical allocations to reportable segments; and
- reconciliations of segment information to the corresponding amounts in the entity's SFRS(I) financial statements.

In addition, if the CODM reviews a non-GAAP measure (e.g. EBITDA) to assess performance of the reportable segments, a reconciliation to the Group's consolidated net profit before tax and discontinued operations is required.

Operating segments aggregated

Where management has aggregated operating segments, the entity discloses: SFRS(I) 8.22.aa

- a brief description of the operating segments that have been aggregated; and
- the economic indicators that have been assessed in determining that the aggregated operating segments share similar economic characteristics.

'Entity-wide' disclosures

As part of the required 'entity-wide disclosures', an entity discloses revenue from external customers for each product and service, or each group of similar products and services, regardless of whether the information is used by the CODM in assessing segment performance. Such disclosure is based on the financial information used to produce the entity's financial statements. SFRS(I) 8.32

Measure of segment assets and liabilities

SFRS(I) 8 requires a measure of segment assets and segment liabilities to be disclosed only if the amounts are regularly provided to the CODM. SFRS(I) 8.23

42 Leases

(i) The Group as lessee

(a) Properties

The Group leases several factory cum warehouse premises for operation and storage purposes (Note 5). Certain of these factory cum warehouse premises are sublet to third parties, as discussed below under the Group's leasing activities as intermediate lessor of sublease. SFRS(I) 16.59.a

The Group has made an upfront payment to secure a 30-year leasehold building that is used as office premises. This leasehold building is recognised within the Group's right-of-use assets (Note 5). SFRS(I) 16.59.a

The Group makes quarterly lease payments for the use of a land parcel to construct and hold a commercial building that is accounted for as an investment property. This leasehold land is also classified within the Group's investment properties (Note 6). SFRS(I) 16.59.a

There are no externally imposed covenants on these property lease arrangements. SFRS(I) 16.59.c

(b) Plant and equipment and motor vehicles

The Group makes monthly lease payments to acquire plant and equipment used for manufacturing and construction activities. The Group also acquires motor vehicles under hire purchase arrangements to render internal logistics support. These plant and equipment and motor vehicles are recognised as the Group's right-of-use assets (Note 5). The hire purchase agreements for motor vehicles prohibit the Group from subleasing them to third parties. SFRS(I) 16.59.c

(c) Future cash outflows not capitalised in lease liabilities – Extension options

The leases for certain factory cum warehouse premises, plant and equipment, and motor vehicles provide for optional extension periods, for which the related lease payments have not been included in lease liabilities because the Group is not reasonably certain to exercise these extension options. The Group negotiates extension options to optimise operational flexibility in terms of managing the assets used in the Group's operations. The extension options are exercisable only by the Group and not by the lessor. The undiscounted potential future cash outflows for the lease payments during the extension periods amount to $180,000 (2021: $160,000). SFRS(I) 16.B50.a

Information regarding the Group's right-of-use assets and lease liabilities are disclosed in Note 5 and 24 respectively. SFRS(I) 16.52

42 Leases (cont'd)

(ii) The Group as lessor

Investment properties

Operating leases, in which the Group is the lessor, relate to investment properties (Note 6) owned by the Group with lease terms of between 6 to 8 years with one-year extension option. All operating lease contracts contain market review clauses in the event that the lessee exercises its option to renew. The lessee does not have an option to purchase the property at the expiry of the lease period. SFRS(I) 16.89

These leases are classified as operating lease because the risk and rewards incidental to ownership of the assets are not substantially transferred. The unguaranteed residual values do not represent a significant risk for the Group, as they relate to properties which are located in locations with constant increase in value over the last 5 years. The Group has not identified any indications that this situation will change. SFRS(I) 16.92.a,b

The Group's revenue from rental income received on the investment properties are disclosed in Note 28. SFRS(I) 1-40.75.f.i

The future minimum rental receivable under non-cancellable operating leases contracted for at the reporting date are as follows: SFRS(I) 16.97

	The Group	
	2022	2021
	$	$
Undiscounted lease payments to be received:		
- Year 1	**2,800,800**	2,240,640
- Year 2	**2,800,800**	2,720,720
- Year 3	**2,305,600**	2,720,720
- Year 4	**2,305,600**	2,275,040
- Year 5	**2,006,700**	2,275,040
- Year 6 and onwards	**1,605,300**	3,550,800
	13,824,800	15,782,960

42 Leases (cont'd)

(iii) The Group as intermediate lessor of sublease

The Group acts as an intermediate lessor under arrangements whereby it subleases out certain plant and equipment and factory cum warehouse premises to third parties for monthly lease payments. For the sublet plant and equipment, their sublease periods do not form a major part of the remaining head lease terms and accordingly, their subleases are classified as operating lease. For the sublet factory cum warehouse premises, their subleases are classified as finance lease because these subleases are for substantial portion of the remaining head lease terms. SFRS(I) 16.92.a

(a) Subleases – classified as operating lease

Rental income of $75,244 (2021: $164,032) and variable lease payments received that do not depend on an index or rate of $12,823 (2021: $20,872) from subleasing the plant and equipment during the year are included within "other income" in profit or loss. SFRS(I) 16.53.f SFRS(I) 16.90.b

Undiscounted lease payments from the sublease of the plant and equipment to be received after the reporting date are as follows: SFRS(I) 16.97

	The Group	
	2022	2021
	$	$
Less than one year	**77,800**	153,600
One to two years	**48,900**	123,700
Total undiscounted lease payments	**126,700**	277,300

(b) Subleases – classified as finance lease

The Group's sublease of its right-of-use of the factory cum warehouse premises is accounted for by derecognising the right-of-use assets relating to the head leases and recognising the net investment in the sublease under the Group's finance lease receivables (Note 10). SFRS(I) 16.92.a

Finance income on the net investment in sublease of $22,109 (2021: $8,902) for the year is recognised within "interest income" in profit or loss. SFRS(I) 16.90.a

The maturity analysis of the undiscounted lease payments to be received is disclosed in Note 10. SFRS(I) 16.94

Guidance Notes – Leases

Disclosure on leases in a single note or separate section

An entity shall disclose information about its leases in a single note or separate section in the financial statements. However, there is no need to duplicate certain information that is already presented elsewhere, provided that information is incorporated by cross-reference in a single note or separate section. SFRS(I) 16.52

(N.B. The Group has opted to disclose leasing activities and related profit or loss information in this note and separately the disclosure information on ROU assets and lease liabilities in Note 5 and 24 respectively and then make necessary cross references to one another. An alternative shall be to include all the required disclosure information in this note.)

Guidance Notes – Leases (cont'd)

Disclosures by lessee and lessor

SFRS(I) 16 requires disclosure of the following information, which users of the financial statements have identified as being most useful to their analysis: SFRS(I) 16.53

- depreciation charge for right-of-use assets, split by class of underlying asset;
- interest expense on lease liabilities;
- short-term lease expense for such leases with a lease term greater than one month;
- low-value asset lease expense (except for portions related to short-term leases);
- variable lease expense (i.e. for variable lease payments not included in the lease liability);
- income from subleasing right-of-use assets;
- total cash outflow for leases;
- additions to right-of-use assets;
- gains and losses arising from sale and leaseback transactions; and
- carrying amount of right-of-use assets at the end of the reporting period by class of underlying asset.

All of the above disclosures are required to be presented in a tabular format, unless another format is more appropriate. The amounts to be disclosed must include costs that the lessee has included in the carrying amount of another asset during the reporting period. SFRS(I) 16.54

SFRS(I) 16 requires disclosure of the total cash outflow for leases. This includes all lease payments regardless whether the payments are capitalised as part of lease liabilities. SFRS(I) 16.53.g

SFRS(I) 16 requires disclosure of the amount of lease commitments for short-term leases when short-term lease commitments at the end of the reporting period are dissimilar to the same period's short-term lease expense (that is otherwise required to be disclosed). SFRS(I) 16.55

Additional disclosures

SFRS(I) 16 requires additional qualitative and quantitative information about an entity's leasing activities necessary to meet the disclosure objective. These additional information may include, but is not limited to, information that helps users of the financial statements to assess: SFRS(I) 16.59

- the nature of the lessee's leasing activities;
- future cash outflows to which the lessee is potentially exposed that are not reflected in the measurement of lease liabilities:
  - variable lease payments
  - extension options and termination options
  - residual value guarantees
  - leases not yet commenced to which the lessee is committed;
- restrictions or covenants imposed by leases; and
- sale and leaseback transactions.

Entities would need to exercise judgement in determining the extent of disclosures needed to satisfy the disclosure objective of the standard (i.e. to provide a basis for users to assess the effect of leases on the financial position, financial performance and cash flows of the lessee).

Right-of-use assets classified as investment property

If right-of-use assets meet the definition of investment property, a lessee shall apply the disclosure requirements in SFRS(I) 1-40. In that case, a lessee is not required to provide the following disclosures: SFRS(I) 16.56

- depreciation charge for right-of-use assets by class of underlying assets;
- income from subleasing right-of-use assets;
- additions to right-of-use assets; and
- the carrying amount of right-of-use assets at the reporting period by class of underlying asset.

Sale and leaseback

For any sale and leaseback transactions entered, an entity is expected to disclose qualitative and quantitative information about the transaction, for example: SFRS(I) 16.59.d
SFRS(I) 16.B52

(a) lessee's reasons for sale and leaseback transactions and the prevalence of those transactions;
(b) key terms and conditions of individual sale and leaseback transactions;
(c) payments not included in the measurement of lease liabilities; and
(d) the cash flow effect of sale and leaseback transactions in the reporting period.

43 Commitments

(a) Capital commitments

Capital expenditures contracted for at the reporting date but not recognised in the financial statements, excluding those relating to investment in associates, are as follows:

	The Group		
	2022	2021	
	$	$	
Investment properties			SFRS(I) 1-40.75.h
Development properties	**1,500,900**	1,600,300	
Property, plant and equipment	**467,200**	870,200	SFRS(I) 1-16.74.c
Intangible assets			SFRS(I) 1-38.122.e
	1,968,100	2,470,500	

(b) Repairs and maintenance – investment properties

	The Group		
	2022	2021	
	$	$	
Contractual obligations for future repairs and maintenance – not recognised as liability	**1,308,200**	1,200,900	SFRS(I) 1-40.75.h

44 Contingencies

(a) Contingent liabilities SFRS(I) 1-37.86

Contingent liabilities, excluding those relating to business combinations (Note 7(a)) and investment in associates (Note 8), of which the probability of settlement is not remote at the reporting date, are as follows:

(i) A claim for unspecified damages was lodged against a wholly-owned subsidiary of the Company, FKT Construction Pte Ltd, in December 2021 in relation to alleged non-performance under a sales contract. The subsidiary has disclaimed liability and is defending the action. It is not practical to estimate the potential effect of this claim, but legal advice indicates that it is not probable that a significant liability will arise. SFRS(I) 1-37.86,91

(ii) In September 2022, a claim was lodged in Hong Kong against FKT Engineering (Shenzhen) Co Ltd, a wholly-owned subsidiary of the Group, asserting that the subsidiary had breached certain registered patents of a competitor. The matter is currently being considered by the local courts, and the Group expects judgment before the end of June 2023. The Group considers it to be probable that the judgment will be in its favour and has therefore not recognised a provision in relation to this claim. The potential undiscounted amount of the total payments that the Group could be required to make, if there was an adverse decision related to the lawsuit, is estimated to be approximately $250,000. SFRS(I) 1-37.86

(b) Contingent assets

In November 2022, FKT Construction (HK) Limited, a subsidiary of the Group, has lodged a claim in Hong Kong for $150,000 against a supplier for damages caused by the supply of faulty products. The matter has been referred to arbitration and, having received legal advice, the directors believe that a favourable outcome is probable. However, the contingent asset has not been recognised as a receivable at 31 December 2022 as receipt of the amount is dependent on the outcome of the arbitration process. SFRS(I) 1-37.89

Guidance Notes – Contingencies

Application of definitions

Careful consideration will need to be given to each potential contingent liability or asset. For example, in the case of an entity that has: SFRS(I) 1-37.10

- incurred liabilities in acting as trustee for a trust: if the liabilities of the trust are insignificant compared to the assets in the trust and the chances of the trustee being called to meet those liabilities is remote, no contingent liability and asset disclosures will need to be made. It is likely that it will be possible to demonstrate remoteness where the entity is acting as trustee for an equity trust that has no borrowings and holds investments that can be readily sold to meet any liabilities that do arise. Remoteness is unlikely to be demonstrated where an entity acts as trustee for a trust that is carrying on a business and the trustee is incurring liabilities and undertaking the risks relating to the business.
- provided a guarantee or indemnity to another party: it will be more difficult to demonstrate the probability of having to meet the potential liabilities as being remote because there are likely to be commercial risks which gave rise to the need for the guarantee or indemnity.

45 Financial risk management

The Group's risk management is predominantly controlled by a central treasury department (Group treasury) under policies approved by the board of directors. Group treasury identifies, evaluates and hedges financial risks in close co-operation with the Group's operating units. The board provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. SFRS(I) 7.31-33

The Group uses a variety of derivative financial instruments to manage its exposure to interest rate and foreign currency risk, including: SFRS(I) 7.21A.a

- interest rate swaps to mitigate the risk of rising interest rates; and
- forward exchange contracts to hedge the exchange rate risks arising from trade receivables and trade payables, and firm commitments to buy or sell goods.

Where all relevant criteria are met, hedge accounting is applied to remove the accounting mismatch between the hedging instrument and the hedged item. This will effectively result in recognising interest expense at a fixed interest rate for the hedged floating rate loans and inventory at the fixed foreign currency rate for the hedged purchases. SFRS(I) 7.21A.c

The Group does not hold or issue derivative financial instruments for speculative purposes.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risk. Market risk exposures are measured using sensitivity analysis indicated below. SFRS(I) 7.33.c SFRS(I) 7.40.c

(i) Foreign exchange risk management

The Group transacts business in various foreign currencies, including the United States dollar (USD), Chinese renminbi (RMB), Malaysian ringgit (MYR) and Hong Kong dollar (HKD), and therefore is exposed to foreign exchange risk. SFRS(I) 7.33,34

As at each reporting date, the carrying amounts of monetary assets and monetary liabilities denominated in currencies other than the respective group entities' functional currencies are as follows: (1a) (1b) SFRS(I) 7.34.a

The Group

	Liabilities		Assets	
	2022	2021	**2022**	2021
	$	$	**$**	$
USD	**5,099,802**	4,689,902	**13,099,265**	15,009,080
RMB	**3,098,800**	2,980,073	**9,002,370**	10,800,923
MYR	**3,209,882**	3,108,892	**4,057,820**	7,089,902
HKD	**2,008,092**	1,807,789	**4,090,231**	4,088,930
	13,416,576	12,586,656	**30,249,686**	36,988,835

The Company

	Liabilities		Assets	
	2022	2021	**2022**	2021
	$	$	**$**	$
USD	**1,509,890**	1,089,009	**2,490,890**	3,508,990
RMB	**1,409,899**	1,109,800	**2,409,982**	3,098,870
	2,919,789	2,198,809	**4,900,872**	6,607,860

Companies in the Group use forward contracts to hedge their exposure to foreign currency risk in the local reporting currency. Group treasury is responsible for hedging the net position in each borrowing currency.

45 Financial risk management (cont'd)

(i) Foreign exchange risk management (cont'd)

The Group and the Company has a number of investments in foreign subsidiaries, whose net assets are exposed to currency translation risk. The Group and the Company does not currently designate its foreign currency denominated debt as a hedging instrument for the purpose of hedging the translation of its foreign operations.

Foreign currency sensitivity

The following table details the sensitivity to a 10% increase and decrease in the relevant foreign currencies against the functional currency of each group entity. 10% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the period end for a 10% change in foreign currency rates. The sensitivity analysis includes external loans as well as loans to foreign operations within the Group where they gave rise to an impact on the Group's profit or loss and/or equity. SFRS(I) 7.40.a,b

If the relevant foreign currency weakens by 10% against the functional currency of each group entity, profit or loss and other equity will increase (decrease) by: [1c]

	The Group					
	Profit or loss			Other equity		
	2022	2021		**2022**	2021	
	$	$		**$**	$	
USD impact	**(799,946)**	(1,031,918)	(i)	**(39,997)**	(41,277)	(ii)
RMB impact	**(590,357)**	(782,085)	(i)	**(29,518)**	(31,283)	(ii)
MYR impact	**(84,794)**	(398,101)	(i)	**-**	-	
HKD impact	**(208,214)**	(228,114)	(i)	**-**	-	

	The Company				
	Profit or loss			Other equity	
	2022	2021		**2022**	2021
	$	$		**$**	$
USD impact	**(98,100)**	(241,998)	(i)	**-**	-
RMB impact	**(100,008)**	(198,907)	(i)	**-**	-

If the relevant foreign currency strengthens by 10% against the functional currency of each group entity, profit or loss and other equity will increase (decrease) by: [1c]

	The Group					
	Profit or loss			Other equity		
	2022	2021		**2022**	2021	
	$	$		**$**	$	
USD impact	**799,946**	1,031,918	(i)	**39,997**	41,277	(ii)
RMB impact	**590,357**	782,085	(i)	**29,518**	31,283	(ii)
MYR impact	**84,794**	398,101	(i)	**-**	-	
HKD impact	**208,214**	228,114	(i)	**-**	-	

	The Company				
	Profit or loss			Other equity	
	2022	2021		**2022**	2021
	$	$		**$**	$
USD impact	**98,100**	241,998	(i)	**-**	-
RMB impact	**100,008**	198,907	(i)	**-**	-

45 Financial risk management (cont'd)

<u>(i) Foreign exchange risk management (cont'd)</u>

Foreign currency sensitivity (cont'd)

(i) This is mainly attributable to the exposure outstanding on receivables and payables at the reporting date in the Group and in the Company respectively.

(ii) This is mainly as a result of the changes in fair value of derivative instruments designated as cash flow hedges.

The Group's sensitivity to foreign currency has decreased during the current year mainly due to the disposal of USD investments and the reduction in USD sales in the last quarter of the financial year which has resulted in lower USD denominated trade receivables.

<u>(ii) Interest rate risk management</u>

Summary quantitative data of the Group's interest-bearing financial instruments can be found in section (v) of this note. The Group's policy is to maintain cash equivalents and borrowings in fixed rate instruments. The Group sometimes borrows at variable rates and uses interest rate swaps as cash flow hedges of future interest payments, which have the economic effect of converting borrowings from floating rates to fixed rates. The interest rate swaps allow the Group to raise long-term borrowings at floating rates and swap them into fixed rates that are lower than those available if the Group borrows at fixed rates directly. Under the interest rate swaps, the Group agrees with other parties to exchange, at specified intervals, the difference between fixed contract rates and floating rate interest amounts calculated by reference to the agreed notional principal amounts. Further details of the interest rate swaps can be found in Note 14. SFRS(I) 7.33,34

Interest rate sensitivity

The sensitivity analyses below have been determined based on the exposure to interest rates for both derivatives and non-derivative instruments at the reporting date and the stipulated change taking place at the beginning of the financial year and held constant throughout the reporting period in the case of instruments that have floating rates. A 50 basis point increase or decrease is used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates. SFRS(I) 7.34.a SFRS(I) 7.40.b

If interest rates have been 50 basis points higher or lower and all other variables are held constant, the Group's: SFRS(I) 7.40.a

- profit for the year would increase/decrease by $200,000 (2021: increase/decrease by $220,000), mainly attributable to the Group's exposure to interest rates on its variable rate borrowings; and
- other equity reserves would decrease/increase by $21,000 (2021: decrease/increase by $23,000) mainly as a result of the changes in the fair value of fixed rate instruments measured at FVOCI.

If interest rates have been 50 basis points higher or lower and all other variables are held constant, the Company's: SFRS(I) 7.40.a

- profit for the year would increase/decrease by $130,000 (2021: increase/decrease by $170,000), mainly attributable to the Company's exposure to interest rates on its variable rate borrowings; and
- other equity reserves would decrease/increase by $21,000 (2021: decrease/increase by $23,000) mainly as a result of the changes in the fair value of fixed rate instruments measured at FVOCI.

The Group's and the Company's sensitivity to interest rates cash flow risks has decreased during the current period mainly due to the reduction in variable rate debt instruments and the increase in interest rate swaps. SFRS(I) 7.40.a

45 Financial risk management (cont'd)

(ii) Interest rate risk management (cont'd)

Interest rate benchmark reform

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates (IBORs) with alternative nearly risk-free rates (referred to as 'interest rate benchmark reform'). The Group has closely monitored the market and the output from the various industry working groups managing the transition to new interest rate benchmarks. In Singapore, the Steering Committee for SOR and SIBOR transition to SORA (SC-STS) together with the Association of Banks in Singapore (ABS) and Singapore Foreign Exchange Market Committee (SFEMC), has identified the Singapore Overnight Rate Average (SORA) as the alternative interest rate benchmark to replace SOR and SIBOR in Singapore. The timeline for SORA to replace SOR and SIBOR is by the end of June 2023 and December 2024 respectively. SFRS(I) 7.24H.c

The Group is exposed to the following IBORs which are subject to the interest rate benchmark reform and the exposures arise on [derivatives and non-derivative financial assets and liabilities]: SFRS(I) 7.24H.a, SFRS(I) 7.24J.a

- SGD SIBOR;
- [currency] [interest rate benchmark]; and
- [currency] [interest rate benchmark].

In response, the Group has in place an interest rate benchmark transition programme comprising the following work streams: risk management, tax, treasury, legal, accounting and information technology. The aim of the programme is to understand where the IBOR exposures are within the business, so as to prepare and deliver on an action plan to enable a smooth transition to alternative benchmark rates. The Group is in the midst of finalising its transition and fall-back plans. SFRS(I) 7.24I.a-b, SFRS(I) 7.24J.a

For the Group's floating rate debt, the Group has discussed with the banks to amend the SGD bank loan to change the reference benchmark interest rate from SIBOR to SORA. For the Group's derivatives which are referencing to SIBOR, the fall back clauses have been made available by the International Swaps and Derivatives Association (ISDA) in 2021, and the Group has started discussions with the banks to implement this language into the relevant agreements. SFRS(I) 7.24H.c

The key risks for the Group arising from the transition are as follows: SFRS(I) 7.24H.b

- If the bilateral negotiations with the Group's counterparties are not successfully concluded before the cessation of SIBOR, there are significant uncertainties with regard to the interest rate that will apply. This gives rise to additional interest rate risk that was not anticipated when the contracts were entered into and thus will not be captured by the Group's interest rate risk management strategy.
- Interest rate risk over settlement may arise if a non-derivative instrument and the derivative instrument held to manage the interest rate risk on the non-derivative instrument transition to alternative benchmark rates at different times. This risk may also arise where back-to-back derivatives transition at different times.
- There are fundamental differences between IBOR and the various alternative benchmark rates which the Group will be adopting. IBOR are forward-looking term rates published for a period (e.g. 12 months) at the beginning of that period and include an inter-bank credit spread, whereas alternative benchmark rates are typically risk-free overnight rates published at the end of the overnight period with no embedded credit spread. These differences will result in additional uncertainty regarding floating rate interest payments, which may require additional liquidity management.
- If no agreement is reached to implement the interest rate benchmark reform on existing contracts, (e.g. arising from differing interpretation of existing fallback terms), there is a risk of prolonged disputes with counterparties which could give rise to additional legal and other costs.

45 Financial risk management (cont'd)

(ii) Interest rate risk management (cont'd)

Interest rate benchmark reform (cont'd)

Set out below are details of the hedging instruments and hedged items in scope of the amendments to SFRS(I) 9 and SFRS(I) 1-39 due to the interest rate benchmark reform, by hedge type. The terms of the hedged items listed match those of the corresponding hedging instruments. SFRS(I) 7.24H.a,b,e

Hedge type	Instrument type	Maturity date	Nominal amount	Hedged item
Cash flow hedge	Interest rate swap: Receive 12-month SIBOR and pay SGD fixed rate	2026	$20,000,000	SGD 12-month SIBOR floating rate bank loan
Fair value hedge	Interest rate swap: Receive SGD fixed rate and pay XX-month SIBOR	[date]	[amount]	SGD fixed rate bank loan
Net investment hedge	Cross currency interest rate swap: Receive XX-month SIBOR and pay XX-month [currency of country] LIBOR	[date]	[amount]	Net investment in foreign operation in [name of country]

The following table shows the quantitative information about the Group's non-derivative financial assets, non-derivative financial liabilities and derivatives that have yet to transition to an alternative benchmark rate as at the reporting date. The amounts of financial assets and financial liabilities are shown at their carrying amounts and derivatives are shown at their nominal amounts. SFRS(I) 7.24J.b

	SIBOR		SOR	
	Total amount of unreformed contracts	Amount with appropriate fall-back plans	Total amount of unreformed contracts	Amount with appropriate fall-back plans
The Group	$	$	$	$
2022				
Non-derivative financial assets				
Debt investments	600,000	-	XXX	XXX
Non-derivative financial liabilities				
Bank loans	10,046,519	3,523,260	XXX	XXX
Derivatives				
Interest rate swaps	20,000,000	-	XXX	XXX
The Company				
2022				
Non-derivative financial assets				
Debt investments	600,000	-	XXX	XXX
Non-derivative financial liabilities				
Bank loans	XXX	XXX	XXX	XXX
Derivatives				
Interest rate swaps	XXX	XXX	XXX	XXX

The Group will continue to apply the amendments to SFRS(I) 9 and SFRS(I) 1-39 until the end of the uncertainty arising from the interest rate benchmark reform with respect to the timing and amount of the underlying cash flows that the Group is exposed to. The Group has assumed that this uncertainty will not end until the Group's contracts that reference IBOR are amended to specify the date of replacement for the interest rate benchmark, the cash flows of the alternative benchmark rate and the relevant spread adjustment. SFRS(I) 7.24H.d

45 Financial risk management (cont'd)

(iii) Equity price risk management

The Group is exposed to equity risks arising from equity investments classified as held-for-trading and at FVOCI. Equity investments measured at FVOCI are held for strategic rather than trading purposes. The Group does not actively trade such investments. SFRS(I) 7.33,34

Further details of these equity investments can be found in Note 9.

Equity price sensitivity

The sensitivity analyses below have been determined based on the exposure to equity price risks at the reporting date. SFRS(I) 7.40.a,b

In respect of equity investments at FVOCI, if the inputs to the valuation model have been 10% higher/lower while all other variables are held constant:

- The Group's and the Company's net profit for the year ended 31 December 2022 and 2021 would have been unaffected as the equity investments are classified as at FVOCI; and
- The Group's and the Company's fair value reserve would decrease/increase by $114,000 (2021: decrease/increase by $103,000).

In respect of held-for-trading equity investments, if equity prices have been 10% higher/lower:

- The Group's and the Company's net profit for the year ended 31 December 2022 would decrease/increase by $102,000 (2021: decrease/increase by $100,000).

The Group's and the Company's sensitivity to equity prices has not changed significantly from the prior year.

(iv) Credit risk management

Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the Group and the Company. As at 31 December 2022, the Group's and the Company's maximum exposure to credit risk without taking into account any collateral held or other credit enhancements, which will cause a financial loss to the Group and the Company due to failure to discharge an obligation by the counterparties and financial guarantees provided by the Group and the Company arises from: SFRS(I) 7.7 SFRS(I) 7.31 SFRS(I) 7.35K.a

- the carrying amount of the respective recognised financial assets as stated in the statements of financial position; and
- the maximum amount the Group and the Company would have to pay if the financial guarantee is called upon, irrespective of the likelihood of the guarantee being exercised. The related loss allowance is disclosed in the respective notes to the financial statements. SFRS(I) 7.35M SFRS(I) 7.B10.c

45 Financial risk management (cont'd)

(iv) Credit risk management (cont'd)

In order to minimise credit risk, the Group has tasked its credit management committee to develop and maintain the Group's and the Company's credit risk gradings to categorise exposures according to their degree of risk of default. The credit rating information is supplied by independent rating agencies where available and, if not available, the credit management committee uses other publicly available financial information and the Group's and the Company's own trading records to rate its major customers and other debtors. The Group's and the Company's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. SFRS(I) 7.35B.a SFRS(I) 7.35F.a.i

The Group's and the Company's current credit risk grading framework comprises the following categories: (2)

Category	Description	Basis for recognising expected credit losses (ECL)
Performing	The counterparty has a low risk of default and does not have any past-due amounts.	12-month ECL
Doubtful	Amount is >30 days past due or there has been a significant increase in credit risk since initial recognition.	Lifetime ECL – not credit-impaired
In default	Amount is >90 days past due or there is evidence indicating the asset is credit-impaired.	Lifetime ECL – credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group or the Company has no realistic prospect of recovery.	Write-off of amount

The tables below detail the credit quality of the Group's and the Company's financial assets and other items, as well as maximum exposure to credit risk by credit risk rating grades: SFRS(I) 7.35M SFRS(I) 7.35N SFRS(I) 7.36.a

The Group	Note	External credit rating	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
					$	$	$
2022							
Trade receivables	17	n.a	(i)	Lifetime ECL (simplified approach)	**15,933,905**	**(575,400)**	**15,358,505**
Other receivables	17	n.a	Performing	12-month ECL	**7,684,039**	**-**	**7,684,039**
Contract assets	15	n.a	(i)	Lifetime ECL (simplified approach)	**12,052,371**	**(768,573)**	**11,283,798**
Finance lease receivables	10	n.a	(i)	Lifetime ECL (simplified approach)	**948,531**	**-**	**948,531**
Debt investments at amortised cost	9	AA	Performing	12-month ECL	**1,000,000**	**-**	**1,000,000**
					37,618,846	**(1,343,973)**	**36,274,873**
2021							
Trade receivables	17	n.a	(i)	Lifetime ECL (simplified approach)	18,660,641	(474,800)	18,185,841
Other receivables	17	n.a	Performing	12-month ECL	8,766,276	-	8,766,276
Contract assets	15	n.a	(i)	Lifetime ECL (simplified approach)	13,799,824	(168,231)	13,631,593
Finance lease receivables	10	n.a	(i)	Lifetime ECL (simplified approach)	382,844	-	382,844
Debt investments at amortised cost	9	AA	Performing	12-month ECL	372,000	-	372,000
					41,981,585	(643,031)	41,338,554

45 Financial risk management (cont'd)

(iv) Credit risk management (cont'd)

The Company	Note	External credit rating	Internal credit rating	12-month or Lifetime ECL	Gross carrying amount	Loss allowance	Net carrying amount
					$	$	$
2022							
Other receivables	17	n.a	Performing	12-month ECL	**13,032,695**	**-**	**13,032,695**
Debt investments at amortised cost	9	AA	Performing	12-month ECL	**1,000,000**	**-**	**1,000,000**
					14,032,695	**-**	**14,032,695**
2021							
Other receivables	17	n.a	Performing	12-month ECL	15,712,482	-	15,712,482
Debt investments at amortised cost	9	AA	Performing	12-month ECL	372,000	-	372,000
					16,084,482	-	16,084,482

(i) For trade receivables, contract assets and finance lease receivables, the Group has applied the simplified approach in SFRS(I) 9 to measure the loss allowance at lifetime ECL. The Group determines the expected credit losses on these items by using a provision matrix, estimated based on historical credit loss experience based on the past due status of the debtors, adjusted as appropriate to reflect current conditions and estimates of future economic conditions. Accordingly, the credit risk profile of these assets is presented based on their past due status in terms of the provision matrix.

The carrying amount of the Group's and the Company's financial assets at FVOCI and at FVPL represents their respective maximum exposure to credit risk. The Group and the Company holds no collateral over any of these balances. SFRS(I) 7.36.a,b SFRS(I) 7.B10.b

In order to minimise credit risk, the Group and the Company has adopted a policy of only dealing with creditworthy counterparties and obtaining sufficient collateral, where appropriate, as a means of mitigating the risk of financial loss from defaults. The Group and the Company only transacts with entities that are rated the equivalent of investment grade and above and investments in these instruments, where the counterparties have minimum BBB- credit rating, are considered to have low credit risk for the purpose of impairment assessment. SFRS(I) 7.35B SFRS(I) 7.35F.a.i

Before accepting any new customer, a dedicated team responsible for the determination of credit limits uses an external credit scoring system to assess the potential customer's credit quality and defines credit limits by customer. Limits and scoring attributed to customers are reviewed and approved twice a year by the risk management committee. 80% (2021: 90%) of the trade receivables have the best credit scoring attributable under the external credit scoring system used by the Group and the Company. SFRS(I) 7.34.c

Credit approvals and other monitoring procedures are also in place to ensure that follow-up action is taken to recover overdue debts. Furthermore, the Group and the Company reviews the recoverable amount of each trade debt and debt investment on an individual basis at the reporting date to ensure that adequate loss allowance is made for irrecoverable amounts. In this regard, management considers that the Group's and the Company's credit risk is significantly reduced.

Trade receivables consist of a large number of customers, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable and, where appropriate, credit guarantee insurance cover is purchased.

45 Financial risk management (cont'd)

(iv) Credit risk management (cont'd)

Of the trade receivables balance at the end of the year, \$4.3 million (2021: \$4.8 million) is due from Customer A, the Group's largest customer. Apart from this, the Group does not have significant credit risk exposure to any single counterparty or any group of counterparties having similar characteristics. The Group defines counterparties as having similar characteristics if they are related entities. Concentration of credit risk related to Customer A did not exceed 20% of gross monetary assets at any time during the year. Concentration of credit risk to any other counterparty did not exceed 5% of gross monetary assets at any time during the year. The concentration of credit risk is limited due to the fact that the customer base is large and unrelated. SFRS(I) 7.B8 SFRS(I) 7.34.c SFRS(I) 7.35B.c

The credit risk on liquid funds and derivative financial instruments is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies. SFRS(I) 7.B10.b

The Company is exposed to credit risk in relation to financial guarantees given to banks. the company's maximum exposure in this respect is the maximum amount the Company would have to pay if the guarantee is called upon. SFRS(I) 7.B10.c

The Group and the Company does not hold any collateral or other credit enhancements to cover its credit risks associated with its financial assets, except that the credit risk associated with finance lease receivables is mitigated because they are secured over the leased assets. The carrying amount of finance lease receivables amounts to \$XXX (2021: \$XXX) and the fair value of the leased assets is estimated to be approximately \$XXX (2021: \$XXX). The Group is not permitted to sell or repledge the collateral in the absence of default by the lessee. There has not been any significant changes in the quality of the collaterals held for finance lease receivables. The Group has not recognised a loss allowance for the finance lease receivables as a result of these collaterals. (3) SFRS(I) 7.35K.b

In response to the COVID-19 pandemic, the credit management committee has also been performing more frequent reviews of sales limits for customers in regions and industries that are severely impacted. During the current year, the Group has temporarily extended the credit terms to up to 120 days for specific customers with liquidity constraints arising as a result of the COVID-19 pandemic. All extensions are granted within current sales limits after careful consideration of the impact of the COVID-19 pandemic on the creditworthiness of the customer and each customer granted an extension is closely monitored for credit deterioration. SFRS(I) 7.33.a-c

In addition, the Group has divided some of these customer groups into subgroups when there is a significant difference noted in the way the COVID-19 pandemic has impacted exposures in the customer group. Accordingly, the Group has disaggregated these subgroups of receivables into different provision matrixes. In calculating the ECL rates, the Group has considered the volatility of the forward-looking macroeconomic factors affecting the ability of the customers to repay their debts, and has developed possible economic scenarios being upside, downside and base case using publicly available data and internal forecast.

In particular, the Group has identified a group of debtors who have been experiencing significant financial difficulty arising from the consequences of COVID-19 outbreak. The carrying amount of the related receivables amounting to \$XXX at the reporting date are credit impaired and therefore allowance for impairment loss has been made in full. The recovery from these receivables are assessed individually after consideration of any collateral.

45 Financial risk management (cont'd)

(v) Liquidity risk management

The Group and the Company maintains sufficient cash and cash equivalents, and internally generated cash flows to finance their activities. Group treasury finances their liquidity through internally generated cash flows and minimises liquidity risk by keeping committed credit lines available. Undrawn facilities are disclosed in Note 23. SFRS(I) 7.33 SFRS(I) 7.39.c

The COVID-19 pandemic has led to adverse events and circumstances placing severe stress on the Group's liquidity position as business activities and operating cash flows have been severely constrained due to mandatory lockdown measures and travel restrictions. Some actions taken by the Group to mitigate the impact have included reducing capital expenditure and operating expenses, terminating leases, selling off assets and suspending discretionary dividend payments. The Group believes that the effects of COVID-19 on its operations will continue to have a negative impact on its financial results and liquidity, and this negative impact may continue into the near future till the containment of the COVID-19 pandemic. SFRS(I) 1-1.122-123 SFRS(I) 1-7.33.d SFRS(I) 1-7.50.a

The steps taken by the Group to respond to possible future liquidity constraints arising from the COVID-19 pandemic and the impact of those steps on the financial statements include the following:

- On [date], the Group has requested and been granted a XX-month waiver of interest on bank loans of $XXX. Accordingly, the Group has recognised a modification gain of $XXX in profit or loss.
- On [date], the Group has renegotiated a bank loan of $XXX, extending the maturity from [date] to [date] but increasing the annual interest rate from XX% to XX%. The Group has derecognised the existing loan and recognised the new loan at fair value. As a result, the Group has recognised a derecognition loss of $XXX in profit or loss, which has included a $XXX refinancing fee paid to the lender.

In addition, the Group has obtained additional lines of credit, which remain undrawn at the reporting date:

- $XXX unsecured overdraft facility from an institutional lender at interest payable of XX% plus XX-months SIBOR; and
- $XXX unsecured banking facility from an international bank, that can be drawn down to meet short-term financing needs and has a XX-day maturity renewed automatically at the option of the Group, at interest payable of XX% plus XX-months SIBOR on any drawn down amounts.

Liquidity and interest risk analysis

Non-derivative financial liabilities

The following tables detail the remaining contractual maturity [4] for non-derivative financial liabilities. The tables have been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group and the Company can be required to pay. The table includes both interest and principal cash flows. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which is not included in the carrying amount of the financial liability on the statement of financial position. SFRS(I) 7.34,35 SFRS(I) 7.39.a

45 Financial risk management (cont'd)

(v) Liquidity risk management (cont'd)

The Group	Weighted average effective interest rate	On demand or within one year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$	$	$	$	$
2022						
Non-interest bearing	n.a.	**23,325,126**	**-**	**-**	**-**	**23,325,126**
Lease liabilities (fixed rate)	6.5%	**702,392**	**2,157,280**	**260,722**	**(312,520)**	**2,807,874**
Variable interest rate instruments	5.7%	**2,789,006**	**15,230,680**	**7,689,080**	**(2,409,890)**	**23,298,876**
Fixed interest rate instruments	5.7%	**943,050**	**16,270,605**	**834,060**	**(1,407,340)**	**16,640,375**
		27,759,574	**33,658,565**	**8,783,862**	**(4,129,750)**	**66,072,251**
2021						
Non-interest bearing	n.a.	19,799,354	-	-	-	19,799,354
Obligations under finance lease (fixed rate)	6.5%	804,633	2,448,331	571,290	(364,548)	3,459,706
Variable interest rate instruments	5.6%	3,001,505	19,222,903	8,094,003	(2,740,500)	27,577,911
Fixed interest rate instruments	5.7%	895,093	14,451,982	788,030	(1,380,230)	14,754,875
		24,500,585	36,123,216	9,453,323	(4,485,278)	65,591,846

The Company	Weighted average effective interest rate	On demand or within one year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$	$	$	$	$
2022						
Non-interest bearing	n.a.	**2,103,233**	**-**	**-**	**-**	**2,103,233**
Variable interest rate instruments	5.9%	**1,409,800**	**7,591,547**	**1,708,090**	**(980,340)**	**9,729,097**
Fixed interest rate instruments	5.7%	**943,050**	**16,270,605**	**834,060**	**(1,407,340)**	**16,640,375**
		4,456,083	**23,862,152**	**2,542,150**	**(2,387,680)**	**28,472,705**
Financial guarantee contracts [5]	n.a.	**3,000,000** [a]	**-**	**-**	**(2,893,510)**	**106,490**
2021						
Non-interest bearing	n.a.	3,917,006	-	-	-	3,917,006
Variable interest rate instruments	5.8%	689,002	2,545,011	908,090	(360,340)	3,781,763
Fixed interest rate instruments	5.7%	895,093	14,451,982	788,030	(1,380,230)	14,754,875
		5,501,101	16,996,993	1,696,120	(1,740,570)	22,453,644
Financial guarantee contracts [5]	n.a.	3,000,000 [a]	-	-	(2,852,620)	147,380

[a] The amounts included above for financial guarantee contracts are the maximum amounts the Company can be forced to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the reporting date, the Company considers that it is more likely than not that such an amount will not be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses. SFRS(I) 7.B10.c

45 Financial risk management (cont'd)

(v) Liquidity risk management (cont'd)

Non-derivative financial assets (6)

The following table details the expected maturity for non-derivative financial assets. The inclusion of information on non-derivative financial assets is necessary in order to understand the Group's and the Company's liquidity risk management as the Group's and the Company's liquidity risk is managed on a net asset and liability basis. The tables below have been drawn up based on the undiscounted contractual maturities of the financial assets including interest that will be earned on those assets except where the Group and the Company anticipates that the cash flow will occur in a different period. The adjustment column represents the possible future cash flows attributable to the instrument included in the maturity analysis which are not included in the carrying amount of the financial asset on the statement of financial position. SFRS(I) 7.B11E

The Group	Weighted average effective interest rate	On demand or within one year	Within 2 to 5 years	After 5 years	Adjustment	Total
	%	$	$	$	$	$
2022						
Non-interest bearing	n.a.	**23,478,226**	**-**	**-**	**-**	**23,478,226**
Finance lease receivables (fixed rate)	6.5%	**172,662**	**673,292**	**257,344**	**(154,767)**	**948,531**
Variable interest rate instruments	1.9%	**17,199,985**	**-**	**-**	**-**	**17,199,985**
Fixed interest rate instruments	5.9%	**7,710,600**	**-**	**-**	**-**	**7,710,600**
		48,561,473	**673,292**	**257,344**	**(154,767)**	**49,337,342**
2021						
Non-interest bearing	n.a.	27,585,405	-	-	-	27,585,405
Finance lease receivables (fixed rate)	6.5%	57,554	291,098	85,781	(51,589)	382,844
Variable interest rate instruments	1.8%	29,593,076	-	-	-	29,593,076
Fixed interest rate instruments	5.9%	5,950,400	-	-	-	5,950,400
		63,186,435	291,098	85,781	(51,589)	63,511,725

The Company	Weighted average effective interest rate	On demand or within one year
	%	$
2022		
Non-interest bearing	n.a.	**13,032,695**
Variable interest rate instruments	1.1%	**11,924,853**
Fixed interest rate instruments	5.9%	**7,710,600**
		32,668,148
2021		
Non-interest bearing	n.a.	15,712,482
Variable interest rate instruments	2.0%	18,975,540
Fixed interest rate instruments	5.9%	5,950,400
		40,638,422

45 Financial risk management (cont'd)

(v) Liquidity risk management (cont'd)

Derivative financial instruments

The following table details the liquidity analysis for derivative financial instruments. The table has been drawn up based on the undiscounted net cash inflows (outflows) on the derivative instrument that settle on a net basis and the undiscounted gross inflows and (outflows) on those derivatives that require gross settlement. When the amount payable or receivable is not fixed, the amount disclosed has been determined by reference to the projected interest rates as illustrated by the yield curves existing at the reporting date. SFRS(I) 7.39.b

The Group	On demand or within one year $
2022	
Net settled asset/(liability):	
- Interest rate swap	**720,983**
- Forward foreign currency contracts	**(689,500)**
	31,483
2021	
Net settled asset/(liability):	
- Interest rate swap	405,487
- Forward foreign currency contracts	(349,800)
	55,787

The Company does not have any derivative financial instruments at the reporting date in 2022 and 2021.

(vi) Climate risk management

The Group has identified climate risks as an emerging risk area arising from mainly [financial instruments with sustainability linked features]. Climate risks may impact adversely the Group's results. Climate risks have an impact on all the financial risk categories especially [market price risk and liquidity risk], but have been identified and managed centrally by the Group due to their pervasive nature. SFRS(I) 7.31

Climate risks comprise physical risks and transition risks. Physical risks relate to the physical impacts of climate change, and could be acute risks that relate to more frequent or more severe one-off disruptions to assets or operations from extreme weather events (e.g. flood, cyclone) or chronic risks that stem from sustained GHG emissions leading to gradual change in climate patterns (e.g. increase in temperature, sea level rise). Transition risks are associated with the transition to a lower-carbon economy, and are commonly categorised as legal and regulatory (e.g. stricter regulations); reputational (e.g. brand damage); technological (e.g. accelerated obsolescence); or market (e.g. supply and demand shifts).

The Group has set up a [Climate Risk Management Committee], which is responsible for developing group-wide policies, processes and controls to incorporate climate risks in the management of various financial risk categories.

The Group has developed a climate risk framework for identifying risk factors, assessing their potential impact on the Group's financial statements, and allocating responsibilities for managing each identified risk factor. The Group has also set out principles on how to incorporate climate-related risk into stress test scenarios. SFRS(I) 7.31

Guidance Notes – Financial risk management

Sensitivity analysis

If the entity prepares a sensitivity analysis such as value-at-risk that reflects interdependencies between risk variables (e.g. interest rates and exchange rates) and uses it to manage financial risks, it may use that value-at-risk sensitivity analysis in place of the analysis specified in SFRS(I) 7 which are disclosed in these illustrative financial statements. SFRS(I) 7.41

In determining what a reasonably possible change in the relevant risk variable is for sensitivity analysis, an entity shall consider: SFRS(I) 7.B19

- The economic environments in which it operates. This shall not include remote or "worst case" scenarios or "stress test"; and
- The effects of changes reasonably possible over the period until the entity next presents these disclosures (usually the next annual reporting period).

Information on foreign currency balances

(1a) The table above provides an example of summary quantitative data about exposure to foreign exchange risks arising from monetary assets and liabilities at the reporting date that an entity may provide internally to key management personnel. SFRS(I) 7.34.a

Quantitative data disclosures – Foreign exchange risk

(1b) If the quantitative data disclosed as at the reporting date are unrepresentative of an entity's exposure to the associated risk during the period, an entity shall provide further information that is representative. SFRS(I) 7.35

To meet this requirement, an entity might disclose the highest, lowest and average amount of risk to which it has been exposed during the period. For example, if an entity typically has a large exposure to a particular currency, but at year-end unwinds the position, the entity might disclose a graph that shows the exposure at various times during the period, or disclose the highest, lowest and average exposures. SFRS(I) 7.IG20

Sensitivity analysis unrepresentative of risk

(1c) When the sensitivity analyses disclosed in accordance with SFRS(I) 7 are unrepresentative of a risk inherent in a financial instrument (for example, because the year-end exposure does not reflect the exposure during the year), the entity shall disclose that fact and the reason it believes the sensitivity analysis is unrepresentative. An illustrative disclosure is as follows: SFRS(I) 7.42

"In management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year. US dollar denominated sales are seasonal with lower sales volume in the last quarter of the financial year, which results in a reduction in US dollar receivables at the reporting date."

Credit risk grading

(2) SFRS(I) 7 requires the disclosure of information about an entity's credit risk exposure and significant concentrations of credit risk by credit risk grading at the reporting date. The number of credit risk rating grades used to disclose such information should be consistent with the number that the entity reports to key management personnel for credit risk management purposes. However, in some cases, delinquency and past due information may be the only borrower-specific information available without undue cost or effort, which is used to assess whether credit risk has increased significantly since initial recognition. In such cases, an entity should provide an analysis of those financial assets by past due status. SFRS(I) 7.35M SFRS(I) 7.B8I

Impairment requirements not applied

For all financial instruments within the scope of SFRS(I) 7, but to which the impairment requirements in SFRS(I) 9 are not applied, SFRS(I) 7 requires an entity to disclose by class of financial instrument the amount that best represents the entity's maximum credit risk exposure at the end of the reporting period, excluding the effect of any collateral and other amounts that do not qualify for offset in accordance with SFRS(I) 1-32. Examples of financial instruments that are within the scope of SFRS(I) 7 but that are not subject to the SFRS(I) 9 impairment requirements include: SFRS(I) 7.36.a

- Financial assets and derivatives measured at FVPL;
- Financial guarantee contracts issued measured at FVPL; and
- Loan commitments issued measured at FVPL.

Equity investments, regardless of whether they are measured at FVPL or FVOCI, are also in the scope of SFRS(I) 7 but not subject to the SFRS(I) 9 impairment requirements; however, they do not give rise to an exposure to credit risk and therefore are not subject to the SFRS(I) 7 credit risk disclosures.

Guidance Notes – Financial risk management (cont'd)

Collateral held as security and other credit enhancements

(3) For all financial instruments to which the impairment requirements in SFRS(I) 9 are applied, SFRS(I) 7 specifies that entities should disclose the following: SFRS(I) 7.35K.b,c

- a narrative description of collateral held as security and other credit enhancements, including:
  (a) a description of the nature and quality of the collateral held;
  (b) an explanation of any significant changes in the quality of that collateral or credit enhancements as a result of deterioration or changes in the collateral policies of the entity during the reporting period; and
  (c) information about financial instruments for which an entity has not recognised a loss allowance because of the collateral.
- quantitative information about the collateral held as security and other credit enhancements (for example, quantification of the extent to which collateral and other credit enhancements mitigate credit risk) for financial assets that are credit-impaired at the reporting date.

Quantitative data about exposure to interest rates

(4) The tables above include the weighted average effective interest rate and reconciliations to the carrying amounts in the statement of financial position as an example of summary quantitative data about exposure to interest rates at the reporting date that an entity may provide internally to key management personnel. An entity must use its judgement to determine an appropriate number of time bands. For a non-financial institution, an appropriate time band could be: "On demand or within 1 year", "Within 2 to 5 years" and "After 5 years". SFRS(I) 7.34.a

Quantitative data about exposure to liquidity risk

Liquidity risk disclosures apply only to financial liabilities that are settled by delivering cash or another financial asset. This excludes financial liabilities that are settled by the entity by delivering its own equity instruments or non-financial assets. SFRS(I) 7.App.A

An entity has to disclose summary quantitative data about its exposure to liquidity risk on the basis of information provided internally to key management personnel, and explain how the data is determined. SFRS(I) 7.B10A

If outflows of cash (or another financial asset) included in those data could either occur significantly earlier than indicated in the data, or for significantly different amounts from those indicated in the data, an entity has to state the fact and provide quantitative information that enables users to evaluate the extent of risk, unless information is included in the liquidity risk management or maturity analysis disclosures. SFRS(I) 7.B10A

(5) For issued financial guarantee contracts, an entity should disclose the maximum amount of guarantee in the contractual maturity analysis, allocated to the earliest period in which it could be called. SFRS(I) 7.B11C.c

Maturity analysis for financial assets

(6) An entity is not required to disclose a maturity analysis for financial assets in all cases. The minimum required disclosure is for a maturity analysis for financial liabilities only. However, a maturity analysis shall be disclosed for financial assets if it holds financial assets for managing liquidity risk and that information is necessary to enable users of its financial statements to evaluate the nature and extent of liquidity risk. SFRS(I) 7.B11E

Maturity analysis for derivatives

For derivatives, an entity should disclose a quantitative maturity analysis for derivative financial liabilities that shows remaining contractual maturities if the contractual maturities are essential for an understanding of the timing of the cash flows. For example, this would be the case for: SFRS(I) 7.39.b

- An interest rate swap with a remaining maturity of five years in a cash flow hedge of a variable rate financial asset or liability.
- All loan commitments.

For embedded derivatives, an entity should not separate it from the hybrid financial instrument. For such an instrument, the entity should disclose the contractual maturity of the entire instrument. SFRS(I) 7.B11A

46 Fair value measurement

(i) Non-financial assets and liabilities

(a) Fair value hierarchy SFRS(I) 13.93.a-b SFRS(I) 13.97,99

Other than as disclosed elsewhere in these financial statements, the carrying amounts and fair values of non-financial assets and liabilities, including their fair value hierarchy level, are set out below:

SFRS(I) 13.94

			Fair value		
The Group	Note	Carrying amount $	Quoted prices in active markets (Level 1) $	Significant observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $
2022					
Assets measured at fair value (recurring):					
Investment properties:					
- Completed commercial properties	6	**26,485,516**	**-**	-	**26,485,516**
- Retail property under redevelopment	6				
Property, plant and equipment:					
- Freehold land and building	4				
Right-of-use assets:					
- Leasehold building	5				
Assets measured at fair value (non-recurring):					
Asset classified as held-for-sale:					
- Land parcel	19				
Liabilities measured at fair value (non-recurring):					
Liability associated with asset classified as held-for-sale:					
- Decommission liability	19				
2021					
Assets measured at fair value (recurring):					
Investment properties:					
- Completed commercial properties	6	17,271,449	-	-	17,271,449
- Completed retail property	6				
Property, plant and equipment:					
- Freehold land and building	4				
- Leasehold building	4				

SFRS(I) 1-1.38

The Group's policy is to recognise transfer into and transfer out of fair value hierarchy levels as at the reporting date. SFRS(I) 13.95

There are no transfers between Level 1 and Level 2 for recurring fair value measurement in 2022 and 2021. Information regarding transfer into and out of Level 3 measurement is disclosed below. SFRS(I) 13.93.c

46 Fair value measurement (cont'd)

(i) Non-financial assets and liabilities (cont'd)

(b) Valuation techniques used to determine Level 2 and Level 3 fair values SFRS(I) 13.91.a SFRS(I) 13.93.d

Properties

The Group obtains independent valuations for its investment properties at least annually and for its freehold land and building and leasehold building at least every three years. At the end of each reporting period, the directors update their assessment of the fair value of each property, taking into account the most recent independent valuations. The directors determine a property's value within a range of reasonable fair value estimates. SFRS(I) 1-16.77.a SFRS(I) 1-40.75.e

The best evidence of fair value is current prices in an active market for similar properties. Where such information is not available, the directors consider information from a variety of sources including:

- current prices in an active market for properties of a different nature or recent prices of similar properties in less active markets, adjusted to reflect those differences (direct comparison method);
- capitalised income projections based on a property's estimated net market income, and a capitalisation rate derived from an analysis of market evidence (income method); or
- discounted cash flow projections based on reliable estimates of future cash flows (discounted cash flow method).

All resulting fair value estimates for properties in 2022 and 2021 are included in Level 3, except for the completed retail property in 2021 as disclosed in part (d) below.

Impact of COVID-19

The properties held by the Group are mainly leased out to retailers. The economic disruption caused by the COVID-19 pandemic has created a highly uncertain economic outlook which may have a material adverse effect on the operations of these tenants, the viability of their business and their ability to meet their rental obligations. SFRS(I) 13.93.d,h,i SFRS(I) 13.99

This uncertainty is factored into the valuation of investment property, specifically in estimating rent payments from existing tenants, void periods, occupancy rates, expected market rental growth rates and discount rate, all of which are significant inputs into the fair value determination.

The valuer has factored in the potential impact of the COVID-19 pandemic by modifying the assumptions of previous year as follows:

- longer void periods (increased by XX months);
- lower expected market rental growth (decreased to XX%);
- lower level of occupancy rate (decreased by XX%); and
- lower sales-based rental (decreased by XX%).

The discount rate has increased by XX%, despite lower inflation prospects, to reflect the increased uncertainty over long-term cash flows and growth prospects and increased risk of defaults and non-payment of rent.

The valuation at 31 December 2022 contains a 'market valuation uncertainty' clause due to the market disruption caused by the COVID-19 pandemic which has resulted in a reduction in transactional evidence. This clause does not invalidate the valuation but implies that there is substantially more uncertainty than under normal market conditions. Accordingly, the valuer cannot attach as much weight as usual to previous market evidence for comparison purposes, and there is an increased risk that the price realised in an actual transaction would differ from the value conclusion. As a result of this increased uncertainty, the assumptions may require significant revision in the next financial period.

46 Fair value measurement (cont'd)

(i) Non-financial assets and liabilities (cont'd)

(b) Valuation techniques used to determine Level 2 and Level 3 fair values (cont'd)

Land parcel classified as held-for-sale

The fair value hierarchy Level 2 measurement of the land held for sale has been derived using the sales comparison approach. The key inputs under this approach are the price per square metre from current year sales of comparable lots of land in the area (location and size). SFRS(I) 13.93.d

Decommission liability associated with land parcel classified as held-for-sale

The Group uses the expected present value technique to measure the fair value of the decommission liability. SFRS(I) 13.IE37

The Group concludes that a market participant would use all the following inputs, probability-weighted as appropriate, when estimating the price it would expect to receive if the Group is contractually allowed to transfer the decommission liability to the market participant:

- labour costs and allocation of overhead costs;
- the compensation that a market participant would require for undertaking the activity and for assuming the risk associated with the obligation to dismantle and remove the asset;
- effect of inflation on estimated costs and profit;
- time value of money, represented by the risk-free rate; and
- non-performance risk relating to the risk that the Group will not fulfil the obligation, including own credit risk.

As there are several significant unobservable inputs, this is a fair value hierarchy Level 3 measurement.

 Reference

46 Fair value measurement (cont'd)

(i) Non-financial assets and liabilities (cont'd)

(c) Fair value measurements using significant unobservable inputs (Level 3) SFRS(I) 13.93.e

The following table presents the changes in Level 3 items in 2022 and 2021 for recurring fair value measurements:

The Group		Completed commercial properties $	Retail property under redevelopment $	Freehold land and building $	Leasehold building $
2022					
At 1 January		**18,471,449**			
Transfer from Level 2	(a)	**-**			
Additions - Business combination		**-**			
Additions		**7,500,000**			
Disposals		**-**			
Amounts recognised in profit or loss:					
- Depreciation		**-**			
- Impairment		**-**			
- Gains recognised in "other gains and losses"	(b)	**437,779**			
Gains recognised in other comprehensive income		**-**			
Others		**76,288**			
At 31 December		**26,485,516**			

(a) Transferred from Level 2 to Level 3 due to commencement of redevelopment of the retail property in 2022. SFRS(I) 13.93.d

(b) Included gains of $XXX attributed to balances held at end of the reporting period. SFRS(I) 13.93.f

SFRS(I) 1-1.38

The Group		Completed commercial properties $	Freehold land and building $	Leasehold building $
2021				
At 1 January		22,486,533		
Additions - Business combination		-		
Additions		-		
Disposals		(4,800,000)		
Amounts recognised in profit or loss:				
- Depreciation		-		
- Impairment		-		
- Losses recognised in "other gains and losses"	(c)	(504,006)		
Gains recognised in other comprehensive income		-		
Others		88,922		
At 31 December		17,271,449		

(c) Included losses of $XXX attributed to balances held at end of the reporting period. SFRS(I) 13.93.f

46 Fair value measurement (cont'd)

(i) Non-financial assets and liabilities (cont'd)

(d) Transfers between Level 2 and Level 3 and changes in valuation techniques

The Group commences redevelopment of the retail property in October 2022. The retail property comprises one floor in a retail mall which is made up of several lettable units of equal size. The redevelopment will increase the net lettable area of the floor owned by the Group and is expected to be completed in early 2023. In 2021, prior to redevelopment, this retail property was valued using the sales comparison approach based on recent published sale prices of similar units on other floors in the same mall. This resulted in a fair value hierarchy Level 2 measurement. Upon redevelopment, the Group has to revise its valuation technique for the retail property under redevelopment. The revised valuation technique uses significant unobservable inputs. Accordingly, the fair value measurement hierarchy is reclassified to Level 3. SFRS(I) 13.93.d

The revised valuation technique for the retail property under redevelopment estimates the fair value of the completed retail property and deducts: SFRS(I) 13.93.d

- estimated construction and other costs to completion that would be incurred by a market participant, and
- estimated profit margin that a market participant would require to hold and develop the property to completion, based on the state of the property as at 31 December 2022.

(e) Valuation inputs and relationship to fair value (Level 3)

The following table summarises the quantitative information about the significant unobservable inputs used in the Level 3 fair value measurements. SFRS(I) 13.93.d
SFRS(I) 13.99

SFRS(I) 13.91.a
SFRS(I) 13.93.d.h.i

The Group	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
2022			
Completed commercial properties	Price of lettable area	**$1,200 to $2,100 ($1,800) per sqm**	**Higher the price of lettable area and the net income margin, higher the fair value**
	Net income margin	**29% to 37% (32%)**	
	Capitalisation rate	**4% to 4.5% (4.4%)**	**Higher the capitalisation rate, lower the fair value**
	Rental growth rate	**3% to 3.6% (3.2%)**	**Higher the rental growth rate and the terminal yield, higher the fair value**
	Terminal yield	**6% to 7% (6.6%)**	
Retail property under redevelopment	Estimated cost to completion	**$3,230,000 to $3,510,000 ($3,395,000)**	**Higher the estimated costs and the estimated profit margin required, lower the fair value**
	Estimated profit margin required to hold and develop property to completion	**12.5% to 13% (12.7%) of property value**	
Freehold land and building	Discount rate	**6% to 7% (6.6%)**	**Higher the discount rate, lower the fair value**
	Terminal yield	**8% to 9% (8.2%)**	**Higher the terminal yield, higher the fair value**
Leasehold building	Discount rate	**10% to 12% (11.1%)**	**Higher the discount rate, lower the fair value**
	Terminal yield	**14% to 15% (14.3%)**	**Higher the terminal yield, higher the fair value**
Decommission liability	Discount rate	**11% to 13% (12%)**	**Higher the discount rate, lower the fair value**
	Estimated profit margin required to assume obligation	**20% to 26% (23%) of decommission cost**	**Higher the profit margin required to assume obligation, higher the fair value**

46 Fair value measurement (cont'd)

(i) Non-financial assets and liabilities (cont'd)

(e) Valuation inputs and relationship to fair value (Level 3) (cont'd)

SFRS(I) 1-1.38

The Group	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
2021			
Completed commercial properties	Price of lettable area	$1,100 to $2,000 ($1,700) per sqm	Higher the price of lettable area and the net income margin, higher the fair value
	Net income margin	28% to 36% (30%)	
	Capitalisation rate	4.3% to 4.9% (4.7%)	Higher the capitalisation rate, lower the fair value
	Rental growth rate	2.8% to 3.4% (3.1%)	Higher the rental growth rate and the terminal yield, higher the fair value
	Terminal yield	5% to 6% (5.8%)	
Freehold land and building	Discount rate	6% to 7% (6.9%)	Higher the discount rate, lower the fair value
	Terminal yield	7% to 8% (7.8%)	Higher the terminal yield, higher the fair value
Leasehold building	Discount rate	10% to 12% (10.6%)	Higher the discount rate, lower the fair value
	Terminal yield	13% to 14% (13.8%)	Higher the terminal yield, higher the fair value

There are no significant inter-relationships between unobservable inputs that materially affect fair values in 2022 and 2021. SFRS(I) 13.93.h.i

(f) Valuation processes SFRS(I) 13.93.g

The Group engages external, independent and qualified valuers to determine the fair value of the Group's investment properties at the end of every financial year, and for other land and buildings at least every three years. As at 31 December 2022, the fair values of the investment properties have been determined by Charlie Chartered Surveyors LLP, as disclosed in Note 6. A directors' valuation has been performed for the land and buildings classified as property, plant and equipment and right-of-use assets as at 31 December 2022. The last independent valuations of these land and buildings were performed as at 31 December 2020. SFRS(I) 40.75.e SFRS(I) 1-16.77.a,b

The main Level 3 inputs used by the Group are derived and evaluated, as follows:

- Completed commercial properties - Price of lettable area, net income margin, capitalisation rate, rental growth rate and terminal yield are estimated by Charlie Chartered Surveyors LLP or management based on comparable transactions and industry data.
- Retail property under development - Costs to completion and profit margin are estimated by Charlie Chartered Surveyors LLP based on market conditions as at the valuation date. The estimates are consistent with the budgets developed internally by the Group based on management's experience and knowledge of market conditions.
- Land and buildings - Discount rate and terminal yield are estimated by management and approved by the directors. These estimates are consistent with the most recent internal budgets of the Group and the latest industry trends.
- Decommission liability – Discount rate incorporating non-performance risk as estimated by management and approved by the directors is consistent with the market trends. Estimated profit margin required by market participant to assume obligation is projected from the quotations obtained from several specialist contractors.

Changes in Level 2 and Level 3 fair values are analysed at each reporting date by management and approved by the directors.

46 Fair value measurement (cont'd)

(ii) Financial assets and liabilities

(a) Fair value hierarchy

Other than as disclosed elsewhere in these financial statements, the carrying amounts and fair values of financial assets and liabilities, including their fair value hierarchy level, are set out below: SFRS(I) 13.93.b

The Group	Note	Carrying amount $	Fair value Quoted prices in active markets (Level 1) $	Significant observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $
2022					
Assets measured at fair value (recurring):					
Unquoted debt securities (at FVOCI)	9	**242,000**	**-**	**242,000**	**-**
Quoted debt securities (at FVOCI)	9	**200,000**	**200,000**	**-**	**-**
Unquoted equity shares (at FVOCI and FVPL)	9	**2,400,000**	**-**	**-**	**2,400,000**
Quoted equity shares (at FVPL)	9	**926,600**	**926,600**	**-**	**-**
Derivative financial instruments:					
- Interest rate swaps	14	**720,983**	**-**	**720,983**	**-**
Assets for which fair value is disclosed:					
Long-term loan to associates	8	**7,584,625**	**-**	**-**	**7,281,240**
Unquoted debt securities (at amortised cost)	9	**1,000,000**	**-**	**1,040,000**	**-**
Liabilities measured at fair value (recurring):					
Contingent consideration payable	27	**520,000**	**-**	**-**	**520,000**
Derivative financial instruments:					
- Forward foreign currency contracts	14	**689,500**	**-**	**689,500**	**-**
Liabilities for which fair value is disclosed:					
Borrowings (non-current portion)	23	**27,727,259**	**-**	**23,805,466**	**-**
2021					
Assets measured at fair value (recurring):					
Unquoted debt securities (at FVOCI)	9	489,200	-	489,200	-
Quoted debt securities (at FVOCI)	9	500,000	500,000	-	-
Unquoted equity shares (at FVOCI and FVPL)	9	1,800,000	-	-	1,800,000
Quoted equity shares (at FVPL)	9	500,000	500,000	-	-
Derivative financial instruments:					
- Interest rate swaps	14	405,587	-	405,587	-
Assets for which fair value is disclosed:					
Long-term loan to associates	8	7,412,879	-	-	7,116,364
Quoted debt securities (at amortised cost)	9	372,000	386,880	-	-
Liabilities measured at fair value (recurring):					
Derivative financial instruments:					
- Forward foreign currency contracts	14	349,800	-	349,800	-
Liabilities for which fair value is disclosed:					
Borrowings (non-current portion)	23	29,962,083	-	25,713,413	-

SFRS(I) 1-1.38

46 Fair value measurement (cont'd)

(ii) Financial assets and liabilities (cont'd)

(a) Fair value hierarchy (cont'd)

The Company	Note	Carrying amount $	Quoted prices in active markets (Level 1) $	Fair value Significant observable inputs (Level 2) $	Significant unobservable inputs (Level 3) $
2022					
Assets measured at fair value (recurring):					
Unquoted debt securities (at FVOCI)	9	**242,000**	**-**	**242,000**	**-**
Quoted debt securities (at FVOCI)	9	**200,000**	**200,000**	**-**	**-**
Unquoted equity shares (at FVOCI and FVPL)	9	**2,400,000**	**-**	**-**	**2,400,000**
Quoted equity shares (at FVPL)	9	**926,600**	**926,600**	**-**	**-**
Assets for which fair value is disclosed:					
Long-term loan to subsidiaries	7	**14,976,575**	**-**	**-**	**14,377,512**
Long-term loan to associates	8	**7,584,625**	**-**	**-**	**7,281,240**
Unquoted debt securities (at amortised cost)	9	**1,000,000**	**-**	**1,040,000**	**-**
Liabilities for which fair value is disclosed:					
Borrowings (non-current portion)	23	**25,096,250**	**-**	**21,555,953**	**-**
2021					
Assets measured at fair value (recurring):					
Unquoted debt securities (at FVOCI)	9	489,200	-	489,200	-
Quoted debt securities (at FVOCI)	9	500,000	500,000	-	-
Unquoted equity shares (at FVOCI and FVPL)	9	1,800,000	-	-	1,800,000
Quoted equity shares (at FVPL)	9	500,000	500,000	-	-
Assets for which fair value is disclosed:					
Long-term loan to subsidiaries	7	15,480,929	-	-	14,861,692
Long-term loan to associates	8	7,412,879	-	-	7,116,364
Quoted debt securities (at amortised cost)	9	372,000	386,880	-	-
Liabilities for which fair value is disclosed:					
Borrowings (non-current portion)	23	17,453,750	-	15,018,788	-

SFRS(I) 1-1.38

The fair value of current financial assets and liabilities, including cash and cash equivalents, trade and other receivables, trade and other payables, and current portion of borrowings, approximate their carrying amounts due to their short-term maturities. SFRS(I) 7.29

The Group's and the Company's policy is to recognise transfer into and transfer out of fair value hierarchy levels as at the reporting date. SFRS(I) 13.95

There are no transfers between Level 1 and Level 2 for recurring fair value measurement in 2022 and 2021. Information regarding transfer into and out of Level 3 measurement is disclosed below. SFRS(I) 13.93.c

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded debt securities and equity shares) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group and the Company is the current bid price. These instruments are included in Level 1. SFRS(I) 13.76 SFRS(I) 13.91.a

46 Fair value measurement (cont'd)

(ii) Financial assets and liabilities (cont'd)

(a) Fair value hierarchy (cont'd)

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2. SFRS(I) 13.81 SFRS(I) 13.91.a

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in Level 3. This is the case for unquoted equity shares and long-term loans to related parties. SFRS(I) 13.86

(b) Valuation techniques used to determine Level 2 and Level 3 fair values

Specific valuation techniques used to value financial instruments in Level 2 and Level 3 include: SFRS(I) 13.91.a SFRS(I) 13.93.d

• Unquoted debt securities:	Market comparison/Discounted cash flows: The fair value is estimated considering (i) current or recent quoted prices for identical securities in markets that are not active and (ii) a net present value calculated using discount rates derived from quoted yields of securities with similar maturity and credit rating that are traded in active markets, adjusted by an illiquidity factor.
• Unquoted equity shares:	Discounted cash flows: The valuation requires management to make certain assumptions about the model inputs, including forecast cash flows, the discount rate, credit risk and volatility. The probabilities of the various estimates within the range can be reasonably assessed and are used in management's estimate of fair value for these non-listed equity investments.
• Interest rate swaps:	Swap models: The fair value is calculated as the present value of the estimated future cash flows. Estimates of future floating-rate cash flows are based on quoted swap rates, futures prices and interbank borrowing rates. Estimated cash flows are discounted using a yield curve constructed from similar sources and which reflects the relevant benchmark interbank rate used by market participants for this purpose when pricing interest rate swaps. The fair value estimate is subject to a credit risk adjustment that reflects the credit risk of the Group and of the counterparty; this is calculated based on credit spreads derived from current credit default swap or bond prices.
• Forward foreign currency contracts:	Forward pricing: The fair value is determined using quoted forward exchange rates at the reporting date and present value calculations based on high credit quality yield curves in the respective currencies.
• Long-term loans to related parties; Contingent consideration payable; and Borrowings (non-current portion)	Discounted cash flows: The valuation model considers the present value of expected payments, discounted using a risk adjusted discount rate.

All of the resulting fair value estimates are included in Level 2, except for unquoted equity shares, long-term loans to related parties and contingent consideration payable, which are in Level 3 as their fair value measurements involve certain significant unobservable inputs. SFRS(I) 13.93.b

46 Fair value measurement (cont'd)

(ii) Financial assets and liabilities (cont'd)

(c) Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in Level 3 items in 2022 and 2021 for recurring fair value measurements: SFRS(I) 13.93.e

		The Group and the Company Unquoted equity shares	The Group Contingent consideration payable
		$	$
2022			
At 1 January		**1,800,000**	**-**
Transfer from Level 2		**-**	**-**
Additions - Business combination		**-**	**(520,000)**
Additions		**-**	**-**
Disposals		**-**	**-**
Amounts recognised in profit or loss:			
- Impairment		**-**	**-**
- Gains recognised in "other gains and losses"	(a)	**400,000**	**-**
Gains recognised in other comprehensive income		**200,000**	**-**
Others		**-**	**-**
At 31 December		**2,400,000**	**(520,000)**

(a) Included gains of $400,000 attributed to balances held at end of the reporting period.

SFRS(I) 1-1.38

	The Group and the Company Unquoted equity shares
	$
2021	
At 1 January	1,632,000
Additions - Business combination	-
Additions	100,000
Disposals	-
Amounts recognised in profit or loss:	
- Impairment	-
- Gains recognised in "other gains and losses"	-
Gains recognised in other comprehensive income	68,000
Others	-
At 31 December	1,800,000

(d) Transfers between Level 2 and Level 3

In 2022, the Group transfers a hedging foreign currency forward from Level 2 into Level 3 as the counterparty for the derivative has encountered significant financial difficulties. This resulted in a significant increase to the discount rate which is not based on observable inputs as it reflects credit risk specific to the counterparty. Credit risk was not considered to be a significant input factor in previous years. SFRS(I) 13.93.d

46 Fair value measurement (cont'd)

(ii) Financial assets and liabilities (cont'd)

(e) Valuation inputs and relationship to fair value (Level 3)

The following table summarises the quantitative information about the significant unobservable inputs used in the Level 3 fair value measurements. SFRS(I) 13.93.d SFRS(I) 13.99

SFRS(I) 13.91.a SFRS(I) 13.93.d SFRS(I) 13.93.h.i,ii

The Group and the Company	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
2022			
Unquoted equity shares	Long-term growth rate for cash flows for subsequent years	**3.1% to 5.2% (4.2%)**	**50 basis points increase (decrease) in the growth rate would increase (decrease) the fair value by $10,000**
	Long-term operating margin	**5.0% to 12.1% (8.3%)**	**3% increase (decrease) in the margin would increase (decrease) the fair value by $12,000**
	WACC	**11.2% to 14.3% (12.6%)**	**1% increase (decrease) in the WACC would decrease (increase) the fair value by $11,000**
	Discount for lack of marketability	**5.1% to 15.6% (12.1%)**	**5% increase (decrease) in the discount would decrease (increase) the fair value by $18,000**
2021			
Unquoted equity shares	Long-term growth rate for cash flows for subsequent years	3.1% to 5.1% (4.0%)	50 basis points increase (decrease) in the growth rate would increase (decrease) the fair value by $8,000
	Long-term operating margin	5.2% to 12.3% (8.5%)	3% increase (decrease) in the margin would increase (decrease) the fair value by $10,000
	WACC	11.5% to 14.1% (12.3%)	1% increase (decrease) in the WACC would decrease (increase) the fair value by $13,000
	Discount for lack of marketability	5.4% to 15.7% (12.3%)	5% increase (decrease) in the discount would decrease (increase) the fair value by $20,000

SFRS(I) 1-1.38

The Group	Unobservable inputs	Range of inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
2022			
Contingent consideration payable	Assumed probability – Target results of acquiree	**80% to 90% (85%)**	**5% increase (decrease) in the assumed probability would increase (decrease) the fair value by $21,000**
	Discount rate	**11.8% to 14.9% (13.2%)**	**1% increase (decrease) in the discount rate would decrease (increase) the fair value by $12,000**
	Discount for own non-performance risk	**1% to 3% (2%)**	**50 basis points increase (decrease) in the discount would decrease (increase) the fair value by $7,000**

There are no significant inter-relationships between unobservable inputs that materially affect fair values in 2022 and 2021. SFRS(I) 13.93.h.i

46 Fair value measurement (cont'd)

(ii) Financial assets and liabilities (cont'd)

(f) Valuation processes SFRS(I) 13.93.g

Group treasury team performs the valuations of non-property items required for financial reporting purposes, including Level 3 fair values. This team reports directly to the directors. Discussions of valuation processes and results are held at least once every six months, in line with the Group's half-yearly reporting periods.

The main Level 3 inputs used by the Group and the Company are derived and evaluated as follows:

- Discount rates for financial assets and financial liabilities are determined using the Capital Asset Pricing Model to calculate a pre-tax rate that reflects current market assessments of the time value of money and the risk specific to the asset.
- Risk adjustments specific to the counterparties (including assumptions about credit default rates) are derived from credit risk gradings determined by the Group's internal credit risk management group.
- Earnings growth factors for unquoted equity shares are estimated based on market information for similar types of companies.
- Contingent consideration – Expected cash inflows are estimated based on the terms of the sale and purchase agreement and the Group's knowledge of the business and how the current economic environment is likely to impact it.

Changes in Level 2 and Level 3 fair values are analysed at each reporting date by management and approved by the directors.

Guidance Notes – Fair value measurement

Fair value hierarchy

The categorisation of fair value measurements into the different levels of the fair value hierarchy depends on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement. SFRS(I) 13.97 SFRS(I) 13.93.d

Classes

An entity groups financial instruments into classes that are appropriate to the nature of the information disclosed and that take into account the characteristics of those financial instruments. Although SFRS(I) 7 does not define 'classes', as a minimum, instruments measured at amortised cost should be distinguished from instruments measured at fair value. SFRS(I) 7.6 SFRS(I) 7.B1-B3

The disclosures in SFRS(I) 13 must be made separately for each class of assets and liabilities. Entities shall determine appropriate classes of assets and liabilities by considering: SFRS(I) 13.94

- the nature, characteristics and risks of the asset or liability, and
- the level of the fair value hierarchy within which the fair value measurement is categorised.

A class of assets and liabilities will often require greater disaggregation than the line items presented in the balance sheet. The number of classes may also need to be greater for fair value measurements categorised within Level 3 of the hierarchy, as those measurements have a greater degree of uncertainty and subjectivity. Entities shall disclose sufficient information to allow a reconciliation back to the line items disclosed in the balance sheet. SFRS(I) 13.94

Financial instruments carried at other than fair value

An entity should disclose the fair value for each class of financial assets and financial liabilities in a way that permits it to be compared with its carrying amount. Fair values do not need to be disclosed for the following: SFRS(I) 7.6 SFRS(I) 7.25,29

- when the carrying amount is a reasonable approximation of fair value for example, for financial instruments such as short-term trade receivables and payables;
- a contract containing a discretionary participation feature (as described in SFRS(I) 4 *Insurance Contracts*) if the fair value of that feature cannot be measured reliably; or
- for lease liabilities.

A statement that the carrying amount of financial assets or financial liabilities is a reasonable approximation of their fair value should only be made if it can be substantiated. That is, entities must have made a formal assessment of the carrying amounts of their financial assets and liabilities in comparison to their fair values and documented this assessment. If the fair values are not a reasonable approximation of the carrying amounts, the fair values must be disclosed.

Sensitivity analysis

For fair value measurements in Level 3, if changing one or more of the unobservable inputs to reflect reasonably possible alternative assumptions would change fair value significantly, that fact shall be stated and the effect of these changes disclosed. Significance shall be judged with respect to profit or loss, total assets or liabilities or total equity. SFRS(I) 13.93.h.ii

Transfers

For any significant transfers between Level 1 and Level 2, the reasons for the transfers need to be disclosed. Transfers into each level shall be disclosed and discussed separately from transfers out of each level. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities. SFRS(I) 13.93.c

For any transfers into and out of Level 3, the reasons for the transfers need to be disclosed. For significant transfers, transfers into Level 3 shall be disclosed and discussed separately from transfers out of Level 3. For this purpose, significance shall be judged with respect to profit or loss, and total assets or total liabilities. SFRS(I) 13.93.e.iv

Assets and liabilities not measured at fair value in the balance sheet but for which fair value is disclosed

For each class of assets and liabilities not measured at fair value in the statement of financial position but for which fair value is disclosed, an entity shall disclose the information required as follows: SFRS(I) 13.97

- the level of the fair value hierarchy within the fair value measurements are categorised in their entirely level (Level 1, 2 or 3); SFRS(I) 13.93.b
- for recurring and non-recurring fair value measurements categorised within Level 2 and Level 3 of the fair value hierarchy, a description of the valuation techniques and inputs used in the fair value measurement. If there has been a change in valuation technique (e.g. changing from a market approach to an income approach or the use of an additional valuation technique), the entity shall disclose that change and the reasons for making it; and SFRS(I) 13.93.d
- for recurring and non-recurring fair value measurements of non-financial assets, if the highest and best use differs from its current use, an entity shall disclose that fact and why the non-financial asset is being used in a manner that differs from its highest and best use. SFRS(I) 13.93.i

47 Financial instruments

(i) Categories of financial instruments

The carrying amounts of the different categories of financial instruments are as follows: SFRS(I) 7.8

	The Group		The Company		
	2022	2021	**2022**	2021	
	$	$	**$**	$	
Financial assets					
Financial assets at amortised cost	**47,010,851**	62,617,193	**25,957,548**	35,060,022	SFRS(I) 7.8.f
Financial assets at FVPL	**2,547,583**	1,405,587	**1,826,600**	1,000,000	SFRS(I) 7.8.a
Financial assets at FVOCI	**1,942,000**	2,289,200	**1,942,000**	2,289,200	SFRS(I) 7.8.h
Financial liabilities					
Financial liabilities at amortised cost	**66,072,251**	65,591,846	**28,174,303**	22,016,531	SFRS(I) 7.8.g
Financial liabilities at FVPL	**1,209,500**	349,800	**-**	-	SFRS(I) 7.8.e

(ii) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements SFRS(I) 7.13C

The Group has the following financial instruments subject to enforceable master netting arrangements or other similar agreements as follows:

	Related amounts set off in the statement of financial position			Related amounts not set off in the statement of financial position		
	Gross amounts - financial assets	Gross amounts - financial liabilities	Net amounts - presented in the statement of financial position	Financial assets / (liabilities)	Financial collaterals received	Net amount
The Group	$	$	$	$	$	$
	(A)	*(B)*	*(C)=(A)-(B)*	*(D)*		*(E)=(C)+(D)*
2022						
Interest rate swaps						
Forward foreign exchange contracts						
Trade receivables						
Forward foreign exchange contracts						
Trade payables						
2021						
Interest rate swaps						
Forward foreign exchange contracts						
Trade receivables						
Forward foreign exchange contracts						
Trade payables						

In reconciling the "Net amounts - presented in the statement of financial position" to the line item amounts presented in the statement of financial position, the above amounts represent only those which are subject to offsetting, enforceable master netting arrangements and similar agreements. The residual amounts relate to those that are not in scope of the offsetting disclosures. SFRS(I) 7.B46

47 Financial instruments (cont'd)

(ii) Financial instruments subject to offsetting, enforceable master netting arrangements and similar agreements (cont'd)

The Company does not have any financial instruments which are subject to enforceable master netting arrangements or similar netting agreements in 2022 and 2021.

Guidance Notes – Financial instruments

Scope for disclosure of financial instruments

SFRS(I) 7 does not apply to the following items as they are not financial instruments as defined in SFRS(I) 1-32: SFRS(I) 1-32.11
(a) prepayments made (right to receive future good or service, not cash or a financial asset)
(b) tax receivables and payables and similar items (statutory rights or obligations, not contractual), or
(c) contract liabilities (obligation to deliver good or service, not cash or financial asset).

While contract assets are also not financial assets, they are explicitly included in the scope of SFRS(I) 7 for the purpose of the credit risk disclosures. Liabilities for sales returns and volume discounts may be considered financial liabilities on the basis that they require payments to the customer. However, they should be excluded from financial liabilities if the arrangement is executory. SFRS(I) 7.5A

Financial liabilities designated as at FVPL

If an entity has designated a financial liability as at FVTPL and is required to present all changes in the fair value of that liability (including the effects of changes in the credit risk of the liability) in profit or loss (because recognising changes in the credit risk of the liability in other comprehensive income would enlarge an accounting mismatch in profit or loss), it shall disclose: SFRS(I) 7.10A SFRS(I) 7.11.c

- the amount of change, during the period and cumulatively, in the fair value of the financial liability that is attributable to changes in the credit risk of that liability;
- the difference between the financial liability's carrying amount and the amount the entity would be contractually required to pay at maturity to the holder of the obligation; and
- a detailed description of the methodologies used to determine whether presenting the effects of changes in a liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss, and a detailed description of the economic relationship between the characteristics of the liability and the characteristics of the other financial instrument, when the effects of changes in the liability's credit risk are recognised in profit or loss.

Rights of set-off and related arrangements

SFRS(I) 7 requires entities to disclose information about rights of set-off and related arrangements (such as collateral posting requirements) for financial instruments under an enforceable master netting agreement or similar agreement, irrespective of whether they are set off.

With respect to the financial instruments disclosed in column (D) of the table above, include a note for description of the rights of set off associated with the entity's recognised financial assets and recognised financial liabilities subject to enforceable master netting arrangements and similar agreements, including the nature of those rights. SFRS(I) 7.13E

If the disclosures required under SFRS(I) 7 are disclosed in more than one notes, the entity shall cross-refer between those notes. SFRS(I) 7.13F

The disclosures required by SFRS(I) 7 may be grouped by type of financial instrument or transaction (for example, derivatives, repurchase and reverse repurchase agreements or securities borrowing and securities lending agreements), or alternatively by counterparty. If an entity provides the required information by counterparty, the entity is not required to identify the counterparties by name. However, designation of counterparties (Counterparty A, Counterparty B, Counterparty C, etc.) shall remain consistent from year to year for the years presented to maintain comparability. Qualitative disclosures shall be considered so that further information can be given about the types of counterparties. When disclosure of the amounts is provided by counterparty, amounts that are individually significant in terms of total counterparty amounts shall be separately disclosed and the remaining individually insignificant counterparty amounts shall be aggregated into one line item. SFRS(I) 7.B51 SFRS(I) 7.B52

48 Capital management

SFRS(I) 1-1.134
SFRS(I) 1-1.135

The Group manages its capital to ensure that the entities in the Group will be able to continue as a going concern while maximising the return to stakeholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from the previous financial year.

The capital structure of the Group consists of equity attributable to owners of the parent, comprising issued capital, reserves and retained earnings.

The Group is not subject to any externally imposed capital requirements.

The Group's risk management committee reviews the capital structure on a semi-annual basis. As a part of this review, the risk management committee considers the cost of capital and the risks associated with each class of capital. The Group has a target gearing ratio not to exceed 30% determined as the proportion of net debt to equity.

The gearing ratio of the Group at the reporting date is as follows:

	The Group	
	2022	2021
	$	$
Debt (i)	**42,747,125**	45,792,492
Cash and bank balances (including cash and bank balances in a disposal group classified as held-for-sale)	**(20,299,985)**	(35,293,076)
Net debt	**22,447,140**	10,499,416
Equity (ii)	**106,351,533**	109,003,582
Net debt to equity ratio (%)	**21.1%**	9.6%

(i) Debt is defined as long and short-term borrowings, including lease liabilities but excluding derivative financial instruments and financial guarantee contracts.

(ii) Equity includes all capital and reserves of the Group that are managed as capital.

Guidance Notes – Capital management

Objectives, policies and processes

Where the entity discloses information that enables users of its financial statements to evaluate the entity's objectives, policies and processes for managing capital, quantitative disclosure should be added. SFRS(I) 1-1.134

If the entity's capital management policy also includes monitoring that of the Company, then relevant disclosures about the Company's financial figures shall be included in table above too.

Externally imposed capital requirements

When an entity is subject to externally imposed capital requirements, the following disclosures are required: SFRS(I) 1-1.135

- the nature of those requirements;
- how those requirements are incorporated into the management of capital;
- any changes in those requirements from the previous period;
- whether during the period, the entity complied with any externally imposed capital requirements to which it is subject to; and
- when the entity has not complied with such externally imposed capital requirements, the consequences of such non-compliance.

When the entity has not complied with such externally imposed capital requirements, it should disclose the consequences of such non-compliance. SFRS(I) 1-1.135.e

An illustrative disclosure incorporating externally imposed capital requirements is as follows:

"The Group manages its capital to ensure that it will able to continue as a going concern, to maximise the return to stakeholders through the optimisation of the debt and equity balance, and to ensure that all externally imposed capital requirements are complied with.

The capital structure of the Group consists of debt, which includes borrowings disclosed in Note 23, issued capital, reserves and retained earnings. One of the subsidiaries of the Group is required to set aside a minimum amount of 10% of profits annually. Such profits are accumulated in a separate reserve called "statutory reserves". The statutory reserves may only be distributed to shareholders upon liquidation of the subsidiary. The Group is in compliance with externally imposed capital requirements for the financial year ended 31 December 2022 and 2021.

The Group's risk management committee also reviews the capital structure on a semi-annual basis. As a part of this review, the committee considers the cost of capital and the risks associated with each class of capital. The committee also ensures that the Group maintains gearing ratios within a set range to comply with the loan covenant imposed by a bank. Based on recommendations of the committee, the Group will balance its overall capital structure through the payment of dividends, new share issues and share buy-backs as well as the issue of new debt or the redemption of existing debt.

The Group's overall strategy remains unchanged from the previous financial year."

49 Prior year adjustment

In 2022, a wholly-owned subsidiary of the Group discovers that maintenance expenses had been erroneously omitted in its financial statements for the year ended 31 December 2021 and 2020. As a consequence, maintenance expenses and the related liabilities had been understated. The errors have been corrected by restating each of the affected financial statement line items for the prior periods. The following table summarises the impacts on the Group's consolidated financial statements. SFRS(I) 1-8.49.a SFRS(I) 1-8.49.b,c

The Group	As previously reported $	Adjustment $	As restated $
(i) Consolidated statement of financial position			
At 1 January 2021:			
Trade and other payables	29,841,867	203,656	30,045,523
Retained earnings	42,842,329	(203,656)	42,638,673
At 31 December 2021:			
Trade and other payables	19,411,910	387,444	19,799,354
Retained earnings	45,655,182	(387,444)	45,267,738
(ii) Consolidated statement of profit or loss and other comprehensive income			
For the year ended 31 December 2021:			
Other expenses	4,062,391	183,788	4,246,179
Profit for the year	5,421,813	(183,788)	5,238,025
(iii) Consolidated statement of cash flows			
For the year ended 31 December 2021:			
Operating cash flows before movements in working capital	9,913,366	(183,788)	9,729,578
Cash generated from/(used in) operations	(18,869,048)	(183,788)	(19,052,836)
Net cash generated from/(used in) operating activities	(21,135,081)	(183,788)	(21,318,869)
(iv) Earnings per share			
For the year ended 31 December 2021:			
Basic earnings per share (Cents)	5.67	(0.23)	5.44
Diluted earnings per share (Cents)	4.92	(0.18)	4.74

Guidance Notes – Prior year adjustment

Correction of prior year errors

If any prior period errors are corrected in the current year's financial statements, then an entity discloses: SFRS(I) 1-8.49

- the nature of the prior period error;
- to the extent practicable, the amount of the correction for each financial statement line item affected, and basic and diluted earnings per share for each prior period presented;
- the amount of the correction at the beginning of the earliest prior period presented; and
- if retrospective restatement is impracticable for a particular prior period, then the circumstances that led to the existence of that condition and a description of how and from when the error has been corrected.

Change in accounting policy

When a change in accounting policy, either voluntarily or as a result of the adoption of a new, revised or amended SFRS(I), has an effect on the current period or any prior period, an entity discloses, among other things and to the extent practicable, the amount of the adjustment for the current period and each prior period presented for each financial statement line item affected, unless specific transitional requirements are available in the new, revised or amended SFRS(I). SFRS(I) 1-1.10.f SFRS(I) 1-8.28,29

Reclassifications and comparative figures

Where the presentation or classification of items in the statements is amended, comparative amounts shall be reclassified unless the reclassification is impracticable. When comparative amounts are reclassified, an entity shall disclose the nature of the reclassification, the amount of each item or class of items that is reclassified and the reason for the reclassification. An illustrative disclosure is as follows: SFRS(I) 1-1.41,42

"Certain reclassifications have been made to the prior year's financial statements to enhance comparability with the current year's financial statements because [state reasons].

As a result, certain line items have been amended in the [statements of financial position, consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flow,] and the related notes to the financial statements. Comparative figures have been adjusted to conform to the current year's presentation.

The following items have been reclassified:

	The Group			
	Previously reported 31.12.2021 $	*After reclassification 31.12.2021 $*	*Previously reported 1.1.2021 $*	*After reclassification 1.1.2021 $*
[to provide details, where applicable]	*XXX*	*XXX*	*XXX*	*XXX*

	The Company			
	Previously reported 31.12.2021 $	*After reclassification 31.12.2021 $*	*Previously reported 1.1.2021 $*	*After reclassification 1.1.2021 $*
[to provide details, where applicable]	*XXX*	*XXX*	*XXX*	*XXX*

Change of accounting policy in response to IFRS IC agenda decisions

While IFRS IC agenda decisions do not form part of IFRSs / SFRS(I)s, they often produce explanatory material that provides new information 'that was not otherwise available and could not otherwise reasonably have been expected to be obtained' relating to the application of accounting standards. Therefore, an entity might be required to change its previous accounting treatment following the issue of an IFRS IC agenda decision. Often, but not always, changes resulting from an agenda decision would be a voluntary accounting policy change in accordance with IAS 8 / SFRS(I) 1-8 as it arises from 'new information' and would generally have to be applied retrospectively.

Where the entity has to change its accounting treatment, it should apply IAS 8 / SFRS(I) 1-8 to determine the nature of and provide sufficient disclosure of the reasons for the change, having regard to the particular facts of the individual case. Entities might consider the following description for the change in accounting treatment:

"The Group previously accounted for [explanation of previous accounting practice]. Following the agenda decision by IFRS Interpretation Committee (IFRS IC) about [subject matter] on [date], the Group has reconsidered its accounting treatment. The Group has adopted the treatment as set out in that agenda decision with regards to [description of the new treatment]. This change in accounting treatment has been accounted for retrospectively and comparative information has been restated. [Disclose details of the effects.]"

50 Events after the reporting period

On 2 February 2023, the premises of a wholly-owned subsidiary of the Group, FKT Engineering (Shenzhen) Co Ltd, are seriously damaged by fire. Insurance claims are in process but the cost of refurbishment is currently expected to exceed the amounts that will be reimbursed by $134,000. SFRS(I) 1-10.21

Guidance Notes – Events after the reporting period

Nature and financial effect

For each material category of non-adjusting event after the reporting date, an entity discloses the nature of the event and an estimate of its financial effect, or a statement that such an estimate cannot be made. SFRS(I) 1-10 provides examples of non-adjusting events that normally would require disclosure. SFRS(I) 1-10.22

If the financial effect of a material non-adjusting event after the reporting date cannot be estimated, an entity discloses that fact. SFRS(I) 1-10.21.b

Business combination

For each business combination effected after the reporting date but before the financial statements are authorised for issue, an entity discloses the information pursuant to the requirements of SFRS(I) 3 to enable users of its financial statements to evaluate the nature and financial effect of each business combination. The disclosure requirements are the same as those required for business combinations effected during the period. If disclosure of any information is impracticable, then an entity discloses this fact and the reasons for it. SFRS(I) 3.59.b SFRS(I) 3.B66

Discontinued operations

For discontinued operations or assets held for sale where the criteria as held for sale are met after the end of the reporting period, an entity shall provide a description of the non-current asset or disposal group, the facts and circumstances and expected timing of the sale or disposal, and the reportable segment in which the assets and associated liabilities are presented. SFRS(I) 1-10.22.c SFRS(I) 5.12 SFRS(I) 5.41.a,b,d

Current liabilities

In respect of loans classified as current liabilities, if the following events occur between the end of the reporting period and the date the financial statements are authorised for issue, those events are disclosed as non-adjusting events: SFRS(I) 1-1.76

- refinancing on a long-term basis
- rectification of a breach of a long-term agreement
- the granting by the lender of a period of grace to rectify a breach of a long-term loan arrangement ending at least twelve months after the reporting period

Appendix A: Implication of Going Concern on Auditor's Report

Reference

Under the going concern basis of accounting, the financial statements are prepared on the assumption that the entity is a going concern and will continue its operations for the foreseeable future. SSA 570.2

The auditor's responsibilities are to obtain sufficient appropriate audit evidence regarding, and conclude on, the appropriateness of management's use of the going concern basis of accounting in the preparation of the financial statements, and to conclude, based on the audit evidence obtained, whether a material uncertainty exists about the entity's ability to continue as a going concern. SSA 570.6

Matters related to going concern may be determined to be Key Audit Matter ("KAM"). Material uncertainty related to events or conditions that may cast significant doubt on an entity's ability to continue as a going concern is, by nature, a KAM but is reported separately in the 'Material Uncertainty Related to Going Concern' section in the auditor's report. Emphasis of Matter paragraph is no longer to be used for communications about going concern. The following outlines the reporting to be considered for each type of going concern issue. SSA 700.29

Going concern issue:	Reporting to be considered:	Reference
• If the use of the going concern basis of accounting is inappropriate	• Adverse opinion • Description of the circumstance in the 'Basis for Adverse Opinion' section • Reference to the 'Basis for Adverse Opinion' section in the KAM section	SSA 570.21 SSA 570.A26-A27
• When the use of the going concern basis of accounting is appropriate, • but a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, • and disclosures in the financial statements are adequate	• Unmodified opinion • Separate 'Material Uncertainty Related to Going Concern' section, as follows: ***"Material Uncertainty Related to Going Concern"*** *"We draw attention to Note X in the financial statements, which indicates that the Group incurred a net loss of $XXX (2021: $XXX) and total comprehensive loss of $XXX (2021: $XXX) during the financial year ended 31 December 2022, and as at that date, the Company's current and total liabilities exceeded its current and total assets by $XXX (2021: $XXX) and $XXX (2021: $XXX) respectively. These events or conditions, along with other matters as set forth in Note X, indicate that a material uncertainty exists that may cast significant doubt on the Group's ability to continue as a going concern. Our opinion is not modified in respect of this matter."* • Reference to the 'Material Uncertainty Related to Going Concern' section in the KAM section, as follows: *"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. <u>In addition to the matter described in the Material Uncertainty Related to Going Concern section, we have determined the matters described below to be the key audit matters to be communicated in our report.</u>"*	SSA 570.22 SSA 570.A28-A31 SSA 570.A34

Appendix A: Implication of Going Concern on Auditor's Report (cont'd)

Reference

Going concern issue:	Reporting to be considered:	Reference
• When the use of the going concern basis of accounting is appropriate, • but a material uncertainty exists related to events or conditions that may cast significant doubt on the entity's ability to continue as a going concern, • and disclosures in the financial statements are inadequate or omitted	• Qualified or adverse opinion • Description of the circumstance in the 'Basis for Qualified / Adverse Opinion' section • Reference to the 'Basis for Qualified / Adverse Opinion' section in the KAM section	SSA 570.23 SSA 570.A32-A34
• When the use of the going concern basis of accounting is appropriate, • but events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern, • but based on the audit evidence obtained, the auditor concludes that no material uncertainty exists [(1)]	• Unmodified opinion • Requirement for the auditor to evaluate the adequacy of disclosures [(2)] in "close call" situations, when events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern, but no material uncertainty is concluded	SSA 570.20 SSA 570.A24-A25

(1) This is otherwise known as a "close call" situation.

(2) SFRS(I) 1-1 *Presentation of Financial Statements* requires disclosure of the judgements that management has made in the process of applying the entity's accounting policies that have the most significant effect on the amounts recognised in the financial statements. This requirement shall apply to judgement made in a situation when events or conditions are identified that may cast significant doubt on the entity's ability to continue as a going concern, but management concludes that no material uncertainty exists. SFRS(I) 1-1.25 SFRS(I) 1-1.122

Appendix B: Illustrative Examples of Key Audit Matters Reference

Key audit matter	Risks	Responses and work performed
Impairment assessment of trade receivables and contract assets	Trade receivables and contract assets balances amounted to $XX and $XX respectively as of 31 December 20XX and were significant to the Group as they represented XX% of the Group's total assets. The Group uses a provision matrix to calculate the expected credit losses (ECLs) for trade receivables and contract assets. The provision matrix is based on historical observed default rates, existing marketing conditions, adjusted for forward looking information at each reporting period. The determination of ECL requires the use of management judgement and estimates, and is sensitive to changes in circumstances and economic conditions. Given the magnitude of the amounts and the use of significant management judgement in assessing the ECLs, we have identified impairment on trade receivables and contract assets to be a key audit matter.	As part of the audit, we obtained an understanding of the Group's processes and controls relating to the impairment assessment of trade receivables and contract assets. We requested confirmation replies and evidence of post year end receipts for key trade receivables. We tested management's assumptions used to determine the ECLs on the trade receivables and contract assets, by considering the Group's historical credit loss experience, ageing analysis of outstanding receivables, customer profile and local jurisdiction risks and comparison to forward-looking macroeconomic information affecting the recoverability of trade receivables and contract assets. Further, we assessed the adequacy of the Group's disclosures on trade receivables and contract assets, and the related credit risk and liquidity risk in Notes XX and XX to the financial statements.
Recoverability of refundable trade deposit	Management assesses at the end of the reporting period whether there is any evidence that the refundable trade deposit of US$XX (equivalent to $XX) provided to a related party to secure coal allocations is impaired. Management monitors and takes into consideration the following in their assessment on recoverability of the refundable trade deposit: • the related party's past payment history to the Group; • ongoing dealings with the related party; • latest management accounts and/or audited financial statements of the related party; • management's relationships and discussions with management of the related party who owns the coal mine on their coal mine operations; and • terms as agreed in the latest coal allocation agreement with the related party. The Group's disclosure of the above significant estimates is provided in Note XX to the financial statements, and further information related to the refundable trade deposit is provided in Note XX.	Our audit procedures focused on evaluating and challenging the key estimates used by management in assessing the recoverability of the refundable trade deposit. These procedures include: • obtaining an understanding of the key controls and processes that management and the Directors have in place to assess the recoverability of the refundable trade deposit; • reviewing the agreements for the arrangement on the refundable trade deposit; and • challenging management's assessment of the recoverability of the amount as at the reporting date, including the assessment by management on the related party's financial position and performance, and its historical payment cycles. We have also assessed and validated the adequacy and appropriateness of the disclosures made in the financial statements.

Appendix B: Illustrative Examples of Key Audit Matters (cont'd)

Reference

Key audit matter	Risks	Responses and work performed
Accounting for derivative transactions	The Group uses derivative financial instruments such as forward currency contracts, cross currency interest rates swaps and various commodity futures, options and swap contracts to hedge its risks associated with interest rates, foreign currency and commodity price fluctuations. At 31 December 20XX, the Group's total derivative financial instruments that were carried at fair value comprised financial assets and financial liabilities of $XX million (current: $XX million) and $XX million (current: $XX million) respectively. We considered the audit of this to be a key audit matter due to the volume of trades entered into.	Our audit procedures included, amongst others, understanding the Group's overall commodity trading process and testing management's controls around the origination and maintenance of complete and accurate information relating to the recording of the derivative contracts. For firm commitment contracts, we checked management's process to derive the market prices and recomputed the unrealized gains/losses on the contracts. For the other types of derivatives, we independently obtained statements from banks and other financial institutions to compare against the fair values of the derivatives recorded, and to verify the existence and ownership of the derivatives. We involved our internal valuation specialists in assessing the reasonableness of the fair values of derivatives. We also assessed the adequacy of the related disclosures in the Notes XX and XX to the financial statements.
Impairment of oil and gas properties	The Group is required to assess whether there are any indicators that oil and gas properties may be impaired. If an indicator exists, the Group must estimate the recoverable amount of the asset. At year end, the Group concluded that there were no impairment charges or reversals of previous impairment charges required for any of its Cash Generating Units (CGUs), apart from a $XX million impairment charge in respect of XXX vessels disposed of during the year. In determining whether there was an indicator of impairment or impairment reversal, the Group considered whether there was a significant change in the external or internal factors as set out in the financial report in Note XX. The key assumptions, judgements and estimates used in the Group's assessment of impairment and reversal of impairment are also disclosed in Note XX. The assessment of indicators of impairment and reversal of impairment is complex and highly judgemental and includes assessing a range of external and internal factors and modelling a range of assumptions that could impact the recoverable amount of a CGU. Accordingly, this matter was considered to be a key audit matter.	We evaluated whether there had been significant changes in the external or internal factors considered by the Group in assessing whether indicators of impairment or reversal of impairment existed, in particular, those relating to forecast cash flows and the inputs used to formulate them. This included assessing, in conjunction with our valuation specialists, the discount rates, foreign exchange rates and commodity prices with reference to market prices (where available), market research, market practice, market indices, broker consensus and historical performance. We used the work of the Group's internal experts with respect to the hydrocarbon reserve estimates used in the Group's assessment of movements in reserves in its impairment indicator considerations. This included understanding the reserve estimation processes carried out, the Group's internal certification process for technical and commercial experts who are responsible for reserves, the design of the Group's Petroleum Resources Management procedures and its alignment with the guidelines prepared by the Society of Petroleum Engineers. We also examined the qualifications, competence and objectivity of the Group's experts and the scope and appropriateness of their work. We assessed whether key reserves economics assumptions were consistent with other operational information. We examined sales agreements utilised in determining the recoverable amount of the XXX vessels. We also considered the adequacy of the financial report disclosures regarding the assumptions, key estimates and judgements applied by management for the Group's assessment of indicators of impairment and reversal of impairment of non-current assets. These have been disclosed in Note XX.

Appendix B: Illustrative Examples of Key Audit Matters (cont'd)

Reference

Key audit matter	Risks	Responses and work performed
Impairment assessment of exploration and evaluation (E&E) assets	The impairment testing process for E&E assets commences with an assessment against indicators of impairment under SFRS(I) 6 Exploration for and Evaluation of Mineral Resources. If there is an indication that an E&E asset may be impaired, the Group is required to estimate the recoverable amount of the asset. For the year ended 31 December 20XX, the Group identified impairment indicators in respect of the XXX E&E asset. Impairment testing was undertaken which resulted in an impairment charge of $XX million being recorded, as set out in Note XX of the financial report. The key assumptions, judgements and estimates used in the formulation of the Group's impairment assessment of E&E assets, and those used in the determination of the XXX E&E asset, are set out in Note XX of the financial report. The assessment of indicators of impairment and, where required, the determination of recoverable value is complex and highly judgemental. Accordingly, this matter was considered to be a key audit matter.	We assessed the impairment analysis prepared by the Group, evaluating the assumptions and methodologies used and the estimates made. Our audit procedures included the following: • Considered the Group's right to explore in the relevant exploration area which included obtaining and assessing supporting documentation such as license agreements and correspondence with relevant government agencies. • Considered the Group's intention to carry out substantive E&E activity in the relevant exploration area, or plans to move the asset into development. This included assessment of the Group's cash-flow forecast models approved by the Board for evidence of planned future activity, and enquiries with senior management as to the intentions and strategy of the Group. • Considered the Group's assessment of the commercial viability of results relating to E&E activities carried out in the relevant license area. • Assessed the Group's ability to finance both planned future E&E activity and asset development plans. • Assessed the capabilities of management's internal experts for the purposes of estimating the potential resources associated with E&E assets. • Tested, in conjunction with our valuation specialists, the mathematical accuracy and integrity of the impairment model developed in respect of the XXX E&E asset. • Assessed, in conjunction with our valuation specialists, the key assumptions used in the determination of the recoverable value of the XXX E&E asset, with reference to market information where available. • Considered the adequacy of the financial report disclosure of the assumptions, key estimates and judgements applied by management for the Group's assessment of impairment for E&E assets. These have been disclosed in Notes XX and XX.
Identification of related party transactions	The Group is a component of another listed group, and accordingly, there are various related parties that need to be identified and transactions with these related parties to be monitored. The Group has significant transactions with its related parties and there is a risk that the related parties may inadvertently be omitted, and as such, the Group's identification of the related party and disclosure of its transactions may be incomplete. The related party transactions have been disclosed in Note XX to the financial statements.	Our audit procedures were: • We have assessed and evaluated the design and implementation of the Group's policies and procedures in respect of the identification of related parties and recording of related party transactions; • We obtained a list of related parties from management and ensured all transactions and balances with those entities have been appropriately disclosed in the financial statements. We have independently requested and obtained confirmation replies from these related parties to confirm the balances at 31 December 20XX, and transactions for the year then ended; and • We also considered the completeness of the disclosure of related party transactions through review of statutory information, books and records and minutes, and assessed the disclosures for accuracy against information obtained in our audit.

Appendix B: Illustrative Examples of Key Audit Matters (cont'd)

Reference

Key audit matter	Risks	Responses and work performed
Impairment assessment of goodwill and investment in subsidiaries	As at 31 December 20XX, the goodwill was carried at S$XX million, which represents XX% of the Group's total non-current assets and XX% of total equity. Management allocated goodwill to the respective cash-generating units ("CGUs") as disclosed in Note XX to the financial statements. The recoverable amounts of the identified CGUs have been determined based on value-in-use calculations. As at 31 December 20XX, the Company's investment in subsidiaries amounted to S$XX million. The subsidiaries operate clinics in Singapore. Six of the subsidiaries have indicators of impairment and the carrying amount of these investment in subsidiaries amounted to S$XX million as at 31 December 20XX. Management performed the impairment assessment for subsidiaries with indicators of impairment and determined their recoverable amounts based on value-in-use calculations. We considered the audit of management's impairment assessment of goodwill and investment in subsidiaries to be a key audit matter due to the magnitude of the carrying amounts of goodwill and investment in subsidiaries in the financial statements as at 31 December 20XX. In addition, these areas were significant to our audit because the impairment assessment process involves significant management judgement and required the management to make various assumptions in the underlying cash flow forecasts.	In response to these areas of focus, we performed the following procedures, amongst others: • obtained an understanding of management's impairment assessment process; • reviewed the robustness of management's budgeting process by comparing the actual financial results against previous projections; • assessed the valuation method used by management and evaluated the key assumptions used in the impairment analysis, in particular the discount rates, long-term growth rates and budgeted revenue; • involved our internal valuation specialists to assist us in evaluating the reasonableness of discount rates and long-term growth rates used; • evaluated the reasonableness of budgeted revenue by comparing the actual revenue achieved in the past against previous projections and discussing with management to understand the rationale for the variances; and • reviewed management's analysis of the sensitivity of the value-in-use calculations to reasonably possible changes in the key assumptions. The Group's disclosures relating to goodwill and investments in subsidiaries are included in Notes XX and XX to the financial statements respectively.
Valuation of inventories	Inventories represent XX% (20XX: XX%) of the Group's total assets as at 31 December 20XX. Cost of inventories may not be recoverable if those inventories are damaged, expired or obsolete; or if their selling prices have declined significantly such that net realisable value is below their carrying amount. The write-down of inventories to net realisable value is based on the age of these inventories, prevailing market conditions in the consumer food and beverage industry and historical provisioning experience which require management judgement.	We assessed management's basis of write-down and performed the following audit procedures, amongst others: • Tested the amount of obsolete or expired inventory recorded to actual write-off incurred in the past; • Assessed whether the inventory write-down made at reporting date was consistent with the Group's provisioning policy; • Tested the inventory ageing reports which age the products by expiration date; • Tested the process which determines the date of expiration for the finished goods produced; • Checked the adequacy of the write-down made according to the finished goods' expiry dates; • Tested the net realisable value of finished goods by comparing the costs to selling prices after the year end or to the latest selling prices available; and • Observed physical inventory counts to determine whether inventories with quality or obsolescence issues or that are damaged have been appropriately identified and written off.

Appendix B: Illustrative Examples of Key Audit Matters (cont'd) Reference

Key audit matter	Risks	Responses and work performed
Impairment assessment of property, plant and equipment, right-of-use assets and intangible assets (the "shipyard assets")	The Group's shipyard assets were subject to impairment test assessments, owing to the continued difficult market conditions impacting the offshore and marine sector. The Group's largest yard assets and facilities are (i) the integrated yards, which include the individual yard locations in XXX, the sub-contracting yards in XXX and the XXX (the XXX cash generating unit) and (ii) the yard in XXX (XXX cash generating unit). Such shipyard assets are measured at cost less accumulated depreciation and impairment loss. An impairment loss exists when the net carrying amount of the shipyard assets is in excess of its recoverable amount, which is defined as the higher of the asset's fair value less costs of disposal, and value in use. As the fair values of these shipyard assets are not readily determinable, the Group measures the recoverable amount based on value in use, using the discounted cash flow technique. The determination of the recoverable amounts of these cash generating units involves a high degree of judgement and is subject to significant estimation uncertainties, principally, the forecast order book. The forecast order book includes a diversified portfolio of long-term contracts whose contract pricing takes into account prevailing market conditions and the outlook of the oil and gas industry, which are inherently subject to estimation uncertainties. As the XXX cash generating unit is not yet fully operational, and there is limited track record of historical contract awards and performance, the Group has factored in the long term fundamentals of the oil and gas sector in XXX to project the future order book. Accordingly, the future order book considers the projected capital expenditure of state-owned and international oil majors covering exploration and production projects that would lead to new build orders, regulations governing local content requirements, as well as forecast movements in oil prices in the foreseeable future projected by industry analysts. The long-term returns of the XXX cash generating unit can also be significantly impacted by political risk. The outcome of the impairment tests on the shipyard assets for the XXX cash generating unit and XXX cash generating unit shows that the recoverable amounts are in excess of the net carrying amounts attributable to these cash generating units.	We assessed the Group's process for identifying and reviewing the cash generating units subject to impairment testing. We, including our valuation specialists to the extent appropriate, reviewed the key assumptions supporting the value-in-use calculations to arrive at the recoverable amounts of these cash generating units. We compared the forecast order book to firm commitments secured from customers, management approved budgets built from the Group's past and actual experiences, prevailing industry trends, and industry analysts' reports. We compared the discount rates to market observable data including market and country risk premiums and any asset-specific risk premium. We also reviewed available qualitative information from industry analysts, projected capital expenditure by oil majors supporting the projection of orders, and regulations on local content requirements. We assessed the related disclosures on key assumptions applied in determining the recoverable amounts of the cash generating units.

Appendix B: Illustrative Examples of Key Audit Matters (cont'd)

Reference

Key audit matter	Risks	Responses and work performed
Valuation of properties held for sale	At 31 December 20XX, the Group had residential properties held for sale of $XX million mainly in XXX, XXX, XXX and XXX. Properties held for sale are stated at the lower of cost and net realisable values. The determination of the carrying value and whether to recognise any foreseeable losses for properties held for sale is highly dependent on the estimated cost to complete each development and the estimated selling price. For certain development projects, fair values based on independent valuation reports are used to determine the net realisable value of these properties. We focused on this area as significant judgment is required in making estimates of future selling prices and the estimated cost to complete the development project. In instances where independent valuation reports are used, the valuation process involves significant judgment in determining the appropriate valuation methodology to be used, and in estimating the underlying assumptions to be applied. The valuations are highly sensitive to key assumptions applied in deriving the discount rate and price of comparable plots and properties. Continued unfavourable market conditions in certain of the markets in which the Group operates might exert downward pressure on transaction volumes and residential property prices. This could lead to future trends in these markets departing from known trends based on past experience. There is, therefore, a risk that the estimates of carrying values at the date of these financial statements exceed future selling prices, resulting in losses when the properties are sold.	We found that, in making its estimates of future selling prices, the Group took into account macroeconomic and real estate price trend information. Management applied their knowledge of the business in their regular review of these estimates. We corroborated the Group's forecast selling prices by comparing the forecast selling price to, where available, recently transacted prices and prices of comparable properties located in the same vicinity as the properties held for sale. We compared management's budgeted total development costs against underlying contracts with vendors and supporting documents. We discussed with the project managers to assess the reasonableness of estimated cost to complete and corroborated the underlying assumptions made with our understanding of past completed projects. For projects where management has used independent valuation reports as a basis to determine the net realisable value, we evaluated the qualifications and competence of the external valuer and considered the valuation methodologies used against those applied by other valuers for similar property type. We tested the reliability of inputs used in the valuation and corroborated key inputs such as the discount rate and price of comparable plots and properties used in the valuation by comparing them against historical rates and available industry data, taking into consideration comparability and market factors. Where the inputs were outside the expected range, we undertook further procedures to understand the effect of additional factors and, when necessary, held further discussions with the valuers. We focused our work on development projects with slower-than-expected sales or with low or negative margins. For projects which are expected to sell below cost, we checked the computations of the foreseeable losses. We also considered the adequacy of the disclosures in the financial statements, in describing the allowance for foreseeable losses made for properties held for sale.

Appendix B: Illustrative Examples of Key Audit Matters (cont'd)

Reference

Key audit matter	Risks	Responses and work performed
Valuation of biological assets	The Group holds a significant amount of biological assets in the form of brooder stock of XXX. Brooder stock is carried at cost less accumulated depreciation and impairment. Prevailing oversupply of XXX continues to exert downward pressure on the selling prices of XXX. This presents a risk that the brooder stock balance may not be recoverable, resulting in losses. Management performed an annual impairment review on brooder stock, which involves significant judgement in estimating future cash flows. Due to the level of judgement involved, this is one of the key areas that our audit focused on.	We considered the appropriateness of the valuation methodology and tested the information used by management. The key assumptions underlying the projected cash flows (including production yield and budgeted revenue growth) are challenged by comparing against historical information of the Group and consideration of other external and internal factors. Our valuation specialists are engaged to assess the reasonableness of the discount rate used. We tested the mathematical accuracy of the discounted cash flow model and evaluated the sensitivity of the outcomes by considering reasonably plausible changes to the key assumptions. In addition, we evaluated the appropriateness of the relevant disclosure in relation to the valuation of biological assets.
Valuation of financial investments	The Group's financial assets comprise mainly debt and equity securities. These instruments are measured at fair value with the corresponding fair value changes recognized in either other comprehensive income or, profit or loss. The valuation is performed by the Group using inputs which have been classified in accordance with the fair value hierarchy stated in SFRS(I) 13, Fair Value Measurement. The fair value hierarchy is disclosed in Note XX. The valuation of investments is inherently subjective and exercise of significant judgement in determining fair value is required, particularly for the Level 2 and Level 3 investments since these are valued based on inputs other than observable quoted prices. As such, we determined this to be significant to our audit. As at 31 December 20XX, the Level 2 and Level 3 investments amounted to $XX million and $XX million respectively.	Our audit procedures, focused on the valuation of these financial investments, included the following, amongst others: • assessing the processes and controls relating to valuation of these financial investments, including the methods and assumptions used to value the underlying investments, and their valuations review process; • recalculating the valuations using external quotes where available, or with reference to alternative valuation methods used by other market participants on a sample of investments; and • ascertaining that investments are properly valued and disclosed in the Group's financial statements in accordance with SFRS(I) 9, SFRS(I) 7 and SFRS(I) 13, including valuation sensitivity analysis and fair value hierarchy. The Group's disclosures related to financial investments are included in Note XX (Financial assets), Note XX (Determination of fair value of financial instruments) and Note XX (Fair value of assets and liabilities).

Appendix B: Illustrative Examples of Key Audit Matters (cont'd)

Reference

Key audit matter	Risks	Responses and work performed
Valuation of provision for current and deferred tax and tax compliance	As at 31 December 20XX, the Group has recognized provision for tax and deferred tax liabilities of $XX million and $XX million respectively. The taxation rules and regulations governing the XXX industry are complex and evolving. There are many transactions and calculations for which the ultimate tax determination is uncertain as it involved significant management judgment in determining the deductibility of certain expenses during the estimation of provision for income taxes. The final tax outcome for open years of assessment may therefore be different from the amounts that were initially recorded and result in either tax refunds, write-backs of tax provisions or further taxes to be imposed. As such, the valuation of the income tax is significant to our audit.	Our audit procedures included, amongst others: • involving our internal tax experts in assessing the veracity of the bases used to determine the tax positions. We corroborated these bases with supporting evidence, historical accuracy of management's assumptions used and estimation process; • reviewing correspondences with the tax authorities to identify potential tax exposures, including identifying uncertain tax positions and resolution of outstanding tax matters; and • assessing the adequacy of the Group's disclosures on provision for tax and deferred tax. The Group's disclosures related to provision for tax, and deferred taxation are included in Note XX (Taxes), Note XX (Income tax).
Revenue recognition	Revenue is measured taking into account of discounts and rebates earned by customers on the Group's sales, which give rise to variable consideration under SFRS(I)15. Variable consideration is estimated and is recognised as revenue to the extent that it is highly probable that a significant reversal in revenue recognised up-to-date will not occur when the discount and rebate amounts are subsequently finalized. In addition, due to the multitude and variety of contractual terms across the Group's operating markets, the estimation of variable consideration arising from discounts and rebates is considered to be complex and judgemental. As such, we considered this to be a key audit matter.	As part of our audit procedures, we evaluated the appropriateness of the Group's revenue recognition accounting policies. We obtained an understanding of the revenue recognition process, performed a walkthrough of the significant class of transactions and evaluated the design of the relevant internal controls for effectiveness. We also tested the effectiveness of the management's internal controls over the determination of variable consideration arising from discounts and rebates, timing of the revenue recognition and gross or net presentation of revenue. In addition, we read significant sales contracts and revenue arrangements, and performed inquiries with management to understand the potential impact of the various terms on revenue recognition, and to also determine if the arrangement is appropriately identified as a contract in accordance with SFRS(I)15. In respect of discounts and rebates and the relating variable consideration recognised during the year, we checked to the terms of agreements and other supporting documents. We assessed the appropriateness of the method used and the reasonableness of data and assumptions used such as historical experience and purchasing patterns in the estimation of variable consideration and determination of the amount of revenue to be recognised. We also assessed the adequacy of disclosures in Note XX.

Appendix B: Illustrative Examples of Key Audit Matters (cont'd)

Key audit matter	Risks	Responses and work performed
Litigation, claims and other contingencies	The Group is subject to operational, business and political risks in certain countries in which it operates. These risks could give rise to litigation, claims and other contingencies (collectively, the "contingencies") which could have a significant financial impact if the potential exposures were to materialise. Ad-hoc Committees, if formed for any specific purpose, may conduct independent investigations on allegations that have potential impact on the business and the Group's financial statements, and recommend decisions as considered appropriate in connection with the independent investigations. The determination by management of whether, and how much, to provide and/or disclose for such contingencies is highly judgemental.	We assessed the Group's process for identifying and monitoring significant adverse developments arising from contingencies and where appropriate, legal, regulatory and political developments. We have reviewed the terms of reference of Ad-hoc Committees formed. We evaluated management's assessment of the likely outcome and potential exposures arising from all significant contingencies and allegations subject to on-going investigations; and considered the requirements for any provision and related disclosures. Our work included: • Holding discussions with management, the Group's legal counsel, the Audit Committee and the Ad-hoc Committee, and reviewing relevant documents; • Assessment of the progress of all significant contingencies, including reviewing the Group's public announcements; • Consideration of any evidence of legal disputes which we were made aware; • Obtaining independent legal confirmation letters from and discussing with the Group's external lawyers to confirm the fact patterns which we have been advised; • Inquiries with the Company's external legal counsel, together with our specialists, to understand the scope, approach and status of the investigations, and to confirm the fact patterns which we have been advised; and • Assessed the adequacy of disclosures in the financial statements in respect of this matter.
Accounting for acquisitions	During the financial year ended 31 December 20XX, the Group acquired businesses which amounted to total purchase considerations of $XX and recognised goodwill of $XX. For significant acquisitions, management has engaged external valuation specialists to assist them with the allocation of purchase consideration to identified acquired assets and liabilities, and the measurement of their fair value at acquisition date. Due to the significant management judgment and estimates involved in the identification of intangible assets such as customer relationships, order backlog and their respective fair values, we identified accounting for acquisitions to be a key audit matter. Information on the acquisitions are disclosed in Note XX of the financial statements.	As part of our audit, we obtained the purchase agreements and reviewed the key terms to gain an understanding of the transactions. We tested the payment of the purchase considerations to the vendors. An important element of our audit relates to the identification of the acquired assets and liabilities, and ascertaining their fair values based on the valuation models used by management's external valuation specialists. We assessed the competence, objectivity, and the relevant experience of these valuation specialists. We tested the identification of the acquired assets and liabilities based on our understanding of the business of the acquired companies and the explanations and plans of the management/board that supported these acquisitions. We involved our internal valuation specialists in assessing the fair values of the significant acquired assets and liabilities by reviewing the valuation methodologies and key assumptions used by management and their external valuation specialists. Further, we assessed the adequacy of the related disclosures in Note XX to the financial statements regarding these acquisitions.

Appendix B: Illustrative Examples of Key Audit Matters (cont'd)

Reference

SSA 720 Appendix 2	Scenario	Illustration
Illustration 1	An auditor's report of any Singapore incorporated company, whether **listed or other** than listed, containing an **unmodified** opinion when the auditor has **obtained all** of the other information prior to the date of the auditor's report and has **not identified** a material misstatement of the other information.	**Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]** Management is responsible for the other information. The other information comprises the [information included in the X 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.
Illustration 2	An auditor's report of a Singapore incorporated **listed** company containing an **unmodified** opinion when the auditor has **obtained part** of the other information prior to the date of the auditor's report, has **not identified** a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.	**Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]** Management is responsible for the other information. The other information comprises the [X report but does not include the financial statements and our auditor's report thereon], which we obtained prior to the date of this auditor's report, and the Y report, which is expected to be made available to us after that date. Our opinion on the financial statements does not cover the other information and we do not and will 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 identified above 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 on the other information that we obtained prior to the date of this auditor's report, 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. When we read the Y report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate actions in accordance with SSAs.

Appendix B: Illustrative Examples of Key Audit Matters (cont'd)

Reference

SSA 720 Appendix 2	Scenario	Illustration
Illustration 3	An auditor's report of a Singapore incorporated company **other than a listed** company containing an **unmodified** opinion when the auditor has **obtained part** of the other information prior to the date of the auditor's report, has **not identified** a material misstatement of the other information, and expects to obtain other information after the date of the auditor's report.	**Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]** Management is responsible for the other information. The other information obtained at the date of this auditor's report is [information included in the X 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 on the other information obtained prior to the date of this auditor's report, 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.
Illustration 4	An auditor's report of a Singapore incorporated **listed** company containing an **unmodified** opinion when the auditor has **obtained no** other information prior to the date of the auditor's report but expects to obtain other information after the date of the auditor's report.	**Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]** Management is responsible for the other information. The other information comprises the [information included in the X report, but does not include the financial statements and our auditor's report thereon]. The X report is expected to be made available to us after the date of this auditor's report. Our opinion on the financial statements does not cover the other information and we will 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 identified above when it becomes available 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. When we read the X report, if we conclude that there is a material misstatement therein, we are required to communicate the matter to the directors and take appropriate actions in accordance with SSAs.

Appendix B: Illustrative Examples of Key Audit Matters (cont'd) Reference

SSA 720 Appendix 2	Scenario	Illustration
Illustration 5	An auditor's report of any Singapore incorporated company, whether **listed or other** than listed, containing an **unmodified** opinion when the auditor has **obtained all** of the other information prior to the date of the auditor's report and has **concluded** that a material **misstatement** of the other information exists.	**Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]** Management is responsible for the other information. The other information comprises the [information included in the X 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. As described below, we have concluded that such a material misstatement of the other information exists. [Description of material misstatement of the other information]
Illustration 6	An auditor's report of any Singapore incorporated company, whether **listed or other** than listed, containing a **qualified** opinion when the auditor has **obtained all** of the other information prior to the date of the auditor's report and there is a limitation of scope with respect to a material item in the financial statements which **also affects** the other information.	**Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]** Management is responsible for the other information. The other information comprises the [information included in the X 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. As described in the Basis for Qualified Opinion section above, we were unable to obtain sufficient appropriate evidence about the carrying amount of the Company's investment in XYZ as at 31 December 20X1 and the Company's share of XYZ's net income for the year. Accordingly, we are unable to conclude whether or not the other information is materially misstated with respect to this matter.

Appendix B: Illustrative Examples of Key Audit Matters (cont'd)

Reference

SSA 720 Appendix 2	Scenario	Illustration
Illustration 7	An auditor's report of any Singapore incorporated company, whether **listed or other** than listed, containing an **adverse** opinion when the auditor has **obtained all** of the other information prior to the date of the auditor's report and the adverse opinion on the financial statements **also affects** the other information.	**Other Information [or another title if appropriate, such as "Information Other than the Financial Statements and Auditor's Report Thereon"]** Management is responsible for the other information. The other information comprises the [information included in the X 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. As described in the Basis for Adverse Opinion section above, the Group should have provided for foreseeable losses on long-term contracts. We have concluded that the other information is materially misstated for the same reason with respect to the amounts or other items in the X report affected by the failure to provide for foreseeable losses on long-term contracts.

Property lease classification – the Group as lessor

The Group has entered into commercial property leases on its investment property portfolio. The Group has determined, based on an evaluation of the terms and conditions of the arrangements, such as the lease term not constituting a major part of the economic life of the commercial property and the present value of the minimum lease payments not amounting to substantially all of the fair value of the commercial property, that it retains substantially all the risks and rewards incidental to ownership of this property and accounts for the contracts as operating leases.

Determination of performance obligations – sale of property and services provided to tenants

With respect to the sale of property, the Group has concluded the goods and services transferred in each contract constitute a single performance obligation. In particular, the promised goods and services in contracts for the sale of property under development mainly include design work, procurement of materials and development of the property. Generally, the Group is responsible for all of these goods and services and the overall management of the project. Although these goods and services are capable of being distinct, the Group accounts for them as a single performance obligation because they are not distinct in the context of the contract. The Group uses those goods and services as inputs and provides a significant service of integrating them into a combined output, i.e., the completed property for which the customer has contracted. SFRS(I) 15.22

In relation to the services provided to tenants of investment property (such as cleaning, security, landscaping, reception services, catering) as part of the lease agreements into which the Group enters as a lessor, the Group has determined that the promise is the overall property management service and that the service performed each day is distinct and substantially the same. Although the individual activities that comprise the performance obligation vary significantly throughout the day and from day to day, the nature of the overall promise to provide management service is the same from day to day. Therefore, the Group has concluded that the services to tenants represent a series of daily services that are individually satisfied over time, using a time-elapsed measure of progress, because tenants simultaneously receive and consumes the benefits provided by the Group.

Principal versus agent considerations – services to tenants

The Group arranges for certain services provided to tenants of investment property included in the contract the Group enters into as a lessor, to be provided by third parties. The Group has determined that it controls the services before they are transferred to tenants, because it has the ability to direct the use of these services and obtain the benefits from them. In making this determination, the Group has considered that it is primarily responsible for fulfilling the promise to provide these specified services because it directly deals with tenants' complaints and it is primarily responsible for the quality or suitability of the services. In addition, the Group has discretion in establishing the price that it charges to the tenants for the specified services. SFRS(I) 15.B34A SFRS(I) 15.B37

Therefore, the Group has concluded that it is the principal in these contracts. In addition, the Group has concluded that it transfers control of these services over time, as services are rendered by the third-party service providers, because this is when tenants receive and, at the same time, consume the benefits from these services.

Consideration of significant financing component in a contract – sale of property

For some contracts involving the sale of property, the Group is entitled to receive an initial deposit. The Group has concluded that this is not considered a significant financing component because it is for reasons other than the provision of financing to the Group. The initial deposits are used to protect the Group from the other party failing to adequately complete some or all of its obligations under the contract where customers do not have an established credit history or have a history of late payments. SFRS(I) 15.126.a

Consideration of warranties – sale of property

Contracts for the sale of property contain certain warranties covering a period of up to ten years after completion of the property, such as the property meeting specific operational performance requirements (e.g. insulation, energy efficiency). The Group has assessed that these conditions represent 'assurance-type' warranties that are legally required to be provided as quality guarantees and are therefore accounted for under SFRS(I) 1-37. SFRS(I) 15.126.d

Appendix D: Illustrative examples of significant judgements and critical accounting estimates and assumptions (cont'd)

Reference

Determining the timing of revenue recognition – sale of property

The Group has evaluated the timing of revenue recognition on the sale of property based on a careful analysis of the rights and obligations under the terms of the contract and legal advice from the Group's external counsels in various jurisdictions. SFRS(I) 15.123.a

The Group has generally concluded that contracts relating to the sale of completed property are recognised at a point in time when control transfers. For unconditional exchanges of contracts, control is generally expected to transfer to the customer together with the legal title. For conditional exchanges, this is expected to take place when all the significant conditions are satisfied.

For contracts relating to the sale of property under development, the Group has generally concluded that the over time criteria are not met and, therefore, recognises revenue at a point in time. These are contracts either for property sold to one customer for the entire land and building or for a multi-unit property. However, in certain jurisdictions, the Group has considered the factors contained in the contracts for the sale of property in those jurisdictions and concluded that the control of a multi-unit property is transferred to the customer over time, because either of the following conditions has been met:

- The Group's performance creates or enhances an asset that the customer controls as the asset is created or enhanced. That is, the Group has considered various factors that indicate that the customer controls the part-constructed property as it is being constructed, e.g. the fact that the customer is able to pledge the property under development while it is being constructed (rather than the future right to the completed unit), and the customer's ability to change any specification of the property as it is being constructed or to another entity. However, none of the factors is determinative and therefore, the Group has carefully weighed all factors and used judgement to determine that it meets this over-time criterion.
- The Group's performance does not create an asset with alternative use to the Group and the Group has an enforceable right to payment for performance completed to date. It has considered the factors that indicate that it is restricted (contractually or practically) from readily directing the property under development for another use during its development. In addition, the Group is, at all times, entitled to an amount that at least compensates it for performances for performance completed to date (usually costs incurred to date plus a reasonable profit margin). In making this determination, the Group has carefully considered the contractual terms as well as any legislation or legal precedent that could supplement or override those contractual terms.

The Group has determined that the input method is the best method for measuring progress for these contracts because there is a direct relationship between the costs incurred by the Group and the transfer of goods and services to the customer. SFRS(I) 15.124

Measurement of progress when revenue is recognised over time – sale of property under development

For those contracts involving the sale of property under development that meet the over time criteria of revenue recognition, the Group's performance is measured using an input method, by reference to the inputs towards satisfying the performance obligation relative to the total expected inputs to satisfy the performance obligation, i.e. the completion of the property. The Group generally uses the costs incurred method as a measure of progress for its contracts because it best depicts the Group's performance. Under this method of measuring progress, the extent of progress towards completion is measured based on the ratio of costs incurred to date to the total estimated costs at completion of the performance obligation. When costs are incurred, but do not contribute to the progress in satisfying the performance obligation (such as unexpected amounts of wasted materials, labour or other resources), the Group excludes the effect of those costs. In addition, the Group adjusts the input method for any cost incurred that are not proportionate to the Group's progress in satisfying the performance obligation. SFRS(I) 15.124

Estimating variable consideration – sale of property under development

The Group estimates variable considerations (generally delay penalties and, in limited cases, early completion bonuses) to be included in the transaction price for the sale of property under development through development monitoring. Development monitoring is a constant and ongoing process that can identify potentially serious delays in a project. The Group's development project management team applies international best practice standards and oversight to projects. SFRS(I) 15.126

The Group has a weekly monitoring model which effectively updates each project's progress to date and the completion forecast. For each property development, the model uses the historical data progress forecast (including costs incurred and milestones reached) and the current economic conditions to come up with percentages of expected timescales of a development. These percentages are applied to determine the expected value of the variable consideration. Any significant changes in experience as compared to historical pattern will impact the percentages of expected timing of completion estimated by the Group.

As at the reporting date, the Group does not expect any delay penalties in any of its contracts for the sale of property under development. The Group has, however, included in the transaction price an amount of $XXX related to early completion bonus for one of its residential developments.

Interest rate benchmark reform – 'economically equivalent'

There is a practical expedient that requires for changes to the basis for determining contractual cash flows that are necessary as a direct consequence of the reform to be treated as a change to a floating rate of interest, provided the transition from IBOR to an RFR takes place on a basis that is 'economically equivalent'. To qualify as 'economically equivalent', the terms of the financial instrument must be the same before and after transition except for the changes required by the reform. SFRS(I) 9.5.4.7-9

For changes that are not required by the reform, the Group applies judgement to determine whether they result in the financial instrument being derecognised. Therefore, as financial instruments transition from IBOR to RFRs, the Group applies judgement to assess whether the transition has taken place on an economically equivalent basis. In making this assessment, the Group considers the extent of any changes to the contractual cash flows as a result of the transition and the factors that have given rise to the changes, with consideration of both quantitative and qualitative factors. Factors of changes that are economically equivalent include:

- changing the reference rate from an IBOR to a RFR;
- changing the reset days between coupons to align with the RFR;
- adding a fallback to automatically transition to an RFR when the IBOR ceases; and
- adding a fixed credit spread adjustment based on that calculated by ISDA or which is implicit in the market forward rates for the RFR.

Interest rate benchmark reform – hedge accounting

The Group applies the temporary reliefs which enable its hedge accounting to continue during the period of uncertainty, before the replacement of an existing IBOR with an RFR. For the purpose of determining whether a forecast transaction is highly probable, the reliefs require it to be assumed that the IBOR on which the hedged cash flows are based is not altered as a result of the reform. The reliefs end when the Group judges that the uncertainty arising from the reform is no longer present for the hedging relationships that are referenced to IBORs. This applies when the hedged item has already transitioned from IBOR to an RFR and also to exposures that will transition via fallback to an RFR when certain IBORs cease.

Assessment of fund investments as structured entities

The Group has assessed whether the funds in which it invests should be classified as structured entities. The Group has considered the voting rights and other similar rights afforded to investors in these funds, including the rights to remove the fund manager or redeem holdings. The Group has concluded as to whether these rights are the dominant factor in controlling the funds, or whether the contractual agreement with the fund manager is the dominant factor in controlling these funds. SFRS(I) 12.7.a-b SFRS(I) 12.9 SFRS(I) 12.14 SFRS(I) 12.17

The Group has concluded that AAA Fund and BBB Fund are not structured entities, but CCC Fund is a structured entity, because the relevant activities are directed by means of the contractual agreement rather than the voting rights or other similar rights.

Appendix D: Illustrative examples of significant judgements and critical accounting estimates and assumptions (cont'd)

Reference

Assessment as investment entity

Entities that meet the definition of an investment entity within SFRS(I) 10 are required to measure their subsidiaries at FVPL rather than consolidate them. The criteria which define an investment entity are, as follows:

- An entity that obtains funds from one or more investors for the purpose of providing those investors with investment management services. SFRS(I) 10.27
- An entity that commits to its investors that its business purpose is to invest funds solely for returns from capital appreciation, investment income, or both.
- An entity that measures and evaluates the performance of substantially all of its investments on a fair value basis.

The Group's prospectus details its objective of providing investment management services to investors which includes investing in equities, fixed income securities, private equity and property investments for the purpose of returns in the form of investment income and capital appreciation.

The Group reports to its investors via quarterly investor information, and to its management, via internal management reports, on a fair value basis. All investments are reported at fair value to the extent allowed by SFRS(I) in the Group's annual reports. The Group has a clearly documented exit strategy for all of its investments. SFRS(I) 10.B85B

The Group has also concluded that it meets the additional characteristics of an investment entity, in that: SFRS(I) 10.B85K SFRS(I) 10.B85F

- it has more than one investment;
- the Group's ownership interests are predominantly in the form of equities and similar securities; and
- it has more than one investor and its investors are not related parties.

The Group has concluded that it meets the definition of an investment entity. These conclusions will be reassessed on a continuous basis, if any of these criteria or characteristics change. SFRS(I) 10.28 SFRS(I) 10.29

Joint arrangements

Judgement is required to determine when the Group has joint control, which requires an assessment of the relevant activities and when the decisions in relation to those activities require unanimous consent. The Group has determined that the relevant activities for its joint arrangements relate to the operating and capital decisions of the arrangement, such as: the approval of the capital expenditure programme for each year, and appointing, remunerating and terminating the key management personnel of, or service providers to, the joint arrangement. SFRS(I) 11.17

Judgement is also required to classify a joint arrangement as either a joint operation or joint venture. Classifying the arrangement requires the Group to assess their rights and obligations arising from the arrangement. Specifically, it considers: SFRS(I) 11.B15

- The structure of the joint arrangement – whether it is structured through a separate vehicle.
- When the arrangement is structured through a separate vehicle, the rights and obligations arising from:
  - the legal form of the separate vehicle;
  - the terms of the contractual arrangement; and
  - other facts and circumstances (when relevant).

The Group has a joint arrangement which is structured through a separate vehicle, DDD Limited. This structure and the terms of the contractual arrangement indicate that the Group has rights to the net assets of the arrangement. Given this, the Group then assesses the other facts and circumstances relating to the arrangement. After undertaking an assessment, there is nothing to suggest that the Group has rights to the assets and obligations for the liabilities. The final conclusion is that the arrangement is a joint venture.

Exploration and evaluation (E&E) expenditure

The application of the Group's accounting policy for E&E expenditure requires judgement to determine whether future economic benefits are likely from either future exploitation or sale, or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves.

In addition to applying judgement to determine whether future economic benefits are likely to arise from the Group's E&E assets or whether activities have not reached a stage that permits a reasonable assessment of the existence of reserves, the Group has to apply a number of estimates and assumptions. The determination of a resource is itself an estimation process that involves varying degrees of uncertainty depending on how the resources are classified (i.e. measured, indicated or inferred). The estimates directly impact when the Group defers E&E expenditure. The deferral policy requires management to make certain estimates and assumptions about future events and circumstances, particularly, whether an economically viable extraction operation can be established. Any such estimates and assumptions may change as new information becomes available. If, after expenditure is capitalised, information becomes available suggesting that the recovery of expenditure is unlikely, the relevant capitalised amount is written off to profit or loss in the period when the new information becomes available.

Stripping costs

Significant judgement is required to distinguish between development stripping and production stripping and to distinguish between the production stripping that relates to the extraction of inventory and that which relates to the creation of a stripping activity asset.

Once the Group has identified its production stripping for each surface mining operation, it identifies the separate components of the ore bodies for each of its mining operations. An identifiable component is a specific volume of the ore body that is made more accessible by the stripping activity. Significant judgement is required to identify and define these components, and also to determine the expected volumes (e.g. in tonnes) of waste to be stripped and ore to be mined in each of these components. These assessments are undertaken for each individual mining operation based on the information available in the mine plan. The mine plans and, therefore, the identification of components, will vary between mines for a number of reasons. These include, but are not limited to, the type of commodity, the geological characteristics of the ore body, the geographical location and/or financial considerations.

Judgement is also required to identify a suitable production measure to be used to allocate production stripping costs between inventory and any stripping activity asset for each component. The Group considers that the ratio of the expected volume (e.g. in tonnes) of waste to be stripped for an expected volume (e.g. in tonnes) of ore to be mined for a specific component of the ore body, is the most suitable production measure.

Production start date

The Group assesses the stage of each mine under development/construction to determine when a mine moves into the production phase, this being when the mine is substantially complete and ready for its intended use. The criteria used to assess the start date are determined based on the unique nature of each mine development/construction project, such as the complexity of the project and its location. The Group considers various relevant criteria to assess when the production phase is considered to have commenced. At this point, all related amounts are reclassified from 'Mines under construction' to 'Producing mines' and/or 'Property, plant and equipment'. Some of the criteria used to identify the production start date include, but are not limited to:

- level of capital expenditure incurred compared with the original construction cost estimate;
- majority of the assets making up the mining project are substantially complete and ready for use;
- completion of a reasonable period of testing of the mine plant and equipment
- a specified percentage of design capacity for the mine and/or mill, e.g. 50% to 70% has been achieved over a continuous period, e.g. three months;
- the percentage grade (metal content) of ore being minded is sufficiently economic and consistent with the overall mine plan;
- ability to produce metal in saleable form (within specifications); and
- ability to sustain ongoing production of metal.

When a mine development project moves into the production phase, the capitalisation of certain mine development costs ceases and costs are either regarded as forming part of the cost of inventory or expensed, except for costs that qualify for capitalisation relating to mining asset additions or improvements, underground mine development or mineable reserve development. It is also at this point that depreciation/amortisation commences.

Appendix D: Illustrative examples of significant judgements and critical accounting estimates and assumptions (cont'd)

Reference

Unit-of-production (UOP) depreciation

Estimated economically recoverable reserves are used in determining the depreciation and/or amortisation of mine-specific assets. This results in a depreciation/amortisation charge proportional to the depletion of the anticipated remaining life-of-mine production. The life of each item, which is assessed at least annually, has regard to both its physical life limitations and present assessments of economically recoverable reserves of the mine property at which the asset is located. These calculations require the use of estimates and assumptions, including the amount of recoverable reserves and estimates of future capital expenditure. The calculation of the UOP rate of depreciation/amortisation could be impacted to the extent that actual production in the future is different from current forecast production based on economically recoverable reserves, or if future capital expenditure estimates change. Changes to economically recoverable reserves could arise due to changes in the factors or assumptions used in estimating reserves, including:

- the effect on economically recoverable reserves of differences between actual commodity prices and commodity price assumptions; and
- unforeseen operational issues.

Mine rehabilitation

The ultimate rehabilitation costs are uncertain, and cost estimates can vary in response to many factors, including estimates of the extent and costs of rehabilitation activities, technological changes, regulatory changes, cost increases as compared to the inflation rates (XX% (2021: XX%)), and changes in discount rates (XX% (2021: XX%)). These uncertainties may result in future actual expenditure differing from the amounts currently provided. Therefore, significant estimates and assumptions are made in determining the provision for mine rehabilitation. As a result, there could be significant adjustments to the provisions established which would affect future financial result. The provision at reporting date represents management's best estimate of the present value of the future rehabilitation costs required.

Identification of performance obligations for arrangements subject to CIF/CFR Incoterms

SFRS(I) 15.27
SFRS(I) 15.29

A proportion of the Group's metal in concentrate sales subject to CIF/CFR Incoterms, whereby the Group is responsible for providing freight/shipping services. The freight/shipping services are a promise to transfer services in the future and are part of the negotiated exchange between the Group and the customer. The Group determines that both the metal in concentrate and the freight/shipping services are capable of being distinct as the customer can benefit from both products on their own. The Group also determines that the promises to transfer the metal in concentrate and the freight/shipping services are distinct within the context of the contract. The metal in concentrate and the freight/shipping services are not inputs to a combined item in the contract. The Group is not providing a significant integration service, because the presence of the metal in concentrate and the freight/shipping services together in this contract do not result in any additional or combined functionality and neither the metal in concentrate nor the freight/shipping services modify or customise the other. In addition, the metal in concentrate and the freight/shipping services are not highly interdependent or highly interrelated, because the Group would be able to transfer the metal in concentrate even if the customer does not want the freight/shipping services. Consequently, the Group allocates a portion of the transaction price to the metal in concentrate and the freight/shipping services based on relative standalone selling prices.

Principal versus agent considerations – freight/shipping services

SFRS(I) 15.B34
SFRS(I) 15.34A

In some arrangements subject to CIF/CFR Incoterms, the Group is responsible for providing freight/shipping services. While the Group does not actually provide nor operate the vessels, trucks or trains, the Group has determined that it is principal in these arrangements because it has concluded it controls the specified services before they are provided to the customer. This is on the basis that the Group obtains control of a right to freight/shipping services after entering into the contract with the customer, but before those services are provided to the customer. The terms of the Group's contract with the service provider give the Group the ability to direct the service provider to provide the specified services on the Group's behalf.

In addition, the Group has concluded that the following indicators provide evidence that it controls the freight/shipping services before they are provided to the customer:

- The Group is primarily responsible for fulfilling the promise to provide freight/shipping services. Although the Group has hired a service provider to perform the services promised to the customer, it is the Group itself that is responsible for ensuring that the services are performed and are acceptable to the customer (i.e. the Group is responsible for fulfilment of the promise in the contract, regardless of whether the Group performs the services itself or engages a third-party service provider to perform the services).
- The Group has discretion in setting the price for the services to the customer as this is negotiated directly with the customer.

Identification of non-lease components – the Group as lessee

In addition to containing a lease, the Group's mining services arrangement involves the provision of additional services, including personnel cost, maintenance, drilling related activities and other items. These are considered to be non-lease components and the Group has elected to separate these from the lease components. Judgement is required to identify each of the lease and non-lease components. The consideration in the contract is then allocated between the lease and non-lease components on a relative stand-alone price basis. This requires the Group to estimate stand-alone prices for each lease and non-lease component.

Accounting for leases and joint operations – the Group as lessee

Where the Group participates in a joint operation, either as a lead operator or non-operator party, determining whether to recognise and how to measure a lease obligation involves judgement and requires identification of which entity has primary responsibility for the lease obligations entered into in relation to the joint operation's activities.

Where the joint operation (including all parties to that arrangement) has the right to control the use of the identified asset and has a primary obligation to make payments to the third party supplier, each joint operation participant (including the Group) would recognise its proportionate share of the lease-related balances. This may arise where all parties to an unincorporated joint operation sign the lease agreement, or the joint operation is an entity or arrangement that can sign in its own name.

However, where the Group is the lead operator and is the sole signatory such that it is the one with the legal obligation to pay the third party supplier, it would recognise 100% of the lease-related balances on its balance sheet. The Group would then need to assess whether the arrangement with the non-operator parties (which is often governed by a joint operating agreement) contains a sublease. This assessment would be based on the terms and conditions of each arrangement and may be impacted by the legal jurisdiction in which the joint arrangement operates. Regardless of whether there is a sublease or not, the Group, as the lead operator, would always continue to recognise 100% of the lease liability for as long as it remains a party to the arrangement with the third party supplier and has primary obligation to the lease payments.

Identifying in-substance fixed rates versus variable lease payments – the Group as lessee

The lease payments used to calculate the lease-related balances include fixed payments, in-substance fixed payments and variable payments based on an index or rate. Variable payments not based on an index or rate are excluded from the measurement lease liabilities and related assets. For one of the Group's drilling rig contracts, in addition to the fixed payments, there are payments that are contractually described as variable but are in-substance fixed payments because the contract terms require the payment of a fixed minimum amount that is unavoidable. The payments are expressed as a rate paid for each operating day, hour or fraction of an hour and can change depending on when and how the asset is being used. The types of rates that the Group may be charged under this arrangement include:

- Full operating rate – a rate charged when the rig is operating at full capacity with a full crew;
- Standby rate or cold-stack rate – a rate charged when the Group unilaterally puts the rig on standby;
- Major maintenance rate – a minimal rate charged when the lessor determines that maintenance needs to be performed and the rig is not available for use by the lessee; and
- Inclement weather rate – a 'zero rate' charged when weather makes it dangerous to operate the rig and, therefore, it is not available for use by the lessee.

Reference

(I) Hedge of net investments in foreign operations

Included in interest-bearing loans at 31 December 2022 was a borrowing of USD3,600,000 which has been designated as a hedge of the net investments in two subsidiaries in the United States, Entity A Inc. and Entity B Inc., beginning in 2022. This borrowing is being used to hedge the Group's exposure to the USD foreign exchange risk on these investments. Gains or losses on the retranslation of this borrowing are transferred to OCI to offset any gains or losses on translation of the net investments in the subsidiaries. SFRS(I) 7.22B.a

There is an economic relationship between the hedged item and the hedging instrument as the net investment creates a translation risk that will match the foreign exchange risk on the USD borrowing. The Group has established a hedge ratio of 1:1 as the underlying risk of the hedging instrument is identical to the hedged risk component. The hedge ineffectiveness will arise when the amount of the investment in the foreign subsidiary becomes lower than the amount of the fixed rate borrowing. SFRS(I) 7.22B.b SFRS(I) 7.22B.c SFRS(I) 7.22C

The impact of the hedging instrument on the statement of financial position as at 31 December 2022 is as follows: SFRS(I) 7.24A

SFRS(I) 7.24A.a-d

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
	USD	$		$
Foreign currency denominated borrowing	3,600,000	4,246,000	Interest-bearing loans and borrowings	278,000

The impact of the hedged item on the statement of financial position is as follows: SFRS(I) 7.24B.b

	Foreign currency translation reserve	Change in fair value used for measuring ineffectiveness for the period
	$	$
Net investment in foreign subsidiaries	195,000	278,000

The hedging gain recognised in OCI before tax is equal to the change in fair value used for measuring effectiveness. There is no ineffectiveness recognised in profit or loss. SFRS(I) 7.24B.b

(II) Fair value hedge

At 31 December 2022, the Group had an interest rate swap agreement in place with a notional amount of USD3,600,000 ($4,246,000) (2021: $Nil) whereby the Group receives a fixed rate of interest of 8.25% and pays interest at a variable rate equal to LIBOR+0.2% on the notional amount. The swap is being used to hedge the exposure to changes in the fair value of its fixed rate 8.25% secured loan. SFRS(I) 7.22B.a

There is an economic relationship between the hedged item and the hedging instrument as the terms of the interest rate swap match the terms of the fixed rate loan (i.e. notional amount, maturity, payment and reset dates). The Group has established a hedge ratio of 1:1 for the hedging relationships as the underlying risk of the interest rate swap is identical to the hedged risk component. To test the hedge effectiveness, the Group uses the hypothetical derivative method and compares the changes in the fair value of the hedging instrument against the changes in fair value of the hedged item attributable to the hedged risk. SFRS(I) 7.22B.b SFRS(I) 7.22B.c SFRS(I) 7.22C

The hedge ineffectiveness can arise from:

- different interest rate curve applied to discount the hedged item and hedging instrument;
- differences in timing of cash flows of the hedged item and hedging instrument; and
- the counterparties' credit risk differently impacting the fair value movements of the hedging instrument and hedged item.

The impact of the hedging instrument on the statement of financial position as at 31 December 2022 is as follows: SFRS(I) 7.24A

SFRS(I) 7.24A.a-d

	Notional amount	Carrying amount	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
	USD	$		$
Interest rate swap	3,600,000	75,000	Other current financial liability	75,000

The impact of the hedged item on the statement of financial position as at 31 December 2022 is as follows: SFRS(I) 7.24B.b

	Carrying amount	Accumulated fair value adjustments	Line item in the statement of financial position	Change in fair value used for measuring ineffectiveness for the period
	$	$		$
Fixed-rate borrowing	4,246,000	75,000	Interest-bearing loans and borrowings	75,000

The ineffectiveness recognised in the statement of profit or loss is immaterial. SFRS(I) 7.24B.b

Appendix F: Defined Benefits Plan

Reference

Defined benefits plan

The Group operates defined benefit pension plans in China and Hong Kong under broadly similar regulatory frameworks. All of the plans are final salary pension plans, which provide benefits to members in the form of a guaranteed level of pension payable for life. The level of benefits provided depends on members' length of service and their salary in the final years leading up to retirement. In the plans in China, pensions in payment are generally updated in line with the retail price index, whereas in the plans Hong Kong, pensions generally do not receive inflationary increases once in payment. With the exception of this inflationary risk in China, the plans face broadly similar risks, as described below. SFRS(I) 1-19.139.a SFRS(I) 1-1.112.c

The majority of benefit payments are from trustee-administered funds; however, there are also a number of unfunded plans where the Group meets the benefit payment obligation as it falls due. Plan assets held in trusts are governed by local regulations and practice in each country, as is the nature of the relationship between the Group and the trustees (or equivalent) and their composition. Responsibility for governance of the plans – including investment decisions and contributions schedules – lies jointly with the Group and the board of trustees. The board of trustees must be composed of representatives of the Group and plan participants in accordance with the plan's regulations.

The amounts recognised in the statement of financial position and the movements in the net defined benefit obligation over the year are as follows: SFRS(I) 1-19.140.a.i SFRS(I) 1-19.140.a.ii SFRS(I) 1-19.141

The Group	Present value of obligation $	Fair value of plan assets $	Total $	Impact of minimum funding requirement / asset ceiling $	Net amount $	
2022						
At 1 January						
Current service cost						SFRS(I) 1-19.141.a
Past service cost						SFRS(I) 1-19.141.d
Interest expense/(income)						SFRS(I) 1-19.141.b
Total amount recognised in profit or loss						
Remeasurements:						SFRS(I) 1-19.141.c
- Return on plan assets, excluding amounts included in interest income						
- Loss from change in demographic assumptions						
- Loss from change in financial assumptions						
- Experience losses						
- Change in asset ceiling, excluding amounts included in interest expense						
Total amount recognised in other comprehensive income						
Exchange differences						SFRS(I) 1-19.141.e
Contributions:						SFRS(I) 1-19.141.f
- Employers						
- Plan participants						
Payments from plan:						
- Benefit payments						SFRS(I) 1-19.141.g
- Settlement						SFRS(I) 1-19.141.g
Acquired in business combination						SFRS(I) 1-19.141.h
At 31 December						

Defined benefits plan (cont'd)

The Group	Present value of obligation $	Fair value of plan assets $	Total $	Impact of minimum funding requirement / asset ceiling $	Net amount $	
2021						
At 1 January						
Current service cost						SFRS(I) 1-19.141.a
Past service cost						SFRS(I) 1-19.141.d
Interest expense/(income)						SFRS(I) 1-19.141.b
Total amount recognised in profit or loss						
Remeasurements:						SFRS(I) 1-19.141.c
- Return on plan assets, excluding amounts included in interest income						
- Loss from change in demographic assumptions						
- Loss from change in financial assumptions						
- Experience losses						
- Change in asset ceiling, excluding amounts included in interest expense						
Total amount recognised in other comprehensive income						
Exchange differences						SFRS(I) 1-19.141.e
Contributions:						
- Employers						SFRS(I) 1-19.141.f
- Plan participants						
Benefit payments						SFRS(I) 1-19.141.g
At 31 December						

One of the China plans has a surplus that is not recognised, on the basis that future economic benefits are not available to the entity in the form of a reduction in future contributions or a cash refund. SFRS(I) 1-19.141

In connection with the closure of a factory, a curtailment loss was incurred and a settlement arrangement agreed with the plan trustees, effective on 31 December 2022, which settled all retirement benefit plan obligations relating to the employees of that factory. In the prior year, the Group made minor amendments to the terms of the plan, resulting in past service cost of $XXX. SFRS(I) 1-19.139.c

The net liability disclosed above relates to funded and unfunded plans as follows: SFRS(I) 1-19.138.e

The Group	**2022** **$**	2021 $
Present value of funded obligations		
Fair value of plan assets		
Deficit of funded plans		
Present value of unfunded obligations		
Total deficit of defined benefit pension plans (before asset ceiling)		

Appendix F: Defined Benefits Plan (cont'd)

Reference

Defined benefits plan (cont'd)

The Group has no legal obligation to settle the deficit in the funded plans with an immediate contribution or additional one off contributions. The Group intends to continue to contribute to the defined benefit section of the plan at a rate of XX% of salaries, in line with the actuary's latest recommendations. SFRS(I) 1-1.112.c

The following table shows a breakdown of the defined benefit obligation and plan assets by country: SFRS(I) 1-19.138.a

The Group	**2022** **China** **$**	**Hong Kong** **$**	**Total** **$**	2021 China $	Hong Kong $	Total $
Present value of obligation						
Fair value of plan assets						
Impact of minimum funding requirement/asset ceiling						
Total liability						

As at the last valuation date, the present value of the defined benefit obligation included approximately $XXX (2021 – $XXX) relating to active employees, $XXX (2021 – $XXX) relating to deferred members and $XXX (2021 – $XXX) relating to members in retirement. SFRS(I) 1-19.137.a

The significant actuarial assumptions were as follows: SFRS(I) 1-19.144

	2022 **China**	**Hong Kong**	2021 China	Hong Kong
Discount rate (%)				
Salary growth rate (%)				
Pension growth rate (%)				
Long-term increase in healthcare costs (%)				
Claim rates (%)				

Assumptions regarding future mortality are set based on actuarial advice in accordance with published statistics and experience in each territory. These assumptions translate into an average life expectancy in years for a pensioner retiring at age 65:

	2022 **China**	**Hong Kong**	2021 China	Hong Kong
Retiring at the end of the reporting period:				
- Male				
- Female				
Retiring 20 years after the end of the reporting period:				
- Male				
- Female				

Defined benefits plan (cont'd)

The sensitivity of the defined benefit obligation to changes in the weighted principal assumptions is: SFRS(I) 1-19.145.a

	Change in assumption		Impact on defined benefit obligation			
			Increase in assumption		Decrease in assumption	
	2022	2021	**2022**	2021	**2022**	2021
Discount rate (%)			Decrease by:		Increase by:	
Salary growth rate (%)			Increase by:		Decrease by:	
Pension growth rate (%)			Increase by:		Decrease by:	
Life expectancy (no. of years)			Increase by:		Decrease by:	
Long-term increase in healthcare costs (%)			Increase by:		Decrease by:	
Claim rates (%)			Decrease by:		Increase by:	

The above sensitivity analyses are based on a change in an assumption while holding all other assumptions constant. In practice, this is unlikely to occur, and changes in some of the assumptions may be correlated. When calculating the sensitivity of the defined benefit obligation to significant actuarial assumptions the same method (present value of the defined benefit obligation calculated with the projected unit credit method at the end of the reporting period) has been applied as when calculating the defined benefit liability recognised in the statement of financial position. SFRS(I) 1-19.145.b

The methods and types of assumptions used in preparing the sensitivity analysis did not change compared to the prior period. SFRS(I) 1-19.145.c

The major categories of plan assets are as follows:

The Group	**2022** **China** **$**	**2022** **Hong Kong** **$**	**2022** **Total** **$**	2021 China $	2021 Hong Kong $	2021 Total $
Equity instruments:						
- Information technology						
- Energy						
- Manufacturing						
- Others						
Debt instruments:						
- Government						
- Corporate bonds (investment grade)						
- Corporate bonds (non-investment)						
Property						
- China						
- Hong Kong						
Qualifying insurance policies						
Cash and cash equivalents						
Investment funds						
Total						

The assets set out in the above table include ordinary shares issued by the Group with a fair value of $XXX (2021 – $XXX) and land and buildings occupied by the Group with a fair value of $XXX (2021 – $XXX). SFRS(I) 1-19.143

Defined benefits plan (cont'd)

Through its defined benefit pension plans, the Group is exposed to a number of risks, the most significant of which are detailed below: SFRS(I) 1-19.139.b

Asset volatility	The plan liabilities are calculated using a discount rate set with reference to corporate bond yields; if plan assets underperform this yield, this will create a deficit. Both the China and Hong Kong plans hold a significant proportion of equities, which are expected to outperform corporate bonds in the long term while providing volatility and risk in the short term. As the plans mature, the Group intends to reduce the level of investment risk by investing more in assets that better match the liabilities. The first stage of this process was completed with the sale of a number of equity holdings and purchase of a mixture of government and corporate bonds. The government bonds represent investments in government securities only. The corporate bonds are global securities with an emphasis on China and Hong Kong. However, the Group believes that, due to the long-term nature of the plan liabilities and the strength of the supporting Group, a level of continuing equity investment is an appropriate element of the Group's long-term strategy to manage the plans efficiently.
Changes in bond yields	A decrease in corporate bond yields will increase plan liabilities, although this will be partially offset by an increase in the value of the plans' bond holdings.
Inflation risks	Some of the Group's pension obligations are linked to salary inflation, and higher inflation will lead to higher liabilities (although, in most cases, caps on the level of inflationary increases are in place to protect the plan against extreme inflation). The majority of the plan's assets are either unaffected by (fixed interest bonds) or loosely correlated with (equities) inflation, meaning that an increase in inflation will also increase the deficit. In the Hong Kong plans, the pensions in payment are not linked to inflation, so this is a less material risk.
Life expectancy	The majority of the plans' obligations are to provide benefits for the life of the member, so increases in life expectancy will result in an increase in the plans' liabilities. This is particularly significant in the China plan, where inflationary increases result in higher sensitivity to changes in life expectancy.

In the case of funded plans, the Group ensures that the investment positions are managed within an asset-liability matching (ALM) framework that has been developed to achieve long-term investments that are in line with the obligations under the pension schemes. Within this framework, the Group's ALM objective is to match assets to the pension obligations by investing in long-term fixed interest securities with maturities that match the benefit payments as they fall due and in the appropriate currency. SFRS(I) 1-19.146

The Group actively monitors how the duration and the expected yield of the investments are matching the expected cash outflows arising from the pension obligations. The Group has not changed the processes used to manage its risks from previous periods. The Group does not use derivatives to manage its risk. Investments are well diversified, such that the failure of any single investment would not have a material impact on the overall level of assets.

A large portion of assets consists of equities and bonds, although the Group also invests in property, bonds, cash and investment (hedge) funds. The Group believes that equities offer the best returns over the long term with an acceptable level of risk. The majority of equities are in a globally diversified portfolio of international blue chip entities, with a target of 60% of equities held in China and Hong Kong, 30% in the US, and the remainder in emerging markets.

Appendix F: Defined Benefits Plan (cont'd)

Reference

Defined benefits plan (cont'd)

The Group has agreed that it will aim to eliminate the pension plan deficit over the next nine years. Funding levels are monitored on an annual basis, and the current agreed contribution rate is 14% of pensionable salaries in China and 12% in Hong Kong. The next valuation is due to be completed as at 31 December 2023. The Group considers that the contribution rates set at the last valuation date are sufficient to eliminate the deficit over the agreed period and that regular contributions, which are based on service costs, will not increase significantly. SFRS(I) 1-19.147.a

Expected contributions to post-employment benefit plans for the year ending 31 December 2022 are $1,150,000. SFRS(I) 1-19.147.b

The weighted average duration of the defined benefit obligation is 25.2 years (2021 – 25.8 years). The expected maturity analysis of undiscounted pension is as follows: SFRS(I) 1-19.147.c

	Less than a year $	Between 1-2 years $	Between 2-5 years $	Over 5 years $	Total $
2022					
Defined benefit obligation					
2021					
Defined benefit obligation					

Appendix G: Joint venture and joint operation

Reference

Investment in joint ventures

	The Group		The Company	
	2022	2021	**2022**	2021
	$	$	**$**	$
Unquoted equity shares, at cost				
Share of post-acquisition profits and reserves				
Currency translation differences				

Set out below are the joint ventures of the Group as at the reporting date which are material to the Group.

SFRS(I) 12.21.a.i
SFRS(I) 12.21.a.iii
SFRS(I) 12.21.a.iv

Name of joint venture	Principal activities	Principal place of business / Country of incorporation	Proportion of ownership interest and voting rights held by the Group	
			2022	2021
Held by the Company				
XXX	XXX	XXX	**XX%**	XX%
XXX	XXX	XXX	**XX%**	XX%

[joint venture name] provides freight forwarding services and gives the Group access to efficient freight forwarding processes in China and Hong Kong

SFRS(I) 12.21.a.ii

The Group has $XXX (2021: $XXX) of commitments to provide funding if called, relating to its joint ventures.

SFRS(I) 12.23

[joint venture name] has an unresolved legal case relating to a contract dispute with a customer. As the case is at an early stage in proceedings, it is not possible to determine the likelihood or amount of any settlement if [joint venture name] be unsuccessful.

Set out below are the summarised financial information for [joint venture name].

SFRS(I) 12.21.b.ii

SFRS(I) 12.B12
SFRS(I) 12.B13

	[joint venture name]	
	2022	2021
	$	$
Current assets	**XXX**	XXX
Includes:		
- Cash and cash equivalents	**XXX**	XXX
Current liabilities	**(XXX)**	(XXX)
Includes:		
- Financial liabilities (excluding trade payables)	**(XXX)**	(XXX)
Non-current assets	**XXX**	XXX
Non-current liabilities	**(XXX)**	(XXX)
Includes:		
- Financial liabilities (excluding trade payables)	**(XXX)**	(XXX)

Appendix G: Joint venture and joint operation (cont'd)

Reference

Investment in joint ventures (cont'd)

SFRS(I) 12.B12
SFRS(I) 12.B13

	[joint venture name]	
	2022	2021
	$	$
Revenue	**XXX**	XXX
Interest income	**XXX**	XXX
Expenses		
Includes:		
- Depreciation and amortisation	**(XXX)**	(XXX)
- Interest expense	**(XXX)**	(XXX)
Profit from continuing operations	**XXX**	XXX
Income tax expense	**(XXX)**	(XXX)
Post-tax profit from continuing operations	**XXX**	XXX
Post-tax profit from discontinued operations	**XXX**	XXX
Other comprehensive income	**XXX**	XXX
Total comprehensive income	**XXX**	XXX
Dividend received from joint venture	**XXX**	XXX

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts), adjusted for differences in accounting policies between the Group and the joint venture. SFRS(I) 12.B14.a

Reconciliation of the summarised financial information presented to the carrying amount of the Group's interest in joint venture is as follows: SFRS(I) 12.B14.b

	[joint venture name]	
	2022	2021
	$	$
Net assets	**XXX**	XXX
Group's equity interest	**XX%**	XX%
Group's share of net assets	**XXX**	XXX
Goodwill	**XXX**	XXX
Carrying value	**XXX**	XXX

Joint operation

A subsidiary has a 50% interest in a joint arrangement called the XYZ Partnership which was set up as a partnership together with DEF Constructions Limited, to develop properties for residential housing in regional areas in the south of Country Q. SFRS(I) 12.7.b SFRS(I) 12.21.a

The principal place of business of the joint operation is in Country Q. SFRS(I) 12.21.a.iii

The joint venture agreement in relation to the XYZ Partnership require unanimous consent from all parties for all relevant activities. The two partners have direct rights to the assets of the partnership and are jointly and severally liable for the liabilities incurred by the partnership. This entity is therefore classified as a joint operation, and the Group recognises its direct right to the jointly held assets, liabilities, earned revenues and incurred expenses SFRS(I) 12.7.c

Appendix H: Climate change

Reference

(i) Effects of climate-related matters on financial statements

The table below sets out examples illustrating when the accounting standards may require companies to consider the effects of climate-related matters in applying the principles in a number of standards. (Source: IFRS Foundation - Effects of climate-related matters on financial statements)

No.	Accounting standard	Effects of climate-related matters on financial statements	Illustration
1	SFRS(I) 1-1 Presentation of Financial Statements	**Sources of estimation uncertainty and significant judgements** If assumptions a company makes about the future have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year, SFRS(I) 1-1 requires disclosure of information about those assumptions and the nature and carrying amount of those assets and liabilities. This means disclosure of assumptions about climate-related matters may be required, for example when those matters create uncertainties that affect assumptions used to develop estimates, such as estimates of future cash flows when testing an asset for impairment or the best estimate of expenditure required to settle a decommissioning obligation. Companies must present that disclosure in a manner that helps investors understand the judgements that management makes about the future. Although the nature and extent of the information provided can vary, it might include for example the nature of the assumptions or the sensitivity of carrying amounts to the methods, assumptions and estimates underlying their calculation, including the reasons for the sensitivity. SFRS(I) 1-1 also requires disclosure of the judgements (apart from those involving estimations) that management has made that have the most significant effect on the amounts recognised in the financial statements. For example, a company operating in an industry particularly affected by climate-related matters might test an asset for impairment applying SFRS(I) 1-36 Impairment of Assets but recognise no impairment loss. That company would be required to disclose judgements management has made, for example, in identifying the asset's cash-generating unit if such judgements are among those that have the most significant effect on the amounts recognised in the company's financial statements. **Going concern** SFRS(I) 1-1 requires management to assess a company's ability to continue as a going concern when preparing financial statements. In assessing whether the going concern basis of preparation is appropriate, management takes into account all available information about the future, which is at least, but is not limited to, 12 months from the end of the reporting period. If climate-related matters create material uncertainties related to events or conditions that cast significant doubt upon a company's ability to continue as a going concern, SFRS(I) 1-1 requires disclosure of those uncertainties. When management has concluded that there are no material uncertainties related to the going concern assumption that require disclosure but reaching that conclusion involved significant judgement (for example, about the feasibility and effectiveness of any planned mitigation), SFRS(I) 1-1 requires disclosure of that judgement.	Note 2(d): Critical accounting judgements and key sources of estimation uncertainty – Impact of climate change
2	SFRS(I) 1-2 Inventories	Climate-related matters may cause a company's inventories to become obsolete, their selling prices to decline or their costs of completion to increase. If, as a result, the cost of inventories is not recoverable, SFRS(I) 1-2 requires the company to write down those inventories to their net realisable value. Estimates of net realisable value are based on the most reliable evidence available, at the time that estimates are made, of the amount the inventories are expected to realise.	Note 2(d)(ii): Key sources of estimation uncertainty – Net realisable value of development properties

Appendix H: Climate change (cont'd) Reference

No.	Accounting standard	Effects of climate-related matters on financial statements	Illustration
3	SFRS(I) 1-12 Income Taxes	SFRS(I) 1-12 generally requires companies to recognise deferred tax assets for deductible temporary differences and unused tax losses and credits, to the extent it is probable that future taxable profit will be available against which those amounts can be utilised. Climate-related matters may affect a company's estimate of future taxable profits and may result in the company being unable to recognise deferred tax assets or being required to derecognise deferred tax assets previously recognised.	Not included.
4	SFRS(I) 1-16 Property, Plant and Equipment SFRS(I) 1-38 Intangible Assets	Climate-related matters may prompt expenditure to change or adapt business activities and operations, including research and development. SFRS(I) 1-16 and SFRS(I) 1-38 specify requirements for the recognition of costs as assets (as an item of property, plant and equipment or as an intangible asset). SFRS(I) 1-38 also requires disclosure of the amount of research and development expenditure recognised as an expense during a reporting period. SFRS(I) 1-16 and SFRS(I) 1-38 require companies to review the estimated residual values and expected useful lives of assets at least annually, and to reflect changes—such as those that might arise from climate-related matters—in the amount of depreciation or amortisation recognised in the current and subsequent periods. Climate-related matters may affect the estimated residual value and expected useful lives of assets, for example, because of obsolescence, legal restrictions or inaccessibility of the assets. Companies are also required to disclose the expected useful lives for each class of asset and the nature and amount of any change in estimated residual values or expected useful lives.	Note 2(d)(ii): Key sources of estimation uncertainty – Amortisation of intangible assets Note 3, 25, 27, 30 and 32: Emissions trading scheme
5	SFRS(I) 1-36 Impairment of Assets	SFRS(I) 1-36 sets out requirements for when companies need to estimate recoverable amounts to assess impairment of goodwill and impairment of assets such as property, plant and equipment, right-of-use assets and intangible assets. A company is required to assess whether there is any indication of impairment at the end of each reporting period. Climate-related matters may give rise to indications that an asset (or a group of assets) is impaired. For example, a decline in demand for products that emit greenhouse gases could indicate that a manufacturing plant may be impaired, requiring the asset to be tested for impairment. SFRS(I) 1-36 also notes that external information such as significant changes in the environment (including for example changes in regulation) in which a company operates with an adverse effect on the company is an indication of impairment. If estimating the recoverable amount using value in use, SFRS(I) 1-36 requires a company to do that reflecting an estimate of the future cash flows it expects to derive from an asset and expectations about possible variations in the amount or timing of those future cash flows. A company is required to base cash flow projections on reasonable and supportable assumptions that represent management's best estimate of the range of future economic conditions. This requires companies to consider whether climate related matters affect those reasonable and supportable assumptions. SFRS(I) 1-36 requires future cash flows to be estimated for an asset in its current condition, so excluding any estimated cash flows expected to arise from future restructurings or enhancing the asset's performance. SFRS(I) 1-36 requires disclosure of the events and circumstances that led to the recognition of an impairment loss, for example, the introduction of emission-reduction legislation that increased manufacturing costs. Disclosure of key assumptions used to estimate the asset's recoverable amount, as well as information related to reasonably possible changes in those assumptions, is also required in specified circumstances.	Note 2(d)(ii): Key sources of estimation uncertainty – Impairment of non-current assets

Appendix H: Climate change (cont'd)

Reference

No.	Accounting standard	Effects of climate-related matters on financial statements	Illustration
6	SFRS(I) 1-37 Provisions, Contingent Liabilities and Contingent Assets SFRS(I) INT 21 Levies	Climate-related matters may affect the recognition, measurement and disclosure of liabilities in the financial statements applying SFRS(I) 1-37, for example, related to: • levies imposed by governments for failure to meet climate-related targets or to discourage or encourage specified activities; • regulatory requirements to remediate environmental damage; • contracts that may become onerous (for example, due to potential loss of revenue or increased costs as a result of climate-related changes in legislation); or • restructurings to redesign products or services to achieve climate-related targets. SFRS(I) 1-37 requires disclosure of the nature of a provision or contingent liability and an indication of the uncertainties about the amount or timing of any related outflows of economic benefits. Where necessary to provide adequate information, SFRS(I) 1-37 also requires disclosure of the major assumptions made about future events reflected in the amount of a provision.	Note 2(d)(ii): Key sources of estimation uncertainty – Recognition and measurement of provision for rehabilitation Note 25: Provision for carbon tax
7	SFRS(I) 7 Financial Instruments: Disclosures	SFRS(I) 7 requires disclosure of information about a company's financial instruments, including information about the nature and extent of risks arising from financial instruments and how the company manages those risks. Climate-related matters may expose a company to risks in relation to financial instruments. For example, for lenders, it may be necessary to provide information about the effect of climate-related matters on the measurement of expected credit losses or on concentrations of credit risk. For holders of equity investments, it may be necessary to provide information about investments by industry or sector, identifying sectors exposed to climate-related risks, when disclosing concentrations of market risk.	Note 2(d)(ii): Key sources of estimation uncertainty – Allowance for expected credit losses of trade and other receivables Note 45: Financial risk management – Climate risk management
8	SFRS(I) 9 Financial Instruments	Climate-related matters may affect the accounting for financial instruments in a number of ways. For example, loan contracts might include terms linking contractual cash flows to a company's achievement of climate-related targets. Those targets may affect how the loan is classified and measured (ie the lender would need to consider those terms in assessing whether the contractual terms of the financial asset give rise to cash flows that are solely payments of principal and interest on the principal amount outstanding). For the borrower, those targets may affect whether there are embedded derivatives that need to be separated from the host contract. Climate-related matters may also affect a lender's exposure to credit losses. For example, wildfires, floods or policy and regulatory changes could negatively affect a borrower's ability to meet its debt obligations to the lender. Further, assets could become inaccessible or uninsurable, affecting the value of collateral for lenders. In recognising and measuring expected credit losses, SFRS(I) 9 requires use of all reasonable and supportable information that is available without undue cost or effort. Climate-related matters may therefore be relevant—for example, they could affect the range of potential future economic scenarios, the lender's assessment of significant increases in credit risk, whether a financial asset is credit impaired and/ or the measurement of expected credit losses.	Note 2(d)(i): Significant judgements – Investments in sustainability-linked bonds; Borrowings with sustainability-linked features Note 9: Investments in sustainability-linked bonds Note 23: Borrowings with sustainability-linked features

Appendix H: Climate change (cont'd) Reference

No.	Accounting standard	Effects of climate-related matters on financial statements	Illustration
9	SFRS(I) 13 Fair Value Measurement	Climate-related matters may affect the fair value measurement of assets and liabilities in the financial statements. For example, market participants' views of potential climate-related legislation could affect the fair value of an asset or liability. Climate-related matters may also affect disclosures about fair value measurements. Specifically, fair value measurements categorised within Level 3 of the fair value hierarchy use unobservable inputs significant to their measurement. SFRS(I) 13 requires that unobservable inputs reflect the assumptions that market participants would use when pricing, including assumptions about risk which may include climate-related risk. SFRS(I) 13 requires disclosure of the inputs used in those fair value measurements and, for recurring fair value measurements, a narrative description of the sensitivity of the fair value measurement to changes in unobservable inputs if a change in those inputs might result in a significantly higher or lower fair value measurement.	Note 2(d)(ii): Key sources of estimation uncertainty – Valuation of investment properties
10	SFRS(I) 17 Insurance Contracts	Climate-related matters may increase the frequency or magnitude of insured events or may accelerate the timing of their occurrence. Examples of insured events that could be affected by climate-related matters include business interruption, property damage, illness and death. Climate-related matters may, therefore, affect the assumptions used to measure insurance contract liabilities applying SFRS(I) 17. Climate-related matters may also affect required disclosures about (a) the significant judgements and changes in judgements made in applying SFRS(I) 17, and (b) a company's exposure to risks, concentrations of risk, how it manages risks and sensitivity analysis showing the effect of changes in risk variables.	Not included.

(ii) Emissions trading schemes

In the absence of authoritative guidance by the IASB, several approaches have developed that IFRS preparers apply to account for the effects of emissions trading schemes (ETS). A survey by PwC and the International Emissions Trading Association (IETA) identified as many as fifteen variations to account for the effects of ETS in the European Union. The following table highlights the three main approaches. (Source: IFRS Foundation – Staff Paper – Agenda ref 6B – Emissions trading schemes: Summary of accounting issues)

<table>
<tr><th colspan="2"></th><th>Approach 1</th><th>Approach 2</th><th>Approach 3</th></tr>
<tr><td rowspan="2">Asset – Initial recognition</td><td>Allocated allowances</td><td colspan="2">Recognise and measure at market value at date of issue; corresponding entry to government grant.</td><td>Recognise and measure at cost, which for granted allowances is nil.</td></tr>
<tr><td>Purchased allowances</td><td colspan="3">Recognise and measure at cost.</td></tr>
<tr><td rowspan="2">Asset – Subsequent measurement</td><td>of allowances</td><td colspan="2">Allowances are subsequently measured at cost or market value, subject to review for impairment.</td><td>Allowances are subsequently measured at cost, subject to review for impairment.</td></tr>
<tr><td>of government grant</td><td colspan="2">Government grant amortised on a systematic and rational basis over compliance period.</td><td>Not applicable.</td></tr>
<tr><td rowspan="2">Liability</td><td>Recognition</td><td colspan="2">Recognise liability when incurred (i.e. as emissions are produced).</td><td>Recognise liability when incurred (i.e. as emissions are produced). However, the way in which the liability is measured (see below) means that often no liability is shown in the statement of financial position until emissions produced exceed the allowances allocated to the participant.</td></tr>
<tr><td>Measurement</td><td>Liability is measured based on the market value of allowances at each period end that would be required to cover actual emissions, regardless of whether the allowances are on hand or would be purchased from the market.</td><td>Liability is measured based on:
the carrying amount of allowances on hand at each period end to be used to cover actual emissions (i.e. market value at date of recognition if cost model is used; market value at date of revaluation if revaluation model is used) on either a FIFO or weighted average basis; PLUS
the market value of allowances at each period end that would be required to cover any excess emissions (i.e. actual emissions in excess of allowance on hand).</td><td>Liability is measured based on:
the carrying amount of allowances on hand at each period end to be used to cover actual emissions (nil or cost) on a FIFO or weighted average basis; PLUS
the market value of allowances at each period end that would be required to cover any excess emissions (i.e. actual emissions in excess of allowances on hand).</td></tr>
</table>

N.B. The illustrative accounting policies on ETS in this publication describe those of Approach 2 (cost model).

(iii) Financial instruments with sustainability linked features

Recent market developments have given rise to a variety of financial instruments that are linked to sustainability initiatives, indices or targets. The financial instruments with such features can be broadly categorised into the following types:

Type	Features
Green loans and bonds	• Loans or bonds of which the purpose is exclusively to finance or re-finance, in whole or in part, new or existing 'green projects' specified in the contract. • The contractual cash flows of these instruments do not vary with sustainability-linked targets and are generally similar to those of plain vanilla loans.
Structured instruments linked to green indices	• Financial instruments with contractual cash flows that are linked to a green index that is not specific to a party to the contract. • The contractual cash flows of such instruments vary with changes in the relevant index similar to those of any indexed instruments.
Loans with ESG features	• The interest rate of these loans is linked to pre-determined ESG targets that are specific to the borrower. • The interest rate of such loans is adjusted periodically to reflect changes in the borrower's performance relative to the specified ESG targets (ESG-linked adjustments).

Lender's accounting

The issue in accounting for these financial instruments with sustainability linked features from the lender's perspective is in assessing whether the payments in these arrangements are 'solely payments of principal and interest'.

This is important because it determines whether the loan can be measured at amortised cost or fair value through other comprehensive income, or must be carried at fair value through profit or loss. Failing to pass the SPPI test would mean that the loan would have to be measured at fair value through profit or loss.

Borrower's accounting

These financial instruments with sustainability linked features also raise considerations from the borrower's side. This is because they create a need to consider whether the green variability features in the loan gives rise to an embedded derivative and, if so, whether that embedded derivative should be accounted for separately from the loan.

(iv) Carbon tax in Singapore

2019 - 2023

Singapore implemented a carbon tax, the first carbon pricing scheme in Southeast Asia, on 1 January 2019. The carbon tax provides a broad-based price signal to encourage companies to reduce their emissions, yet gives them the flexibility to take action where it makes the most economic sense. The carbon tax forms part of Singapore's comprehensive suite of mitigation measures to reduce emissions, create green growth opportunities, and transition to an energy-efficient low-carbon economy. To maintain a transparent, fair, and consistent price signal across the economy, the carbon tax is applied uniformly to all sectors including energy-intensive and trade-exposed sectors, without exemption. The carbon tax level is set at S$5/tCO2e in the first instance from 2019 to 2023, to provide a transitional period to give emitters time to adjust.

Post-2023

To achieve our climate ambition, the carbon tax will be raised to $25/tCO2e in 2024 and 2025, and $45/tCO2e in 2026 and 2027, with a view to reaching $50-80/tCO2e by 2030. This will provide a strong price signal and impetus for businesses and individuals to reduce their carbon footprint in line with national climate goals. The revised carbon tax trajectory is critical in enabling the pace of transformation needed to achieve our raised climate ambition and make the economy- and society-wide transition to a low-carbon future. This early action provides certainty and impetus for businesses to plan their transition. This also helps businesses to be competitive in a low-carbon future, by enhancing the business case to invest in low-carbon technologies and carbon markets, and ensuring new investments and economic activities are aligned with a low-carbon future.

Use of international carbon credits

In addition, as announced at Budget 2022, companies may also surrender high quality international carbon credits to offset up to 5% of their taxable emissions from 2024. This will cushion the impact for companies that are able to source for credible carbon credits in a cost-effective manner. This will also help to create local demand for high-quality carbon credits and catalyse the development of well-functioning and regulated carbon markets.

Appendix I: COVID-19

Reference

This Appendix discusses several critical areas that entities should consider and, when necessary, incorporate further disclosure information regarding the financial reporting issues arising from the COVID-19 impact. The Appendix also draws attention to the section of this publication where some COVID-19 related disclosures have been included for illustration purpose.

No.	Area	Description	Illustration
1	Going concern (SFRS(I) 1-1)	COVID-19 related events and conditions may give rise to material uncertainties that cast a significant doubt on the ability to continue as a going concern. SFRS(I) 1-1:25 requires the disclosure of these material uncertainties in the financial statements. The disclosure should explain how and when the uncertainty may crystallise and the impact on resources, operations, liquidity and solvency. An entity may have exercised significant judgement in reaching a conclusion that no material uncertainties exist. In such cases, when the assessment has required the application of significant judgement, SFRS(I) 1-1:122 requires the disclosure of this judgement. Relevant information that should be considered for disclosure cover, but are not limited to, the following areas: ▪ different going concern scenarios considered ▪ inputs subject to stress tests ▪ mitigating actions to improve liquidity ▪ changes to liquidity subsequent to the reporting date ▪ level of undrawn borrowing facilities ▪ debt covenants in risk of breach ▪ structural changes to operations and investments	Note 2(a): Basis of preparation Note 45(v): Liquidity risk management
2	Impairment of non-financial assets (SFRS(I) 1-36)	Entities are required to assess for any impairment indicators arising from the impact of events and conditions arising from the COVID-19 pandemic. In addition, the recoverable amount estimation is likely to be affected by the uncertainties associated with these events and conditions. Entities need to assess critically the key assumptions used to determine the recoverable amount for the different CGUs with impairment indicators. Where applicable, key inputs to both the VIU and FVLCTS models should be reassessed to factor in any impact from COVID-19. Given the inherent level of uncertainty and the sensitivity of judgements and estimates, disclosures of the key assumptions used, and judgements made in estimating recoverable amount are likely to be important to users of the financial statements. Entities should provide detailed disclosure of the assumptions made, the supporting source or justification and the impact of a change in key assumptions (i.e. sensitivity analysis).	Note 2(d)(ii): Key sources of estimation uncertainty – Impairment of non-financial assets Note 3: Intangible assets

Appendix I: COVID-19 (cont'd)

Reference

No.	Area	Description	Illustration
3	Fair value measurement of non-financial assets (SFRS(I) 13)	Fair value should reflect the market participant's views and the market data at the measurement date under current market conditions. The ensuring economic and market disruptions varying across countries, markets and industries caused by the COVID-19 pandemic are likely to have an impact on the techniques and assumptions used in fair value measurement. When valuations are subject to significant measurement uncertainty due to the current environment and there is a wider range of estimates of fair value, an entity is required to apply judgement to determine the point within that range that is most representative of fair value in the circumstances. While market volatility may suggest that the prices are aberrations and do not reflect fair value, it would not be appropriate for an entity to disregard market prices at the measurement date, unless those prices are from transactions that are not orderly. A significant decrease in volume or activity in a market can also influence the valuation techniques used in fair value measurement. Entities will need to assess how those techniques are applied and whether inputs are observable at the measurement date.	Note 2(d)(ii): Key sources of estimation uncertainty – Valuation of investment properties Note 6: Investment properties Note 46: Fair value measurement
4	Allowance for expected credit losses (ECL) (SFRS(I) 9)	The COVID-19 pandemic has caused large scale business disruptions that may give rise to liquidity issues for some debtors. Deterioration in credit quality of loans, receivables and contract assets as a result of COVID-19 may have a significant impact on ECL measurement. Following factors should be considered when entities update the ECL measurement due to COVID-19: ▪ Re-segmentation of loans, receivables and contract assets ▪ Individual and collective assessment of loans, receivables and contract assets. In order to accelerate the detection of such changes in credit quality not yet detected at an individual level, it may be appropriate to adjust ratings and the probabilities of default on a collective basis, considering risk characteristics such as the industry or geographical location of the borrowers ▪ Extension of payment terms. If payment terms are extended in light of the current economic circumstances, the terms and conditions of the extension will have to be assessed to determine their impacts on the ECL estimate. ▪ Use of reasonable and supportable information. Entities should provide transparent disclosure of the critical assumptions and judgements used to measure the ECL. Determining significant deterioration in credit risk and ECL calculation both incorporate forward-looking information using a range of macroeconomic scenarios and, as such, entities need to reassess these inputs to their provision matrix used to calculate ECL. Uncertainties in market trends and economic conditions may persist due to COVID-19 which can impact actual results that may differ materially from the ECL estimates.	Note 2(d)(ii): Key sources of estimation uncertainty – Allowance for ECL of trade and other receivables Note 17: Trade and other receivables Note 45(iv): Credit risk management

Appendix I: COVID-19 (cont'd)

Reference

No.	Area	Description	Illustration
5	Revenue from contracts with customers (SFRS(I) 15)	Entities should critically assess whether the various aspects of revenue recognition policies are affected by situations that arise as a result of the COVID 19-pandemic, including but not limited to: ▪ Contract enforceability ▪ Collectability ▪ Contract modification ▪ Variable consideration ▪ Material right ▪ Significant financing component ▪ Implied performance obligations ▪ Point-in-time or over-time Entities may need to use significant judgement to determine the effect of uncertainties related to the COVID-19 pandemic on their revenue accounting e.g. estimates of variable consideration (including the constraint) and provide appropriate disclosures of these judgements. Decisions made in response to the outbreak (e.g. modifying contracts, continuing transacting with customers despite collectability concerns, revising pricing) may need to be disclosed. Entities may also need to consider the impact of delays in deliveries due to lockdowns and the impact of volume rebate estimations due to lower sales during the year.	Note 2(d)(ii): Key sources of estimation uncertainty – Revenue recognition for development properties; Estimation of total contract costs for construction contracts
6	Government assistance (SFRS(I) 1-20)	To provide relief over the adverse economic conditions arisen due to the COVID-19 pandemic, governments in many jurisdictions are implementing legislation to help entities that are experiencing financial difficulty. An entity should carefully assess whether the benefit received is a government grant or government assistance as this affects the accounting and disclosure for the benefit. *ISCA has issued FRB 5 and FRB 6 to provide guidance on the accounting for property tax rebate granted by the Singapore Government and the Jobs Support Scheme grant provided by the Singapore Government respectively.*	Note 2(d)(i): Significant judgements – Accounting for government assistance Note 30: Other income – Government grant income
7	Rent concession (SFRS(I) 16 and SFRS(I) 1-20)	Due to the impact of the COVID-19 pandemic on business conditions, many lessees seek and agree rent concessions from lessors. Rent concessions may take the form of one-off reduction in rent, deferral of rent or change in nature of rent e.g. fixed rental changing to variable rental. Amendment to SFRS(I) 16 *COVID-19 Related Rent Concessions* provides a practical expedient which allows a lessee to elect not to assess whether a COVID-19 related rent concession is a lease modification. In addition, the Singapore Government has introduced Rental Relief Framework for SMEs and specified NPOs whereby the landlords are required to waive the contractual rent of specified months for a tenant. *ISCA has issued FRB 7 to provide guidance on the accounting for Rental Relief Framework for SMEs and NPOs from the perspective of the landlord and the tenant.*	Note 30: Other income – Rental concession

Appendix I: COVID-19 (cont'd)

Reference

No.	Area	Description	Illustration
8	Provisions (SFRS(I) 1-37)	Restructuring plans In a difficult economic environment and facing difficulties in obtaining financing, an entity may be considering or implementing restructuring plans such as the sale or closure of part of its businesses or the downsizing (temporarily or permanently) of operations. Onerous contracts Because of the impacts of COVID-19, unavoidable costs of meeting the obligations under a contract may exceed the benefits expected to be received, resulting in an onerous contract.	Not included.
9	Income tax (SFRS(I) 1-12)	As a measure to assist entities during the COVID-19 pandemic, economic stimulus packages in some jurisdictions have included income tax concessions and other rebates. If entities are active in such a jurisdiction, the following disclosures may also be impacted: ▪ Explanation of changes in the applicable tax rate compared to the prior period ▪ Amount and expiry date of any tax losses carried forward ▪ Nature of evidence supporting the recognition of deferred tax assets when the entity has suffered a loss in the current period Business disruption resulting from COVID-10 may lead to an entity recognising asset impairments or forecasting future losses that may introduce new uncertainties that an entity must consider in its analysis of the recoverability of deferred tax assets. Entities should update their projections of income for recent events. Tax losses that were otherwise expected to be utilised in the near term should be reviewed to determine if they might expire unutilised and how this would impact management's judgement on the amount of deferred tax asset to be recognised. Entities should further consider whether they need to provide additional financial statement disclosures to explain the use of estimates or management's judgement more fully in reaching its conclusions on the amount of recognised and unrecognised deferred tax assets.	Not included.
10	Hedging (SFRS(I) 9)	In the COVID-19 environment, an entity's transactions may be postponed or cancelled, or occur in significantly lower volumes than initially forecast. If the entity designated such transactions as a hedged forecast transaction in a cash flow hedge, it would need to consider whether the transaction is still a 'highly probable forecast transaction'. If the COVID-19 pandemic affects the probability of hedged forecast transactions occurring and/or the time period designated at the inception of a hedge, an entity would need to determine whether it can continue to apply hedge accounting to the forecast transaction or a proportion of it, and for continuing hedges whether any additional ineffectiveness has arisen.	Not included.

Appendix I: COVID-19 (cont'd)

Reference

No.	Area	Description	Illustration
11	Subsequent events (SFRS(I) 1-10)	As the COVID-19 pandemic evolves, governments are implementing additional measures to address the resulting public health issues and the economic impact. Entities need to assess if they are affected, or expect to be impacted, by developments and measures taken after the end of their reporting period. A critical judgement and evaluation management needs to make is whether and, if so, what these events provide of evidence of conditions that existed at the end of the reporting period for the entity's activities or their assets and liabilities. If management concludes an event is a non-adjusting event, but the impact of it is material, the entity is required to disclose the nature of the event and an estimate of its financial effect unless it is impractical to do so. Areas that an entity should consider disclosing in its subsequent events note may include: ▪ The measures taken to minimise the impact of the COVID-19 pandemic and to continue operations. ▪ That the entity continues to monitor the COVID-19 pandemic situation and will take further action as necessary in response to the economic disruption. ▪ Any issuance of debt or equity or refinancing undertaken after reporting. Entities should disclose any amendments or waivers of covenants agreed by lenders to accommodate COVID-19 related concerns. ▪ Organisational restructurings to reduce the impact of the COVID-19 pandemic and whether any disposals of business units have been decided. ▪ The impact of the subsequent restrictions imposed by governments that caused disruption to businesses and economic activity and the expected effects on revenue and operations. ▪ Any decisions made to suspend or alter dividends made after considering the inherent uncertainty surrounding the financial impact of the COVID-19 pandemic. ▪ Whether the COVID-19 outbreak may continue to cause disruption to economic activity and whether there could be further adverse impacts on revenue.	Not included.

Appendix J: Interest rate benchmark reform

Reference

In relation to the interest rate benchmark reform, entities will need to explain the changes to their accounting policies arising from the adoption of the amendments made to SFRS(I) 9 Financial Instruments or SFRS(I) 1-39 Financial Instruments: Recognition and Measurement and provide the disclosures added to SFRS(I) 7 Financial Instruments: Disclosures. The scope includes entities that have exposure to interest rates where (i) the interest rates are dependent on IBORs; and (ii) these IBORs are subject to interest rate benchmark reform.

For entities which have adopted the hedge accounting requirements of SFRS(I) 9 or SFRS(I) 1-39 and have hedges that are directly affected by the interest rate benchmark reform, the reform gives rise to uncertainties about: (i) the interest rate benchmark (contractually or non-contractually specified) designated as a hedged risk; and/or (ii) the timing or the amount of interest rate benchmark based cash flows of the hedged item or of the hedging instrument.

In relation to this publication, the subject group has variable-rate borrowings with an interest rate based on 3.2% plus 12-month SIBOR and a cash flow hedge in the form of a floating-to-fixed-rate (3.2% plus 12-month SIBOR to 5.5%) interest rate swap that is referenced to SIBOR. The relevant illustrative disclosures added in the respective notes to the financial statements are highlighted in this publication. Other interest rate benchmark reform related disclosures not applicable to the subject group but are included in this publication only for illustration purposes comprise, for instance, those in relation to fair value hedges.

Set out below are the disclosure requirements in SFRS(I) 7 related to interest rate benchmark reform:

Paragraph in SFRS(I) 7	Description	Illustration
24H	For hedging relationships to which an entity applies the exceptions set out in paragraphs 6.8.4 – 6.8.12 of SFRS(I) 9 (or paragraphs 102D – 102N of SFRS(I)1-39), it discloses:	
24H.a	the significant interest rate benchmarks to which the entity's hedging relationships are exposed;	Note 45(ii): Interest rate risk management
24H.b	the extent of the risk exposure the entity manages that is directly affected by the interest rate benchmark reform;	Note 45(ii): Interest rate risk management
24H.c	how the entity is managing the process to transition to alternative benchmark rates;	Note 45(ii): Interest rate risk management
24H.d	a description of significant assumptions or judgements the entity made in applying these paragraphs (for example, assumptions or judgements about when the uncertainty arising from interest rate benchmark reform is no longer present with respect to the timing and the amount of the interest rate benchmark-based cash flows); and	Note 2(d)(i): Significant judgements – Fair value change in cash flow hedge subject to the IBOR reform Note 2(e): Significant accounting policies – Interest rate benchmark reform Note 45(ii): Interest rate risk management
24H.e	the nominal amount of the hedging instruments in those hedging relationships.	Note 45(ii): Interest rate risk management
24I	To enable users of financial statements to understand the effect of interest rate benchmark reform on an entity's financial instruments and risk management strategy, disclose:	
24I.a	the nature and extent of risks to which the entity is exposed arising from financial instruments subject to interest rate benchmark reform, and how it manages these risks; and	Note 45(ii): Interest rate risk management
24I.b	its progress in completing the transition to alternative benchmark rates, and how it is managing the transition.	Note 45(ii): Interest rate risk management

Appendix J: Interest rate benchmark reform (cont'd) Reference

Paragraph in SFRS(I) 7	Description	Illustration
24J	To meet the objectives in SFRS(I) 7.24I, disclose:	
24J.a	how the entity is managing the transition to alternative benchmark rates, its progress at the reporting date and the risks to which it is exposed arising from financial instruments because of the transition;	Note 45(ii): Interest rate risk management
24J.b	disaggregated by significant interest rate benchmark subject to interest rate benchmark reform, quantitative information about financial instruments that have yet to transition to an alternative benchmark rate as at the end of the reporting period, showing separately: i. non-derivative financial assets; ii. non-derivative financial liabilities; and iii. derivatives; and	Note 45(ii): Interest rate risk management
24J.c	if the risks identified in SFRS(I) 7.24J.a have resulted in changes to its risk management strategy, a description of these changes.	Note 45(ii): Interest rate risk management

Foo Kon Tan (FKT) group:

Foo Kon Tan LLP
Foo Kon Tan Advisory Services Pte Ltd
Foo Kon Tan Corporate Finance Pte Ltd
Foo Kon Tan Technology Advisory Pte Ltd
Foo Kon Tan Transaction Services Pte Ltd
Foo, Kon & Tan Consultants Pte Ltd
Capital Governance (S) Pte Ltd

One Raffles Place Tower 2 #04-61/62 Singapore 048616
T +65 6336 3355 F +65 6337 2197
E fkt@fookontan.com W www.fookontan.com

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