Far East Group Limited

ANNUAL REPORT 2011

Vision into the future

This annual report has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Canaccord Genuity Singapore Pte. Ltd. (formerly known as Collins Stewart Pte. Limited) for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). Canaccord Genuity Singapore Pte. Ltd. has not independently verified the contents of this annual report.

This annual report has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this annual report, including the correctness of any of the statements or opinions made or reports contained in this annual report.

The contact person for the Sponsor is Ms Alice Ng, Director, Corporate Finance, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02, Singapore 068896, telephone (65) 6854 6160.

Our Vision

Delivering high quality,
latest technology Industrial components

Contents

Corporate Profile

We are a comprehensive provider of refrigeration and air-conditioning systems and products in the Heating, Ventilation, Air-conditioning and Refrigeration ("HVAC&R") industry, principally engaged in the sourcing and distribution of a wide range of agency products as well as the manufacturing and distribution of heat exchangers and condensing units under our own brand "Eden".

We are a leading distributor of commercial and light industrial refrigeration systems and products in the Southeast Asia ("SEA") region with subsidiaries in Singapore, Malaysia and Hong Kong as well as representative offices in Vietnam and Indonesia to serve as a gateway into the Indochina and Indonesian markets respectively. We also have about 20 distributors in the SEA region covering countries like Thailand and the Philippines, and also in other countries like Mauritius, Australia and Sri Lanka.

We have a broad customer base of more than 1,000 active customers, of which 50% are repeat customers who have purchased from us for five years or more. Our customers include distributors, dealers as well as refrigeration and air-conditioning contractors who use our products and services to provide comprehensive refrigeration and air-conditioning systems to end-users, such as supermarkets, cold store distribution centres, food processing and catering facilities, hotels, hospitals, food and beverage establishments, convenient stores, petrol stations, marine vessels, oil rigs and barges.

Our business activities can be broadly segmented into the following categories:

(i) Commercial and light industrial (refrigeration);
(ii) Residential and commercial (air-conditioning); and
(iii) Oil, marine and gas (refrigeration and air-conditioning).

Commercial and light industrial (refrigeration)

We are a leading regional distributor of commercial and light industrial refrigeration systems and products in SEA, including compressors, condensers, condensing units, multiple compressor racks units, electronic controls, energy management solutions, service equipment and tools and our "Eden" range of heat exchangers.

In addition to distributing agency products from international brands such as Bitzer, Embraco, Danfoss, Emerson Flows and Eliwell, we manufacture our "Eden" brand of heat exchangers and customise our products to suit our customer's specific design requirements. We also offer value-added services to our customers by providing design and consultancy services in relation to refrigeration and air-conditioning systems, as well as relevant product trainings and after-sales support.

The commercial and light industrial (refrigeration) business segment is the main business segment in our business, contributing to more than 70% of the Group's total revenue, consistently for the past 4 years.

Residential and commercial (air-conditioning)

We also distribute a wide range of air-conditioning materials, including copper pipes, insulation materials, fittings, PVC trunkings and other relevant components for residential and commercial air-conditioning applications to our customers who are mainly air-conditioning contractors and distributors. Our products and services are applied to provide air-conditioning systems for residential and commercial projects, such as condominiums, offices, warehouses and shopping complexes in Singapore and other SEA countries.

With our expertise and experience in the manufacture of heat exchangers, we are able to customise and manufacture replacement air handling unit coils for commercial air-conditioning while distributing air-conditioning materials from international brands such as Aeroflex, Castel, Emerson Flows and Honeywell.

The residential and commercial (air-conditioning) business segment has been growing over the past 4 years from approximately 18.5% to 22.7% of our Group's revenue in FY2008 and FY2011 respectively.

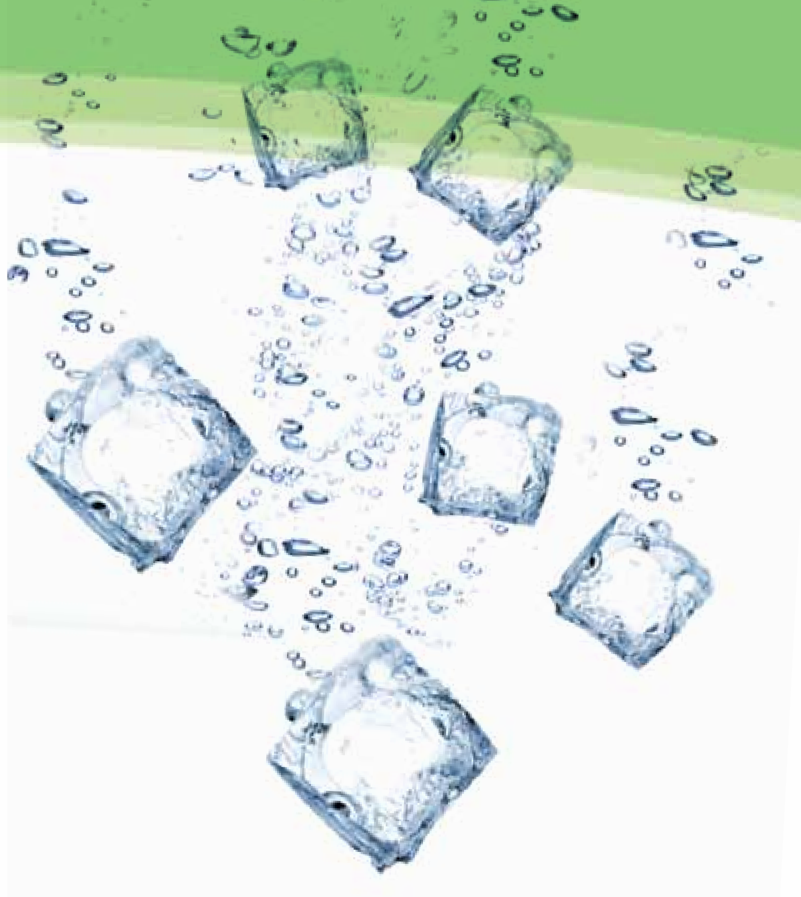
Oil, marine and gas (refrigeration and air-conditioning)

Amongst the range of air-conditioning and refrigeration systems that we distribute to the oil, marine and gas industry are our "Eden" brand of heat exchangers and packaged condensing units. These are supplied to ships, vessels and oil rigs, which are primarily used to preserve food, other perishables and also to provide a cool and comfortable environment for the crew. Our customers are mainly project contractors who supply our systems and products to shipyards.

Our extensive experience in the HVAC&R industry enables us to provide consultancy, technical support, product customisation and design services to our customers in the oil, marine and gas industry, including the sale of air-conditioning and refrigeration materials from international brands such as Bitzer, Danfoss and Castel.

Our oil, marine and gas (refrigeration and air-conditioning) business segment forms the third business segment contributing to approximately 6% of our Group's total revenue in FY2011.

CEO's Message



"Our dedication to continue improving our products to cater to the various needs of our customers and partners would be enhanced through continual research and development activities, focusing on developing more energy-efficient and environmentally friendly products in conjunction with our Green Program."

Dear Shareholders,

FY2011 is a year that has marked several milestones for our Company and our subsidiaries (collectively, the "Group"). In January 2011, we were awarded the 2011 SME 1000 Award, ranking 365 by Sales / Turnover; followed by the receipt of the Asia Pacific Entrepreneurship Award in June 2011 and capped off with our successful listing on the Catalist of the Singapore Exchange Securities Trading Limited (the "SGX-ST") on 8 August 2011.

We have come a long way being one of the pioneers in the HVAC&R industry in Singapore since our Company was founded 58 years ago by our Non-executive Chairman, Mr Loh Ee Ming. The success of our Initial Public Offering ("IPO") demonstrates the trust and confidence of our shareholders in the Group. The funds received from the IPO will further enable our Group to fund its expansion into the region and serves as the foundation to build its long-term success.

FY2011 is also the year which our Group achieved its best ever sales performance of S$33.8 million in revenue from S$32.6 million in FY2010. This is due to the expansion in sales generated from the commercial and light industrial (refrigeration) and residential and commercial (air-conditioning) segments which increased revenue by almost S$1.8 million compared to FY2010. Profit before tax for FY2011 was S$3.3 million, a 40% decrease from S$5.4 million in FY2010 mainly due to one-off listing expenses and increase in personnel costs to expand our regional growth in FY2011. Profit for FY2010 also includes a gain of S$1.1 million from the sale of an investment property.

STRATEGIC DIRECTION / GROWTH PROSPECTS

FY2012 is seen as a year of uncertainties. The Eurozone economy, faced with an on-going sovereign debt crisis, will be constrained by fiscal austerity and tightening credit conditions. The slowdown in the developed countries and China's recently reduced GDP growth forecast for 2012 to 7.5% would affect the NIE and ASEAN economies adversely, especially the more export-oriented ones such as Korea, Malaysia and Taiwan.

Building on our Group's successful listing and record sales performance in FY2011, our Group remains cautiously positive on the FY2012 outlook and endeavour to grow the business further in the coming years. Global demand for HVAC products is expected to increase by more than 6% per annum through 2014. In particular, the demand for HVAC products in the Asia Pacific region is expected to outpace the global average and increase by 6.6% per annum with China contributing to the largest share of the global demand despite the reduced GDP forecast.

Our Group will continue to invest in necessary resources to expand the customer base geographically. We seek to capitalise on the growth in the Indochina region which has shown a significant increase over the past year. In addition, our new distributors in Australia have also opened up a new market for our Group to penetrate into. Lastly, China with its huge growth potential would be a market which our Group looks to be operating in the near future.

Our dedication to continue improving our products to cater to the various needs of our customers and partners would be enhanced through continual research and development activities, focusing on developing more energy-efficient and environmentally friendly products in conjunction with our Green Program. The Green Program is an initiative by our Group to drive the industry towards a more environmentally friendly approach to systems and products design. It is intended to promote environmental awareness among product designers, system designers and business owners. New models of unit coolers and condensing units will be introduced in 2012 and the range of existing products will be extended to fill the gaps which exist to provide a more comprehensive selection for our customers.

APPRECIATION

I would like to take this opportunity to thank the Board of Directors (the "Board") for their valuable time, input and dedication in offering their experience and guidance for the strategic direction of our Group. I would also like to thank our customers, suppliers, business partners and bankers for their continual support.

To the Staff and Management of our Group, I would like to express my heartfelt appreciation for the hard work that you have put in especially in the last year where we had our IPO preparations. I look forward to your continued commitment and support.

As an appreciation to you, the Shareholders, for your support, the Board is pleased to propose a final dividend of 1.05 Singapore cents per ordinary share or approximately 30% of our net profit attributable to Shareholders in respect of FY2011 to be approved at the forthcoming Annual General Meeting.

Loh Mun Yew
Chief Executive Officer
& Executive Director

Board of Directors

Standing (L-R):
Leng Chee Keong, Loh Pui Lai, Tan Hwee Kiong, Mak Yen-Chen Andrew

Sitting (L-R):
Loh Mun Yew, Loh Ah Peng @ Loh Ee Ming, Hew Koon Chan

Loh Ah Peng @ Loh Ee Ming

(Non-executive Chairman)

Mr Loh is the founder of our Group and has been our Director since incorporation on 18 March 1964. As the founder, he played a pivotal role in the growth and development of our Group. With more than 60 years of experience in the HVAC&R industry, he possesses in-depth knowledge of refrigeration and air-conditioning products and has established business relationships and network of relevant contacts (such as our suppliers and customers) in the HVAC&R industry. Prior to founding our Group, he was self-employed, principally engaged in the business of the provision of repair services of refrigerators in Singapore. In 1964, he founded our Company and had been involved in the overall operations as well as the growth and expansion of our Group. In 1990, he became our Executive Chairman. In June 2011, he became our Non-executive Chairman, and will be responsible for setting our vision and objectives and providing consultancy to our Group.

Loh Ee Ming (our Non-executive Chairman) is the father of Steven Loh (our CEO and Executive Director) and Karen Loh (our Non-executive Director).

Loh Mun Yew

(Chief Executive Officer and Executive Director)

Mr Loh was appointed to our Board in 1990. He has more than 20 years of experience in the HVAC&R industry. He is responsible for the formulation and execution of our Group's business strategies, strategic directions and expansion plans, as well as managing our Group's overall business development and financial performance. Mr Loh joined the Group in 1990 as a retail sales executive and has risen through the ranks to become our assistant Group managing director in 2000, overseeing our Group's operations and financial performance. In 2003, he was appointed as the Group's managing director. He is an associate member of the Business China Singapore (通商中国). He graduated from the University of the Pacific, Stockton, California, with a degree in Bachelor of Science in Electrical Engineering in 1987. In addition, he graduated from the University of South Australia with a Master of Business Administration in 1996. He was awarded the Outstanding Entrepreneur in the Asia Pacific Entrepreneurship Award 2011 on 24 June 2011.

Leng Chee Keong

(Chief Operating Office (Sales and Marketing) and Executive Director)

Mr Leng joined our Group as our business development director and assistant Group managing director in 2004 and was appointed to our Board in 2005. He is responsible for overseeing our Group's sales, strategic marketing and business development as well as growing our business in the SEA region. Mr Leng held several managerial positions in the automotive and leasing industry since he started his career before joining Barcelona Motors Pte Ltd and Perocom

Motors Pte Ltd (both of which are distributors of new motor vehicles) as the general manager, mainly responsible for the day-to-day operations and the financial performance of the two companies from 1995 to 2003. He obtained his Industrial Technician Certificate in Mechanical Engineering from the Singapore Technical Institute in 1977. In addition, he obtained the Certificate in Sales and Marketing from the Marketing Institute of Singapore in 1990.

Loh Pui Lai

(Non-executive Director)

Ms Loh was appointed to our Board on 28 June 2011. Karen Loh commenced her career as a management trainee at our Company in 1988. From 1992 to 1993, she was an accounts executive of our Company responsible for the accounts of our Company's subsidiaries. From 1993 to 1997, she was pursuing her studies in Australia. From 1997 and 2000 till present, she is a director of Far East Refrigeration (Hong Kong) Limited and Far East Refrigeration Limited respectively, and is responsible for overseeing the companies' finance and accounts departments. She obtained an Advanced Certificate in Accounting from Alexander College in 1994.

Hew Koon Chan

(Independent Director)

Mr Hew was appointed to our Board on 28 June 2011. He is currently the managing director of Integer Capital Pte. Ltd., a company which provides business consultancy services on mergers and acquisitions. He was a process engineer at Texas Instruments Singapore (Pte) Ltd. From 1986 to 1988 before joining Seavi Venture Services Pte Ltd, a private equity firm which is an affiliate of Advent International Corporation as an investment director from 1988 to 2004. Mr Hew graduated from the National University of Singapore with a Bachelor of Engineering (Mechanical) Degree and also holds a Certified Diploma in Accounting and Finance conferred by the Chartered Association of Certified Accountants and a Graduate Diploma in Financial Management from the Singapore Institute of Management.

Mak Yen-Chen Andrew

(Independent Director)

Mr Mak was appointed to our Board on 28 June 2011. He is a practising lawyer with more than 17 years' experience in legal practice. He commenced his legal career as an associate with Lee & Lee in 1995. Since then, he has been practising as a corporate lawyer, with periods of practice in several prominent Singapore law firms as well as the Singapore office of Denton Wilde Sapte, an international law firm. He is currently a partner with Kelvin Chia Partnership (a commercial law firm established in Singapore with regional presence in several Asian cities including Bangkok, Hanoi, Ho Chi Minh City, Yangon, Phnom Penh and Pyongyang) and has been with the firm since July 2006. His current legal practice is focused on mergers and acquisitions, joint ventures, capital markets, listed company work, general corporate and commercial work and cross-border transactions. He has also acted for both Singapore and PRC-related companies seeking listing on the SGX-ST (including reverse takeovers). His listed company work includes acting for listed companies in mergers and acquisitions/joint ventures transactions and fund raising and advising listed companies on SGX-ST compliance. Mr Mak is an independent director of Leader Environmental Technologies Limited, a company listed on the Main Board of the SGX-ST. In addition, he also volunteers his time in community service. Amongst other appointments, he is a member of the Telok Blangah Citizens' Consultative Committee. Mr. Mak graduated from the National University of Singapore in 1994 with a Bachelor of Laws (Second Class Honours Upper Division).

Tan Hwee Kiong

(Independent Director)

Mr Tan was appointed to our Board on 28 June 2011. He has more than 16 years of experience in HVAC&R industry. He was with the Carrier Group from 1997 to 2003 where he served in various capacities including country sales manager of Carrier Refrigeration Taiwan branch, general sales manager of Carrier Refrigeration Shanghai Co., Ltd. and director of the refrigeration division (ASEAN region) in Carrier International Corporation (Singapore). During the tenure of his position at Carrier International Corporation (Singapore), he was awarded the 2003 Carrier President Award for successfully achieving a revenue growth of 34% in the Asia Pacific region.

From 2003 to 2004, he was the general manager of Qingdao Haier Carrier Refrigeration (Qingdao, the PRC). From 2004 to 2005, he was a general manager (Asia) in Heatcraft Refrigeration Asia (Shanghai, the PRC), which is the refrigeration division of Lennox International Inc., responsible for manufacturing, sales and distribution as well as services networks and developing overall strategy in Asia Region. From 2005 to 2006, he was the managing director of SPX Cooling Techologies Malaysia and Singapore, responsible for developing SPX Cooling Technologies' strategies for Asia Pacific region. From 2006 to 2008, he was the managing director of Asia Commercial Refrigeration (Singapore), responsible for the regional profit and loss of South Asia region.

Since 2008, he has been the managing director of Snap-On Tools (S) Pte Ltd as well as its regional director for SEA and Korea, responsible for developing and implementing overall sales, distribution and operational strategies of the company in SEA, Hong Kong, Taiwan and Korea. Mr Tan graduated from University of London with a Bachelor of Science (Economics) degree. He also obtained his Graduate Diploma in Marketing Management from Singapore Institute of Management. He is an associate member of Singapore Institute of Management.

Executive Officers

Allan Ward

(Chief Operating Officer (Engineering and Manufacturing))

Mr Ward is responsible for the overall day-to-day operations of Far East Maju and Safety Enterprises. He is also responsible for all the engineering and design of "Eden" products, research and development activities, our Group's manufacturing activities, plant design, machinery evaluation and ensuring our ISO and design philosophies are not compromised. He commenced his career in 1963 with Cooney Refrigeration Pty Ltd in Australia and worked his way to become engineer director in 1975 before joining F Muller Pty Ltd in Australia as refrigeration division business unit manager, where he was responsible for domestic sales and international business development, product development and engineering of refrigeration products until 1988. Prior to joining our Group, he was an international business development manager of Bitzer Australia Pty Ltd in Australia from 1998 to 2000, mainly responsible for growing the export sales of heat transfer and unitary compressors to the Asia Pacific, the Middle East and India.

He is a full member of the American Society of Heating, Refrigerating and Air-Conditioning Engineers and the Australia Institute of Refrigeration Air-Conditioning and Heating Engineers. He is the president and chairman of the Commercial Refrigeration Manufacturers Association of Australia from 1991 to 1997, where he (i) was responsible for implementing the Australia refrigeration industries codes of practice; (ii) represented the refrigeration industry at government level; and (iii) unified industry specifications for refrigeration equipment with regard to ratings, temperature regulation for food storage, and health and safety within the refrigeration industry. He is appointed as an Australian Justice of the Peace by the Governor of New South Wales, which is recognised in every state in Australia. He was awarded patents in the United States of America, Australia and New Zealand as inventor of drop-in refrigeration unit. He obtained his Diploma in Mechanical Engineering (Major in Refrigeration) from the Unversity of Technology, Sydney, in 1967 and the Advanced Heat Transfer Design Certificate from McQuay/Muller Private Institute in 1974.

Tan Su Kim

(Financial Controller)

Ms Tan oversees our Group financial and reporting functions and her roles include monthly management reporting, budgeting and budgetary controls, cashflow management, credit controls and audit and tax compliance work. She is also responsible for the administrative and personnel functions of the Company and oversees the corporate secretarial matters of the Group.

Ms Tan has more than 20 years of experience in the auditing and accounting profession. She joined one of the big four accounting firms and has 10 years of external audit experience. She left the audit profession as an assistant audit manager to join the private sector holding various positions ranging from internal auditor to finance and administration manager in various companies, before joining our Group.

Ms Tan is a member of the Malaysian Institute of Certified Public Accountants and the Malaysian Institute of Accountants.

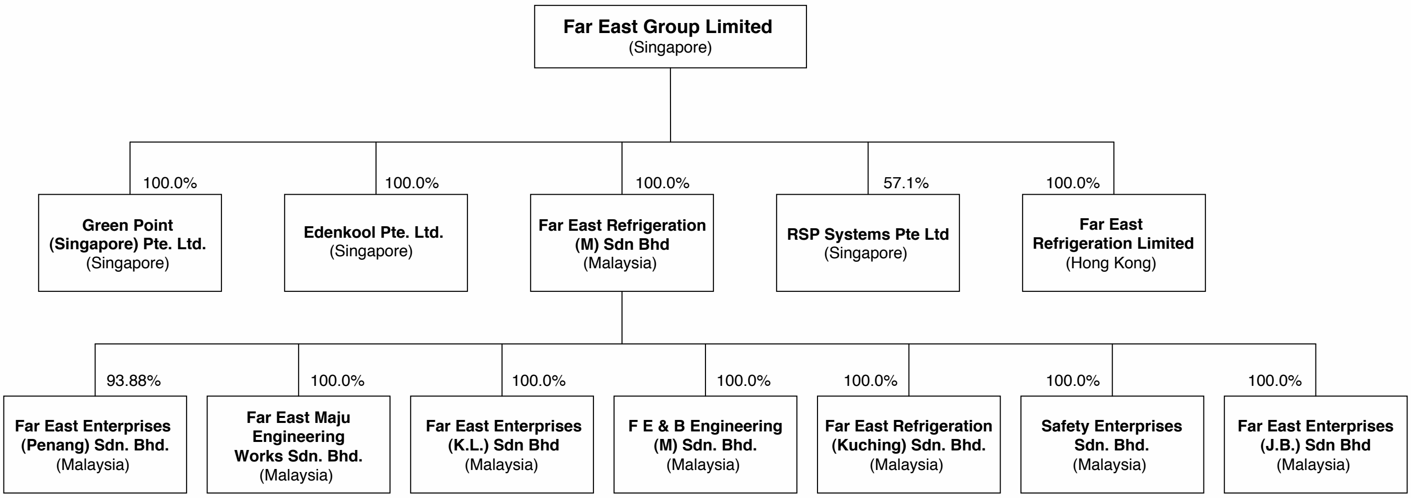
Chung Kong Poh

(Head of Systems and Projects)

Mr Chung is responsible for the management and planning of all systems and projects. He leads our project teams, including our general managers (projects) and project managers to deliver the projects in accordance with the project commitments and ensure that the projects are properly managed and planned with sufficient staff and appropriate resources. He joined our Group as a sales and marketing executive in 1995 and had served in various capacities including sales and marketing manager and divisional director (systems and projects). He was invited as a speaker at various seminars, such as (i) the Asian Cold Chain Management Conference on topics of "Examining Trends in Temperature Control for the Food and Beverage Sector: An International Overview" and "Examining Trends in Temperature Control for the Healthcare and Pharmaceutical Sector: An International Overview" in 2007, (ii) the Singapore Manufacturing Association/ Singapore Article Number Council/Singapore Cold Chain Workshop on the topic of "Training Workshop on Cold Chain Management" in 2004 and (iii) SPRING Singapore seminars on topic of "A Total Approach to Cold Chain Management for Milk and Dairy Products" in 2002. He is a member (individual capacity) of the Singapore Cold Chain Committee for Milk and Dairy Products and the chairman (sub-group III – technology) of the Singapore Cold Chain Committee for Pork Products. He obtained his degree in Bachelor of Science (Physics) from the National University of Singapore in 1993.

(L-R): Allan Ward, Tan Su Kim, Chung Kong Poh

Corporate Structure



Board of Directors

Loh Ah Peng @ Loh Ee Ming
Non-executive Chairman

Loh Mun Yew
CEO and Executive Director

Leng Chee Keong
COO (Sales & Marketing) and Executive Director

Loh Pui Lai
Non-executive Director

Hew Koon Chan
Independent Director

Mak Yen-Chen Andrew
Independent Director

Tan Hwee Kiong
Independent Director

Audit Committee

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

Nominating Committee

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

Remuneration Committee

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

Company Secretary

Chia Foon Yeow

Registered Office

112 Lavender Street
#04-00 Far East Refrigeration Building
Singapore 338728
Tel: (65) 6293 9733
Fax: (65) 6296 5326
Website: www.fareastgroup.com.sg
Company Registration No.: 196400096C

Share Registrar and Share Transfer Office

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

Sponsor

Canaccord Genuity Singapore Pte. Ltd.
(formerly known as Collins Stewart Pte. Limited)
77 Robinson Road
#21-02
Singapore 068896

Independent Auditors

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

Partner in Charge

Philip Ling Soon Hwa
A member of the
Institute of Certified Public Accountants of Singapore
(Date of Appointment: Since financial year ended 31 December 2008)

Principal Bankers

DBS Bank Ltd
Standard Chartered Bank
United Overseas Bank Limited

Operational Overview

In FY2011, our Group achieved a record turnover of S$33.8 million, an improvement of S$1.2 million over FY2010. This is on the back of efforts to penetrate a new market in Australia and greater sales generated from projects in Singapore and Indonesia. In terms of our various business segments, the increase in revenue was due to increased efforts to expand the residential and commercial (air-conditioning) segment which has grown 23% from S$6.2 million in FY2010 to S$7.6 million in FY2011. This increase was partially offset by a S$0.6 million decrease in revenue from the oil, marine and gas (refrigeration and air-conditioning) segment.

Our gross margins decreased slightly by 1.4 percentage points to 31.5% due to more competitive prices given to customers to increase our market share in new markets such as Sri Lanka, Mauritius and Australia. The drop in gross margins was mainly due to the commercial and light industrial (refrigeration) segment which had accounted for more than 70% of our Group's total revenue in FY2011 and FY2010. Gross margins from the residential and commercial (air-conditioning) and oil, marine and gas (refrigeration and air-conditioning) segments increased by 4.0 and 2.5 percentage points, respectively, mainly due to the lower costs and increased selling prices of copper products.

Our Group's profit before tax fell by 40% from S$5.4 million in FY2010 to S$3.3 million in FY2011 due to one-off listing expenses of S$0.9 million and higher personnel costs to support greater sales effort in FY2011. The profit in FY2010 also included a one-time gain of S$1.1 million from the sale of investment properties.

Our Group maintains a healthy balance sheet with an increase in total net assets of S$6.2 million in FY2011 mainly from the issuance of new shares pursuant to our Company's listing in August 2011. Despite having repaid S$1.9 million of long term loans within the financial year, our Group has a current ratio of 2.2 as at 31 December 2011 and has increased inventory holding to anticipate the increase of orders from our regional expansion plans.

Outlook for FY2012

The global economy remains jittery and our Group continues to face various risks due to the changing economic landscape. The Eurozone crisis affects global demand as confidence levels are affected. The lower projection of GDP growth of China may affect the regional dependencies on the economy and may affect the prices of raw materials that will impact our Group. Foreign exchange risks continue to affect our costing and margins as our Group purchases primarily in USD and EUR.

Nevertheless, our Group is committed to grow its business taking a calculated and cautious approach. While we foresee a slowdown in the residential and commercial (air-conditioning) segment in FY2012, we believe the demand from the commercial and light industrial (refrigeration) segment will be more resilient and continue to grow and the oil, marine and gas (refrigeration and air-conditioning) segment will remain relatively stable.

In carrying out our strategies to grow the business, we look to expand our market share in the emerging markets in the Indochina region and to grow new markets such as Australia. We first made our entry into the Australian market by appointing 2 distributors in the second half of FY2011. The Australia customer base is slightly different compared to the general customer base in the SEA region as the SEA customers are generally more price sensitive. The Australian customers tend to put more emphasis into the quality of the products and are more receptive of environmentally friendly products. This bodes well for our Green Program which is in line with increasing environmental awareness in providing fresh and hygienic food storage solutions to the community thus complementing our comprehensive range of innovative in-house manufactured heat exchangers which uses high energy-efficient coil technologies.

It is also in our plans to derive synergies from our Regional Affiliates and to enter the China market to enhance our capabilities as well as generate economies of scale and access a wider regional base of customers. The China market being the largest consumer market in the world, second to the USA and being the factory of the world, would enable our Group to grow our business significantly by both sales volume as well as by reducing our costs of production.

Our Group will continue with its research and development efforts amidst the uncertainties. This is to enable us to push ahead of our competitors to introduce more efficient and better products to serve their needs. Such efforts also serve to place our Group and our "Eden" brand amongst the best in the industry. Going forward, we believe that current HVAC&R products are expected to be re-engineered to be more environmentally friendly with the introduction of new regulatory codes and standards. We believe that the demand for re-engineered HVAC&R products and services will gradually increase in the future, replacing the current ones in the market.

Our Group will also be constantly on the lookout for mergers and acquisitions opportunities to build on the strength of our distribution networks and derive synergistic effects for the business.

FINANCIAL CONTENTS

Corporate Governance Report

CORPORATE GOVERNANCE REPORT

Far East Group Limited (the "**Company**") together with its subsidiaries (the "**Group**") recognises the importance of and is committed to maintaining a high standard of corporate governance. Good corporate governance provides the framework for an ethical and accountable corporate environment, which will protect the interests of the Company's shareholders and promote investor confidence. This report outlines the Company's corporate governance practices and structures in the financial year ended 31 December 2011 ("**FY2011**"), with specific reference made to each of the principles of the Code of Corporate Governance 2005 (the "**Code**"). Deviations from the Code are explained. The Company has complied with the principles of the Code where appropriate.

BOARD MATTERS

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

The Board of Directors (the "**Board**") is entrusted with the responsibility for the overall management of the business and corporate affairs of the Group. The articles of association of the Company (the "**Articles**") also provide for telephonic meetings.

The Company was listed on the Catalist Board of the Singapore Exchange Securities Trading Limited (SGX-ST) on 8 August 2011. The number of Board and Board committee meetings held and attended by each Board member for financial year ended 31 December 2011 is set out as follows:

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

** By Invitation*

Matters which specifically require the Board's decision or approval are those involving:

- Corporate strategy and business plans;
- Investment and divestment proposals;
- Funding decisions of the Group;
- Nomination of Board of Directors and appointment of key personnel;
- Half-year and full-year result announcements, the annual report and accounts;
- Material acquisitions and disposals of assets; and
- All matters of strategic importance.

All other matters are delegated to committees of the Board whose actions are monitored and endorsed by the Board. These committees include the Audit Committee, the Nominating Committee and the Remuneration Committee, all of which operate within clearly defined and written terms of reference and functional procedures, which are reviewed on a regular basis. Each of these committees reports its activities regularly to the Board.

The Board ensures that newly-appointed Directors will be given an orientation on the Group's business strategies and operations and governance practices to facilitate the effective discharge of their duties. Newly-appointed Directors will also be provided with a formal letter setting out their duties and obligations.

Board members have been and will be encouraged to attend seminars and receive training to improve themselves in the discharge of their duties as Directors. The Company will work closely with professionals to provide its Directors with updates on changes to relevant laws, regulations and accounting standards.

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

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

The Board comprises seven members, including two Executive Directors, two Non-executive Directors and three Independent Directors as follows:

Mr Loh Ah Peng @ Loh Ee Ming	Non-executive Chairman
Mr Loh Mun Yew	Chief Executive Officer and Executive Director
Mr Leng Chee Keong	Chief Operating Officer (Sales and Marketing) and Executive Director
Ms Loh Pui Lai	Non-executive Director
Mr Hew Koon Chan	Independent Director
Mr Mak Yen-Chen Andrew	Independent Director
Mr Tan Hwee Kiong	Independent Director

The Company endeavours to maintain a strong and independent element on the Board. As there are three Independent Directors on the Board, the requirement of the Code that at least one-third of the Board comprise of Independent Directors is satisfied. The Board considers an Independent Director as one who has no relationship with the Company, its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors; independent judgment of the Group's affairs.

The Independent Directors have confirmed that they do not have any relationship with the Company or its related companies or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Directors' independent business judgment. The Nominating Committee has reviewed and determined that the said Directors are independent. The independence of each Director has been and will be reviewed annually by the Nominating Committee based on the guidelines set forth in the Code.

The Board has examined its size and is satisfied that it is an appropriate size for effective decision-making, taking into account the scope and nature of the operations of the Company. The Nominating Committee is of the view that no individual or small group of individuals dominates the Board's decision-making process.

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

Corporate Governance Report

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

The Non-executive Chairman of the Company is Mr Loh Ah Peng @ Loh Ee Ming, who plays a vital role in setting our Company's vision and objectives and providing guidance to our Group. The Chief Executive Officer of the Company is Mr Loh Mun Yew, who is responsible for the formulation and execution of our Group's business strategies, strategic directions and expansion plans, as well as managing our Group's overall business development and financial performance. There is a clear division of responsibilities between the Non-executive Chairman and the Chief Executive Officer to ensure that there is an appropriate balance of power, increased accountability and sufficient capacity of the Board for independent decision-making. The requirement of the Code that the roles of Chairman and Chief Executive Officer be separated is therefore met in the case of the Company.

Although our Non-executive Chairman is the father of our Chief Executive Officer, the Board is of the view that there are sufficient safeguards and checks to ensure that the process of decision making by the Board is independent and based on collective decisions without any individual or group of individuals exercising any considerable concentration of power or influence. All major decisions are made in consultation with the Board.

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

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

The Nominating Committee is responsible for the following:-

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

(b) to determine annually whether or not a Director is independent;

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

(d) to decide how the Board's performance may be evaluated and propose objective performance criteria, as approved by the Board that allow comparison with its industry peers, and address how the Board has enhanced long term shareholders' value; and

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

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

The Nominating Committee will ensure that there is a formal and transparent process for all appointments to the Board. It has adopted written terms of reference defining its membership, administration and duties. A meeting has been held to review the independent status of each member of the Board and to nominate each of them for re-appointment at the forthcoming Annual General Meeting ("AGM").

Corporate Governance Report

Article 104 of the Articles requires one-third of the Directors to retire from office at least once every three years at an AGM. Article 106 of the Articles provides that the retiring Directors are eligible to offer themselves for re-election.

Article 114 of the Articles provides that the Directors shall have power at any time and from time to time to appoint any other qualified person as a Director either to fill a casual vacancy or as an addition to the Board. But any Director so appointed shall hold office only until the next AGM of the Company, and shall be eligible for re-election
The Nominating Committee recommended to the Board that Ms Loh Pui Lai, Mr Hew Koon Chan, Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong be nominated for re-election at the forthcoming AGM. In making the recommendation, the Nominating Committee has considered the Directors' overall contributions and performance.

Mr Hew Koon Chan will, upon re-election as a Director, remain as the Chairman of Audit Committee and a member of the Remuneration Committee and Nominating Committee. Mr Mak Yen-Chen Andrew will, upon re-election as a Director, remain as the Chairman of Nominating Committee and a member of the Audit Committee and Remuneration Committee. Mr Tan Hwee Kiong will, upon re-election as a Director, remain as the Chairman of Remuneration Committee and a member of the Audit Committee and Nominating Committee.

Section 153 of the Companies Act, Cap.50 provides that the office of a director of a public company or of a subsidiary of a public company shall become vacant at the conclusion of the annual general meeting commencing next after he attains the age of 70 years. However a person of or over the age of 70 years may, by an ordinary resolution passed at an annual general meeting of a company be appointed or re-appointed as a director of the company to hold office until the next annual general meeting of the company. The Nominating Committee recommended to the Board that Mr Loh Ah Peng @ Loh Ee Ming who is over the age of 70 be re-appointed at the forthcoming AGM. In making the recommendation, the Nominating Committee has considered the said Director's overall contributions and performance.

Mr Loh Ah Peng @ Loh Ee Ming will, upon re-appointment as a Director, remain as the Non-executive Chairman of the Company.

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

Name	Age	Appointment	Date of initial appointment	Date of last re-election	Directorship in other listed companies
LOH AH PENG @ LOH EE MING	78	Non-executive Chairman	18 March 1964	10 June 2011	**Present Directorships** None **Past Directorships (in the last three preceding years)** None
LOH MUN YEW	45	Chief Executive Officer and Executive Director	02 May 1990	10 June 2011	**Present Directorships** None **Past Directorships (in the last three preceding years)** None

Corporate Governance Report

Name	Age	Appointment	Date of initial appointment	Date of last re-election	Directorship in other listed companies
LENG CHEE KEONG	55	Chief Operating Officer (Sales and Marketing) and Executive Director	18 February 2005	10 June 2011	**Present Directorships** None **Past Directorships (in the last three preceding years)** None
LOH PUI LAI	40	Non-executive Director	28 June 2011	Not Applicable	**Present Directorships** None **Past Directorships (in the last three preceding years)** None
HEW KOON CHAN	50	Independent Director	28 June 2011	Not Applicable	**Present Directorships** Nordic Group Limited Roxy-Pacific Holdings Limited **Past Directorships (in the last three preceding years)** Action Asia Limited
MAK YEN-CHEN ANDREW	42	Independent Director	28 June 2011	Not Applicable	**Present Directorships** Leader Environmental Technologies Limited **Past Directorships (in the last three preceding years)** None
TAN HWEE KIONG	46	Independent Director	28 June 2011	Not Applicable	**Present Directorships** None **Past Directorships (in the last three preceding years)** None

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

The Nominating Committee had adopted processes for the evaluation of the Board's performance and effectiveness as a whole and the performance of individual Directors, based on performance criteria set by the Board. For the evaluation of the Board's performance, the criteria include return on assets, return on equity and the Company's share price performance which allow the Company to make comparisons with its industry peers and are linked to long-term shareholders' value.

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

The individual performance criteria include qualitative and quantitative factors such as performance of principal functions and fiduciary duties, level of participation at meetings and attendance record.

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

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

Each member of the Board has complete access to such information regarding the Group as may be required for the discharge of his duties and responsibilities. Prior to each Board meeting, the members of the Board are each provided with the relevant documents and information necessary, including background and explanatory statements, financial statements, budgets, forecasts and progress reports of the Group's business operations, for them to comprehensively understand the issues to be deliberated upon and make informed decisions thereon.

As a general rule, notices are sent to the Directors one week in advance of Board meetings, followed by the Board papers in order for the Directors to be adequately prepared for the meetings. Senior management personnel, if required, will attend Board meetings to address queries from the Directors. The Directors also have unrestricted access to the Company's senior management.

The Directors have separate and independent access to the Company Secretary. The Company Secretary or his colleague attends all Board meetings and ensures that Board procedures and the provisions of applicable laws, the Companies Act, the Articles and the Listing Manual Section B: Rules of Catalist of the SGX-ST ("**Catalist Rules**") are followed. The Company Secretary also assists with the circulation of Board papers and updates the Directors on changes in laws and regulations relevant to the Group. The appointment and removal of the Company Secretary are subject to the Board's approval.

The Board (whether as individual members or as a group) has direct access to independent professional advisers, where so requested by them, at the expense of the Company.

Corporate Governance Report

REMUNERATION MATTERS

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

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

Our Remuneration Committee will recommend to our Board a framework of remuneration for our Directors and Executive Officers and determine specific remuneration packages for each Executive Director. The recommendations of our Remuneration Committee will be submitted for endorsement by the entire Board. All aspects of remuneration, including but not limited to Directors' fees, salaries, allowances, bonuses and benefits-in-kind shall be covered by our Remuneration Committee. In addition, our Remuneration Committee will perform an annual review of the remuneration of employees related to our Directors and Substantial Shareholders to ensure that their remuneration packages are in line with our staff remuneration guidelines and commensurate with their respective job scope and level of responsibilities. They will also review and approve any bonuses, pay increases and/or promotion for these employees. Each member of the Remuneration Committee shall abstain from voting on any resolution in respect of his remuneration package. Our Remuneration Committee shall also review the remuneration of our senior management.

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

In setting remuneration packages, the Remuneration Committee will ensure that the Directors are adequately but not excessively remunerated as compared to the industry and comparable companies.

The remuneration packages for Executive Directors take into account the performance of the Group and the individual. The Director's fees for Non-executive Directors are based on the effort, time spent and responsibilities of the Non-executive Directors, and are subject to approval at AGMs. The Company has entered into service agreements with Mr Loh Mun Yew, our Chief Executive Officer and Executive Director, and Mr Leng Chee Keong, our Chief Operating Officer (Sales and Marketing) and Executive Director, commencing from 1 January 2011. They are valid for an initial period of 3 years (the "Initial Term") each and upon the expiry of the Initial Term, the employment of the said appointees shall be automatically renewed on a year-to-year basis on such terms and conditions as the parties may mutually agree. The remuneration includes a fixed salary and a variable performance related bonus which is designed to align the interests of the Directors with those of shareholders.

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

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

Corporate Governance Report

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

Remuneration Band & Name of director	Base / Fixed salary	Directors' fees[1]	Variable or performance benefits related income /Bonus	Other Benefits	Total
S$250,000 – S$499,000					
Mr Loh Mun Yew	77%	13%	-	10%	100%
Mr Leng Chee Keong	71%	15%	-	14%	100%
Below S$250,000					
Mr Loh Ah Peng @ Loh Ee Ming	37%[2]	46%	5%[2]	12%	100%
Ms Loh Pui Lai	-	100%	-	-	100%
Mr Hew Koon Chan	-	100%	-	-	100%
Mr Mak Yen-Chen Andrew	-	100%	-	-	100%
Mr Tan Hwee Kiong	-	100%	-	-	100%

Notes:-

(1) Directors' fees are subject to approval of the shareholders of the Company at the forthcoming AGM.

(2) The salary and bonus paid to Mr Loh Ah Peng @ Loh Ee Ming was for the period of his services as the Executive Director of the Company prior to the IPO.

In considering the disclosure of remuneration of the top five (5) executives of the Company, the Company considered the overall quantum received by each individual executive as well as the confidential nature of the key executives' remuneration and believes that a full disclosure as recommended by the Code would be prejudicial to the Company's interest. The Company has instead presented the information as follows:-

Remuneration Band	No of Executives
Below S$250,000	4
S$250,000 – S$499,000	1

No employee who was an immediate family member of a Director was paid more than S$150,000 during FY2011. "Immediate family member" means the spouse, child, adopted child, step-child, brother, sister, and parent of such person.

ACCOUNTABILITY AND AUDIT

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

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

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

Principle 11: Establishment of an Audit Committee with clear written terms of reference.

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

The Audit Committee has written terms of reference and its responsibilities, inter alia, include:-

- reviewing with external auditors the audit plan, their evaluation of the system of internal accounting controls and their audit report, their management letter and the management's response;

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

- ensuring that the internal audit function is adequate and has appropriate standing within the Company;

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

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

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

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

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

The members of the Audit Committee have sufficient financial and/or management expertise, as assessed by the Board in its business judgment, to discharge the Audit Committee's functions.

The Audit Committee will meet with the external auditors without the presence of the Management at least once in every financial year.

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

The Audit Committee has full access to and cooperation of the management and has full discretion to invite any Director or Executive Officer to attend its meetings, and has been given reasonable resources to enable it to discharge its functions.

Principle 12: Maintains a sound system of internal controls to safeguard shareholders' investments and the company's assets.

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

Based on the findings of the external auditors and the various management controls put in place, the Board with the concurrence of the Audit Committee, is of the opinion that there are adequate internal controls in place within the Group addressing financial, operational and compliance risks to meet the needs of the Group in its current business environment.

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

The Board recognises the importance of maintaining a system of internal controls to safeguard shareholders' investments and the Company's assets.

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

In order to strengthen further the Group's internal audit function, the Audit Committee has recommended and the Board has approved the appointment of an external audit professional firm to undertake the internal audit function of the Group. These audit professionals report to the Audit Committee. The internal audit plan is submitted to the Audit Committee for approval prior to the commencement of the internal audit, and the Audit Committee oversees and monitors the implementation or improvements as required.

Principle 14: Regular, effective and fair communication with shareholders.

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

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

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

- Other announcements on the SGXNET; and

- Press releases on major developments regarding the Group.

Principle 15: Greater shareholder participation and communication at AGMs.

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

Pertinent information is communicated to shareholders through:

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

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

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

4) press releases on major developments of the Group.

AGMs are the main forum for communication with shareholders. Annual reports and notices of the AGMs are sent to all shareholders. The members of the Audit Committee, Nominating Committee and Remuneration Committee will be present at AGMs to answer questions relating to the work of these committees. The external auditors will also be present to assist the Directors in addressing any relevant queries by shareholders. The Board welcomes the views of shareholders on matters affecting the Company, whether at shareholders' meetings or on an ad hoc basis.

RISK MANAGEMENT POLICIES AND PROCESSES

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

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

Corporate Governance Report

DEALINGS IN SECURITIES

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

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

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

AUDITOR AND AUDIT FEES

The aggregate amount of fees paid to the Company's external auditors, Ernst & Young LLP, in FY2011 was S$345,000 comprising approximately S$78,000 of audit fees, S$260,000 for acting as the Reporting Accountants in relation to the Company's IPO and $7,000 for acting as the tax agent. The Group confirms that it has complied with Rule 712 and Rule 715 of the Catalist Rules in relation to its auditing firms. The Audit Committee, having reviewed such non-audit services, is satisfied that the nature and extent of such services will not prejudice the independence and objectivity of the external auditors.

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

NON-SPONSOR FEES

There was no non-sponsor fee paid to the Company's Sponsor, Canaccord Genuity Singapore Pte. Ltd. (formerly known as Collins Stewart Pte. Limited), subsequent to the listing on the Catalist Board to the date of printing of this annual report.

MATERIAL CONTRACTS

Save as disclosed in the "General and Statutory Information" Section of the Company's Offer Document dated 25 July 2011, there are no material contracts entered into by the Group during FY2011 or still subsisting as at 31 December 2011 which involved the interests of any of the Directors or controlling shareholders of the Group.

Corporate Governance Report

INTERESTED PERSON TRANSACTIONS

	Aggregate value of all interested person transactions during the financial year under review (excluding transactions less than $100,000 and transactions conducted under shareholders' mandate pursuant to Rule 920)	Aggregate value of all interested person transactions conducted under shareholders' mandate pursuant to Rule 920 (excluding transaction less than $100,000)
	FY2011	**FY2011**
	(S$'000)	**(S$'000)**
Name of Interested Person		
Purchases from Shanghai Eden Refrigeration Co., Ltd.	Nil	862
Sales to Shanghai Eden Refrigeration Manufacturing Co., Ltd.	Nil	103

USE OF IPO PROCEEDS

As at the date of the Auditors' report, the Group has utilised S$2.2 million out of net proceeds from its IPO of S$3.5 million for general working capital purposes. This is in accordance with the stated use and percentage allocated as stated on page 28 of the Company's Offer Document dated 25 July 2011.

The Company will make periodic announcements on the use of the balance net proceeds as and when the funds are materially disbursed.

Directors' Report

(Amounts expressed in Singapore dollars unless otherwise stated)

The Directors are pleased to present their report to the members together with the audited consolidated financial statements of Far East Group Limited (the "Company") and its subsidiary companies (collectively, the "Group") and the balance sheet and statement of changes in equity of the Company for the financial year ended 31 December 2011.

Directors

The Directors of the Company in office at the date of this report are:

Loh Ah Peng @ Loh Ee Ming
Loh Mun Yew
Leng Chee Keong
Loh Pui Lai (appointed on 28 June 2011)
Hew Koon Chan (appointed on 28 June 2011)
Mak Yen-Chen Andrew (appointed on 28 June 2011)
Tan Hwee Kiong (appointed on 28 June 2011)

Arrangements to enable directors to acquire shares and debentures

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

Director's interests in shares and debentures

The following Directors, who held office at the end of the financial year, had, according to the Register of Directors' Shareholding required to be kept under Section 164 of the Companies Act, Cap. 50, an interest in shares of the Company and related corporations (other than wholly-owned subsidiary companies) as stated below:

	Direct interest		**Deemed interest**	
	At 1 January 2011 or date of appointment, if later	**At 31 December 2011**	**At 1 January 2011 or date of appointment, if later**	**At 31 December 2011**
Universal Pte. Ltd.(1)				
Ordinary shares				
Loh Ah Peng @ Loh Ee Ming	19,688	19,688	5,000	5,000
Loh Mun Yew	13,270	13,270	–	–
Loh Pui Lai	5,170	5,170	–	–
Far East Group Limited				
Ordinary shares				
Loh Ah Peng @ Loh Ee Ming	–	323,000	–	–
Loh Mun Yew	1,091(2)	654,600	–	–
Leng Chee Keong	5,555(2)	3,700,200	–	–
Loh Pui Lai	–	–	–	4,200,000

Notes:-

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

(2) The interest stated is before the sub-division of every one ordinary share into 600 ordinary shares approved by the shareholders at an extraordinary meeting held on 22 July 2011.

Director's interests in shares and debentures (cont'd)

By virtue of Section 7 of the Companies Act, Cap. 50, Loh Ah Peng @ Loh Ee Ming and Loh Mun Yew are deemed to have an interest in the shares held by the holding company, Universal Pte. Ltd., in the Company and in all its subsidiary companies.

There was no change in any of the above-mentioned interests in the Company between the end of the financial year and 21 January 2012.

Except as disclosed in the report, no director who held office at the end of the financial year had interest in shares or debentures of the Company, or of related corporations, either at the beginning of the financial year, or date of appointment if later, or at the end of the financial year.

Director's contractual benefits

Except as disclosed in the financial statements, since the end of the previous financial year, no director has received or become entitled to receive a benefit (other than a benefit or any fixed salary of a full-time employee of the Company included in the aggregate amount of emoluments shown in the financial statements, or any emoluments received from a related corporation) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

Options

No options to take up unissued shares of any company in the Group were granted during the financial year. As at 31 December 2011, no options over unissued shares of the Company or its subsidiary companies were outstanding.

Audit committee

The Audit Committee carried out its functions in accordance with Section 201B (5) of the Companies Act, Cap. 50.

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

The Audit Committee has met with external auditors, without the presence of the Company's management, at least once a year.

Further details regarding the Audit Committee are disclosed in the Corporate Governance Report.

Directors' Report

Auditors

Ernst & Young LLP have expressed their willingness to accept reappointment as auditors.

On behalf of the Board,

Loh Mun Yew
Director

Leng Chee Keong
Director

Singapore
28 March 2012

Statement by Directors

We, Loh Mun Yew and Leng Chee Keong, being two of the directors of Far East Group Limited, do hereby state that, in the opinion of the directors,

(a) the accompanying balance sheets, consolidated profit and loss account, consolidated statement of comprehensive income, statements of changes in equity and consolidated cash flow statement together with notes thereto are drawn up so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and of the results of the business, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date, and

(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.

On behalf of the Board,

Loh Mun Yew
Director

Leng Chee Keong
Director

Singapore
28 March 2012

Independent Auditors' Report

To the Members of Far East Group Limited

For the financial year ended 31 December 2011

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of Far East Group Limited (the Company) and its subsidiary companies (collectively, the Group), which comprise the balance sheets of the Group and the Company as at 31 December 2011, the statements of changes in equity of the Group and the Company and the consolidated profit and loss account, consolidated statement of comprehensive income and the consolidated cash flow statement of the Group for the year then ended, and a summary of significant accounting policies and other explanatory information.

Management's Responsibility for the Consolidated Financial Statements

Management is responsible for the preparation of consolidated financial statements that give a true and fair view in accordance with the provisions of the Singapore Companies Act, Cap. 50 (the Act) and Singapore Financial Reporting Standards, 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 profit and loss accounts and balance sheets and to maintain accountability of assets.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audit. We conducted our audit in accordance with Singapore Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation of consolidated financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Independent Auditors' Report

To the Members of Far East Group Limited

For the financial year ended 31 December 2011

Opinion

In our opinion, the consolidated financial statements of the Group and the balance sheet and statement of changes in equity of the Company are properly drawn up in accordance with the provisions of the Act and Singapore Financial Reporting Standards so as to give a true and fair view of the state of affairs of the Group and of the Company as at 31 December 2011 and the results, changes in equity and cash flows of the Group and the changes in equity of the Company for the year ended on that date.

Report on Other Legal and Regulatory Requirements

In our opinion, the accounting and other records required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Ernst & Young LLP
Public Accountants and
Certified Public Accountants
Singapore

28 March 2012

Balance Sheets
As at 31 December 2011

(In Singapore dollars)

	Note	Group		Company	
		2011	2010	2011	2010
		$	$	$	$
Non-current assets					
Fixed assets	4	7,211,333	7,518,145	6,563,480	6,786,559
Investments in subsidiary companies	5	–	–	3,338,721	3,338,721
Unquoted investments	6	89,192	88,968	–	–
Other receivables	10	1,002	18,329	–	–
Deferred tax assets	7	162,944	174,014	–	–
Current assets					
Inventories	8	11,069,546	8,199,554	7,419,172	5,222,871
Trade debtors	9	8,257,247	6,646,543	5,633,398	4,038,375
Other receivables	10	466,990	136,827	44,784	67,915
Deposits		88,940	101,384	27,663	14,796
Prepayments		469,528	1,253,187	415,451	1,229,232
Due from subsidiary companies (trade)	11	–	–	1,353,733	1,871,761
Due from subsidiary companies (non-trade)	11	–	–	984,271	339,927
Due from affiliated companies (trade)	11	226,801	217,647	226,801	198,721
Due from affiliated companies (non-trade)	11	64,492	–	64,492	–
Tax recoverable		168,933	6,052	156,101	1,879
Fixed deposits pledged to bank		350,700	–	–	–
Fixed deposits		316,267	1,399,779	6,197	6,169
Cash and bank balances		2,338,711	2,350,114	648,593	610,785
		23,818,155	20,311,087	16,980,656	13,602,431

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

Balance Sheets

As at 31 December 2011

(In Singapore dollars)

	Note	Group		Company	
		2011	2010	2011	2010
		$	$	$	$
Current liabilities					
Trade payables	12	1,841,643	1,495,044	1,534,777	1,152,420
Gross amount due to customers for contract-work-in-progress	13	–	593,000	–	593,000
Trust receipts and bills payable (secured)	14	3,597,668	3,423,536	2,835,602	2,601,654
Other creditors		301,516	767,512	250,782	721,834
Accruals and other liabilities	15	1,502,503	1,749,428	1,102,895	1,286,991
Provision for warranty	16	354,365	50,000	354,365	50,000
Dividend payable		1,177,164	1,636,087	1,177,164	1,636,045
Due to subsidiary companies (trade)	11	–	–	771,373	561,856
Due to subsidiary companies (non-trade)	11	–	–	472,545	475,021
Due to affiliated companies (trade)	11	758,989	255,143	697,426	243,138
Due to affiliated companies (non-trade)	11	112,849	110,958	–	–
Provision for income tax		504,823	596,973	418,085	509,687
Loans from shareholders and directors (current)	19	480,000	550,000	480,000	550,000
Finance lease obligations (current)	17	18,692	17,927	18,692	17,927
Term loans (current)	18	122,549	447,641	122,549	447,641
Derivative financial instruments	33(c)	6,638	203	–	–
Bank overdrafts (secured)	14	156,179	57,374	1,884	35,007
		10,935,578	11,750,826	10,238,139	10,882,221

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

Balance Sheets
As at 31 December 2011

(In Singapore dollars)

	Note	Group		Company	
		2011	2010	2011	2010
		$	$	$	$
Net current assets		12,882,577	8,560,261	6,742,517	2,720,210
Non-current liabilities					
Deferred tax liabilities	7	74,425	152,307	2,057	74,029
Loans from shareholders and directors (non-current)	19	479,116	1,032,397	479,116	1,032,397
Finance lease obligations (non-current)	17	39,787	58,480	39,787	58,480
Term loans (non-current)	18	157,399	1,742,490	157,399	1,742,490
Total net assets		19,596,321	13,374,043	15,966,359	9,938,094
Share capital and reserves					
Share capital	20	13,955,691	8,134,740	13,955,691	8,134,740
Accumulated profits		6,318,182	5,812,040	1,688,275	1,480,961
Capital reserve		322,393	322,393	322,393	322,393
Translation reserve	21	(1,183,348)	(1,051,441)	–	–
		19,412,918	13,217,732	15,966,359	9,938,094
Non-controlling interests		183,403	156,311	–	–
		19,596,321	13,374,043	15,966,359	9,938,094

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

Consolidated Profit and Loss Account

For the year ended 31 December 2011

(In Singapore dollars)

	Note	Group	
		2011	2010
		$	$
Turnover	22	33,753,259	32,616,138
Cost of sales		(23,137,029)	(21,897,153)
Gross profit		10,616,230	10,718,985
Other operating income	23	820,968	1,452,735
Distribution and selling expenses		(2,666,489)	(2,654,288)
Administrative expenses		(4,353,508)	(3,555,725)
Other operating expenses	24	(927,851)	(225,125)
Profit from operations	25	3,489,350	5,736,582
Financial expenses	27	(241,872)	(301,659)
Interest income		11,609	14,489
Profit before tax		3,259,087	5,449,412
Tax expense	28	(725,267)	(896,600)
Profit for the year		2,533,820	4,552,812
Attributable to:			
Equity holders of the Company		2,506,142	4,506,334
Non-controlling interests		27,678	46,478
		2,533,820	4,552,812
Earnings per share			
Basic and diluted (cents)	29	4.14	9.29

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

Consolidated Statement of Comprehensive Income

For the year ended 31 December 2011

(In Singapore dollars)

	Group	
	2011	**2010**
	$	$
Profit for the year	2,533,820	4,552,812
Other comprehensive income		
Exchange differences on translating foreign operations	(132,493)	124,601
Total comprehensive income for the year	2,401,327	4,677,413
Attributable to:		
Equity holders of the Company	2,374,235	4,630,850
Non-controlling interests	27,092	46,563
	2,401,327	4,677,413

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

Statements of Changes in Equity

For the year ended 31 December 2011

(In Singapore dollars)

Group	Equity, total	Equity attributable to owners of the parent, total	Share capital	Accumulated profits	Capital reserve	Translation reserve	Non-controlling interests
		Attributable to equity holders of the Company					
	$	$	$	$	$	$	$
As at 1 January 2010	10,696,630	10,586,882	8,134,740	3,305,706	322,393	(1,175,957)	109,748
Profit for the year	4,552,812	4,506,334	–	4,506,334	–	–	46,478
Other comprehensive income	124,601	124,516	–	–	–	124,516	85
Total comprehensive income for the year	4,677,413	4,630,850	–	4,506,334	–	124,516	46,563
Contributions by and distributions to owners							
Dividends (Note 30)	(2,000,000)	(2,000,000)	–	(2,000,000)	–	–	–
As at 31 December 2010 and 1 January 2011	13,374,043	13,217,732	8,134,740	5,812,040	322,393	(1,051,441)	156,311
Profit for the year	2,533,820	2,506,142	–	2,506,142	–	–	27,678
Other comprehensive income	(132,493)	(131,907)	–	–	–	(131,907)	(586)
Total comprehensive income for the year	2,401,327	2,374,235	–	2,506,142	–	(131,907)	27,092
Contributions by and distributions to owners							
Issuance of shares	6,263,452	6,263,452	6,263,452	–	–	–	–
Share issuance expenses	(442,501)	(442,501)	(442,501)	–	–	–	–
Dividends (Note 30)	(2,000,000)	(2,000,000)	–	(2,000,000)	–	–	–
As at 31 December 2011	19,596,321	19,412,918	13,955,691	6,318,182	322,393	(1,183,348)	183,403

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

Statements of Changes in Equity

For the year ended 31 December 2011

(In Singapore dollars)

Company	Equity, total $	Share capital $	Accumulated profits $	Capital reserve $
As at 1 January 2010	9,370,324	8,134,740	913,191	322,393
Profit for the year	2,567,770	–	2,567,770	–
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	2,567,770	–	2,567,770	–
Contributions by and distributions to owners				
Dividends (Note 30)	(2,000,000)	–	(2,000,000)	–
As at 31 December 2010 and 1 January 2011	9,938,094	8,134,740	1,480,961	322,393
Profit for the year	2,207,314	–	2,207,314	–
Other comprehensive income	–	–	–	–
Total comprehensive income for the year	2,207,314	–	2,207,314	–
Contributions by and distributions to owners				
Issuance of shares	6,263,452	6,263,452	–	–
Share issuance expenses	(442,501)	(442,501)	–	–
Dividends (Note 30)	(2,000,000)	–	(2,000,000)	–
As at 31 December 2011	15,966,359	13,955,691	1,688,275	322,393

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

Consolidated Cash Flows Statement

For the year ended 31 December 2011

(In Singapore dollars)

	Note	Group 2011	Group 2010
		$	$
Cash flows from operating activities			
Profit before tax		3,259,087	5,449,412
Adjustments:			
Allowance for doubtful trade debts		15,724	33,367
Allowance for doubtful trade debts written back		(55,711)	(66,996)
Sundry debts written off		20,512	12,273
Allowance for doubtful sundry debts written back		–	(8,914)
Allowance for doubtful debts due from an affiliated company written back		(19,071)	(49,991)
Inventories written back		(315,344)	(1,154,215)
Fixed asset written off		24,377	342
Gain on disposal of investment properties, net		–	(1,062,245)
Loss/(gain) on disposal of fixed assets, net		14,840	(7,881)
Depreciation of fixed assets		398,137	432,741
Depreciation of investment properties		–	24,999
Net fair value loss on derivatives		6,400	203
Warranty expense		340,717	50,000
Interest expense		241,872	301,659
Interest income		(11,609)	(14,489)
Translation difference		(89,284)	47,081
Operating profit before working capital changes		3,830,647	3,987,346
(Increase)/decrease in:			
Fixed deposits pledged to bank		(350,700)	–
Inventories		(2,554,648)	1,063,381
Trade debtors		(1,551,646)	(2,399,825)
Other receivables		(333,348)	(14,878)
Deposits and prepayments		796,103	(700,308)
Due from holding company, net		–	21,978
Due from affiliated companies, net		–	186,608
Increase/(decrease) in:			
Trade payables		346,599	133,352
Gross amount due to customers for contract work-in-progress		(593,000)	593,000
Trust receipts and bills payable		174,132	(740,703)
Other creditors		(465,996)	498,778
Accruals and other liabilities		(283,242)	(180,174)
Due to affiliated companies, net		432,091	–
Cash (used in)/generated from operations		(553,008)	2,448,555
Interest paid		(241,872)	(301,659)
Income taxes paid		(1,059,704)	(389,192)
Income taxes refunded		12,594	26,015
Interest income		11,609	14,489
Net cash (used in)/generated from operating activities		(1,830,381)	1,798,208

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

Consolidated Cash Flows Statement

For the year ended 31 December 2011

(In Singapore dollars)

	Note	Group 2011	Group 2010
		$	$
Cash flows from investing activities			
Proceeds from disposal of investment properties		–	1,203,002
Proceed from sale of fixed assets		20,163	13,526
Purchase of fixed assets	4	(194,137)	(344,410)
Net cash (used in)/generated from investing activities		(173,974)	872,118
Cash flows from financing activities			
Dividends paid		(2,458,923)	(446,208)
Repayment of loans from shareholders and directors		(623,281)	(433,500)
Repayment of finance lease obligations		(17,928)	(17,193)
Repayment of term loans		(1,910,184)	(1,238,407)
Proceeds from issuance of shares		6,263,452	–
Payment of share issuance expenses		(442,501)	–
Net cash generated from/(used in) financing activities		810,635	(2,135,308)
Net (decrease)/increase in cash and cash equivalents		(1,193,720)	535,018
Cash and cash equivalents at beginning of year		3,692,519	3,157,501
Cash and cash equivalents at end of year	31	2,498,799	3,692,519

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

1. Corporate information

Far East Group Limited (the Company) is a limited liability company domiciled and incorporated in Singapore. The Company was listed on the Catalist of the Singapore Exchange Securities Trading Limited (SGX-ST) on the 8 August 2011. The address of the Company's registered office and principal place of business is 112 Lavender Street, #04-00 Far East Refrigeration Building, Singapore 338728.

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

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

The principal activities of the subsidiary companies are shown in Note 5.

2. Summary of significant accounting policies

2.1 Basis of preparation

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

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

The financial statements are presented in Singapore Dollars (SGD or $).

2.2 Changes in accounting policies

The accounting policies adopted are consistent with those of the previous financial year except in the current financial year, the Group has adopted all the new and revised standards and Interpretations of FRS (INT FRS) that are effective for annual periods beginning on or after 1 January 2011. The adoption of these standards and interpretations did not have any effect on the financial performance or position of the Group and the Company.

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

2.3 Standards issued but not yet effective

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

Description	*Effective for annual periods beginning on or after*
Amendments to FRS 101 *Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters*	1 July 2011
Amendments to FRS 107 Disclosures – *Transfers of Financial Assets*	1 July 2011
Amendments to FRS 12 *Deferred Tax: Recovery of Underlying Assets*	1 January 2012
Amendments to FRS 1 *Presentation of Items of Other Comprehensive Income*	1 July 2012
Revised FRS 19 *Employee Benefits*	1 January 2013
Revised FRS 27 *Separate Financial Statements*	1 January 2013
Revised FRS 28 *Investment in Associates and Join Venture*	1 January 2013
FRS 110 *Consolidated Financial Statements*	1 January 2013
FRS 111 *Joint Arrangements*	1 January 2013
FRS 112 *Disclosure of Interests in other Entities*	1 January 2013
FRS 113 *Fair value measurements*	1 January 2013

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

2.4 Basis of consolidation and business combinations

(a) Basis of consolidation

Basis of consolidation from 1 January 2010

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

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

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

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

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

(a) Basis of consolidation (cont'd)

Basis of consolidation from 1 January 2010 (cont'd)

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

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

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

Basis of consolidation prior to 1 January 2010

Certain of the above-mentioned requirements were applied on a prospective basis. The following differences, however, are carried forward in certain instances from the previous basis of consolidation:

- Acquisition of non-controlling interests, prior to 1 January 2010, were accounted for using the parent entity extension method, whereby, the difference between the consideration and the book value of the share of the net assets acquired were recognised in goodwill.
- Losses incurred by the Group were attributed to the non-controlling interest until the balance was reduced to nil. Any further losses were attributed to the Group, unless the non-controlling interest had a binding obligation to cover these. Losses prior to 1 January 2010 were not reallocated between non-controlling interest and the owners of the Company.
- Upon loss of control, the Group accounted for the investment retained at its proportionate share of net asset value at the date control was lost. The carrying value of such investments as at 1 January 2010 have not been restated.

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

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

(b) Business combinations

Business combinations from 1 January 2010

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

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts by the acquiree.

Any contingent consideration to be transferred by the acquirer will be recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration which is deemed to be an asset or liability, will be recognised in accordance with FRS 39 either in profit or loss or as a change to other comprehensive income. If the contingent consideration is classified as equity, it is not to be remeasured until it is finally settled within equity.

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

The Group elects for each individual business combination, whether non-controlling interest in the acquiree (if any) is recognised on the acquisition date at fair value, or at the non-controlling interest's proportionate share of the acquiree's identifiable net assets.

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

Business combinations prior to 1 January 2010

In comparison to the above mentioned requirements, the following differences applied:

Business combinations are accounted for by applying the purchase method. Transaction costs directly attributable to the acquisition formed part of the acquisition costs. The non-controlling interest (formerly known as minority interest) was measured at the proportionate share of the acquiree's identifiable net assets.

Business combinations achieved in stages were accounted for as separate steps. Adjustments to those fair values relating to previously held interests are treated as a revaluation and recognised in equity. Any additional acquired share of interest did not affect previously recognised goodwill.

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

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

(b) Business combinations (cont'd)

Business combinations prior to 1 January 2010 (cont'd)

When the Group acquired a business, embedded derivatives separated from the host contract by the acquiree were not reassessed on acquisition unless the business combination resulted in a change in the terms of the contract that significantly modified the cash flows that otherwise would have been required under the contract.

Contingent consideration was recognised if, and only if, the Group had a present obligation, the economic outflow was more likely than not and a reliable estimate was determinable. Subsequent adjustments to the contingent consideration were recognised as part of goodwill.

2.5 Transactions with non-controlling interests

Non-controlling interest represents the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company, and are presented separately in the consolidated statement of comprehensive income and within equity in the consolidated balance sheet, separately from equity attributable to owners of the Company.

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

2.6 Foreign currency

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

(a) Transactions and balances

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

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

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

2.6 Foreign currency (cont'd)

(b) Consolidated financial statements

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

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

2.7 Fixed assets

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

The cost includes the cost of replacing part of the fixed asset and borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying fixed asset. The accounting policy for borrowing cost is set out in Note 2.19. The cost of an item of fixed asset is recognised as an asset if, and only if, it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measure reliably.

Freehold land has an unlimited useful life and therefore is not depreciated. Depreciation is computed on a straight-line basis over the estimated useful life of the asset as follows:

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

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

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

A fixed asset is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is included in profit or loss in the year the asset is derecognised.

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

2.8 Impairment of non-financial assets

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

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

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

Impairment are recognised in profit or loss in those expense categories consistent with the function of the impaired asset.

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

2.9 Subsidiaries

A subsidiary is an entity over which the Group has the power to govern the financial and operating policies so as to obtain benefits from its activities. The Group generally has such power when it, directly or indirectly, holds more than 50% of the issued share capital, or controls more than half of the voting power, or controls the composition of the board of directors.

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

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

2.10 Affiliated companies

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

2.11 Financial assets

Initial recognition and measurement

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

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

Subsequent measurement

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

(a) Loans and receivables

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

(b) Available-for-sale financial assets

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

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

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

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

2.11 Financial assets (cont'd)

De-recognition

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

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

2.12 Impairment of financial assets

The Group assesses at each end of the reporting period whether there is any objective evidence that a financial asset is impaired.

(a) Financial assets carried at amortised cost

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

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

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

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

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

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

2.12 Impairment of financial assets (cont'd)

(b) Financial assets carried at cost

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

(c) Available-for-sale financial assets

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

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

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

2.13 Cash and cash equivalents

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

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

2.14 Inventories

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

Cost is determined using the weighted average method. The cost of raw materials includes cost of purchase. The cost of work-in-progress and finished goods includes materials, all direct expenditure and an attributable proportion of overheads.

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

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

2.15 Provisions

General

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

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

Warranty provisions

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

2.16 Government grants

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

2.17 Financial liabilities

Initial recognition and measurement

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

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

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

2.17 Financial liabilities (cont'd)

Subsequent measurement

The measurement of financial liabilities depends on their classification as follows:

(a) Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss includes financial liabilities held for trading and financial liabilities designated upon initial recognition at fair value through profit or loss. Financial liabilities are classified as held for trading if they are acquired for the purpose of selling in the near term. This category includes derivative financial instruments entered into by the Group that are not designated as hedging instruments in hedge relationships. Separated embedded derivatives are also classified as held for trading unless they are designated as effective hedging instruments.

Subsequent to initial recognition, financial liabilities at fair value through profit or loss are measured at fair value. Any gains or losses arising from changes in fair value of the financial liabilities are recognised in profit or loss.

The Group has not designated any financial liabilities upon initial recognition at fair value through profit or loss.

(b) Other financial liabilities

After initial recognition, other financial liabilities are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

De-recognition

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

2.18 Financial guarantee

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

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

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

2.19 Borrowing costs

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

2.20 Employee benefits

(a) Defined contribution plans

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

(b) Employee leave entitlement

Employee entitlements to annual leave are recognised as a liability when they accrue to employees. The estimated liability for leave is recognised for services rendered by employees up to balance sheet date.

2.21 Leases

The determination of whether an arrangement is, or contains a lease is based on the substance of the arrangement at inception date: whether fulfilment of the arrangement is dependent on the use of a specific asset or assets or the arrangement conveys a right to use the asset, even if that right is not explicitly specified in an arrangement.

For arrangements entered into prior to 1 January 2005, the date of inception is deemed to be 1 January 2005 in accordance with the transitional requirements of INT FRS 104.

(a) As lessee

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

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

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

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

2.21 Leases (cont'd)

(b) As lessor

Leases where the Group retains substantially all the risks and rewards of ownership of the asset are classified as operating leases. Initial direct costs incurred in negotiating an operating lease are added to the carrying amount of the leased asset and recognised over the lease term on the same bases as rental income. The accounting policy for rental income is set out in Note 2.22(e). Contingent rents are recognised as revenue in the period in which they are earned.

2.22 Revenue

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

(a) Sale of goods

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

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

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

(c) Interest income

Interest income is recognised using the effective interest method.

(d) Dividend income

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

(e) Rental income

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

(f) Royalty income

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

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

2.23 Taxes

(a) Current income tax

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

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

(b) Deferred tax

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

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

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

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

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

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

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

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

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

2.23 Taxes (cont'd)

(b) Deferred tax (cont'd)

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

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

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

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

(c) Sales tax

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

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

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

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

2.24 Segment reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by the respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the management of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are shown in Note 37, including the factors used to identify the reportable segments and the measurement basis of segment information.

2.25 Share capital and share issue expense

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

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

2.26 Contingencies

A contingent liability is:

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

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

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

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

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

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

2.27 Related parties

A related party is defined as follows:

(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 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).

3. Significant accounting estimates and judgements

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

(a) Key sources of estimation uncertainty

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

(i) Estimated useful lives of fixed assets

Fixed assets are depreciated on a straight-line basis over their estimated useful lives. The estimated useful life reflects the management's estimate of the periods that the Group and Company intend to derive future economic benefits from the use of the fixed assets. The carrying amount of the Group's and Company's fixed assets as at 31 December 2011 were $7,211,333 (2010: $7,518,145) and $6,563,480 (2010: $6,786,559) respectively. Changes in the business plans and strategies, expected level of usage and future technological developments could impact the economic useful lives of these assets, therefore future depreciation charges could be revised.

(ii) Impairment of receivables

The Group and the Company assess at each balance sheet whether there is objective evidence that receivables have been impaired. Impairment loss is calculated based on a review of the current status of existing receivables and historical collections experience. Such allowances are adjusted periodically to reflect the actual and past experience. As at 31 December 2011, the carrying amount of trade and other receivables of the Group and the Company, including balances with subsidiary and affiliated companies amounted to $9,016,532 (2010: $7,019,346) and $8,307,479 (2010: $6,516,699) respectively.

(iii) Income taxes

The Group has exposure to income taxes in numerous 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 and Company 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. As at 31 December 2011, the carrying amounts of the Group's provision for income tax, deferred tax assets and deferred tax liabilities were $504,823 (2010: $596,973), $162,944 (2010: $174,014) and $74,425 (2010: $152,307) respectively. As at 31 December 2011, the carrying amounts of the Company's provision for income tax and deferred tax liabilities were $418,085 (2010: $509,687) and $2,057 (2010: $74,029) respectively.

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

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

(iv) Allowance for inventories

The management of the Group and the Company review an aging analysis of inventories at each balance sheet date and makes allowance for obsolete and slow-moving inventory items that are identified as obsolete and slow-moving. The carrying value of inventories as at 31 December 2011 for the Group and the Company amounted to $11,069,546 (2010: $8,199,554) and $7,419,172 (2010: $5,222,871) respectively.

(v) Provision for warranty

Provision for warranty is recognised for expected warranty claims on certain products sold and installation works performed. Management has estimated the provision for warranty based on past experience and understanding of the historical level of repair and returns. It is expected that all of these costs will have been incurred within one to two years from the balance sheet date. The Group and the Company provided $354,365 (2010: $50,000) of warranty provisions as at 31 December 2011.

(vi) Gross amount due to customers for contract work-in-progress

The Group recognises project sales and installation works by reference to the stage of completion at the balance sheet date, when the outcome of a contract can be estimated reliably. The stage of completion is measured by reference to the proportion that costs incurred for work performed to date bear to the estimated contract costs. Significant assumptions are required to estimate the total contract costs, and these estimates are made based on experience and knowledge of project managers. The carrying amounts of assets and liabilities arising from project sales and installation works at the balance sheet date are disclosed in Note 13.

(b) Critical judgements made in applying accounting policies

The following are the judgements made by management in the process of applying the Group's and the Company's accounting policies that have a significant effect on the amounts recognised in the financial statements.

Impairment of investment

The Group and the Company follow the guidance of FRS 36 in determining when an investment is impaired. This determination requires significant judgement. The Group and the Company evaluate, among other factors, the financial health of and near-term business outlook for the investment, including factors such as industry and sector performance, changes in technology and operational and financing cash flow.

4. Fixed assets

(a) Group	Freehold land	Buildings	Leasehold land and buildings	Plant and machinery	Motor vehicles	Renovation	Office equipment, furniture and fittings	Computers	Total
	$	$	$	$	$	$	$	$	$
Cost									
As at 1.1.2010	2,775,973	3,724,678	608,753	1,789,191	634,128	1,013,914	1,124,052	1,018,426	12,689,115
Additions	–	16,819	–	2,838	196,012	81,250	102,192	38,899	438,010
Disposals	–	–	–	(922)	(13,784)	(7,409)	–	(2,932)	(25,047)
Write off	–	–	–	–	–	–	(5,489)	(717)	(6,206)
Translation difference	–	35,389	18,839	35,871	8,433	1,875	11,942	3,026	115,375
As at 31.12.2010 and 1.1.2011	2,775,973	3,776,886	627,592	1,826,978	824,789	1,089,630	1,232,697	1,056,702	13,211,247
Additions	–	29,836	–	61,437	–	47,623	34,719	20,522	194,137
Disposals	–	(70,134)	–	–	(124,265)	(44,477)	(26,437)	(21,288)	(286,601)
Write off	–	–	–	(7,148)	–	(11,080)	(16,985)	–	(35,213)
Re-classification	779,017	(779,017)	–	710,587	–	–	(710,901)	314	–
Translation difference	–	(35,412)	(2,860)	(32,913)	(8,613)	(3,050)	(5,840)	(3,679)	(92,367)
As at 31.12.2011	3,554,990	2,922,159	624,732	2,558,941	691,911	1,078,646	507,253	1,052,571	12,991,203

4. Fixed assets (cont'd)

(a) Group (cont'd)	Freehold land	Buildings	Leasehold land and buildings	Plant and machinery	Motor vehicles	Renovation	Office equipment, furniture and fittings	Computers	Total
	$	$	$	$	$	$	$	$	$
Accumulated depreciation and impairment loss									
At 1.1.2010	–	500,313	405,320	1,550,714	410,362	600,335	838,252	981,293	5,286,589
Charge for the year	–	58,021	10,357	96,385	86,109	85,987	67,538	28,344	432,741
Disposals	–	–	–	(323)	(13,784)	(3,992)	–	(1,303)	(19,402)
Write off	–	–	–	–	–	–	(5,147)	(717)	(5,864)
Translation difference	–	4,673	(54,734)	31,090	4,444	2,386	8,299	2,880	(962)
As at 31.12.2010 and 1.1.2011	–	563,007	360,943	1,677,866	487,131	684,716	908,942	1,010,497	5,693,102
Charge for the year	–	58,204	10,391	91,623	87,862	92,364	31,304	26,389	398,137
Disposals	–	(53,966)	–	–	(110,108)	(40,272)	(19,204)	(20,805)	(244,355)
Write off	–	–	–	(1,702)	–	(2,674)	(6,460)	–	(10,836)
Reclassification	–	–	–	527,752	–	–	(527,785)	33	–
Translation difference		(4,893)	(1,167)	(34,374)	(4,994)	(2,644)	(4,722)	(3,384)	(56,178)
As at 31.12.2011	–	562,352	370,167	2,261,165	459,891	731,490	382,075	1,012,730	5,779,870
Net book value									
As at 31.12.2010	2,775,973	3,213,879	266,649	149,112	337,658	404,914	323,755	46,205	7,518,145
As at 31.12.2011	3,554,990	2,359,807	254,565	297,776	232,020	347,156	125,178	39,841	7,211,333

4. Fixed assets (cont'd)

(b) Company	Freehold land	Buildings	Leasehold land and buildings	Fittings	Motor vehicles	Renovation	Office equipment, furniture and fittings	Computers	Total
	$	$	$	$	$	$	$	$	$
Cost									
As at 1.1.2010	2,775,973	1,959,511	2,400,000	299,106	192,499	746,853	140,970	825,452	9,340,364
Additions	–	–	–	8,100	150,109	56,810	15,608	19,649	250,276
Write off	–	–	–	–	–	–	(409)	–	(409)
As at 31.12.2010 and 1.1.2011	2,775,973	1,959,511	2,400,000	307,206	342,608	803,663	156,169	845,101	9,590,231
Additions	–	–	–	–	–	27,100	2,747	8,700	38,547
Disposal	–	–	–	–	–	–	(530)	–	(530)
Write off	–	–	–	–	–	–	(140)	–	(140)
Reclassification	–	–	–	(25,450)	–	–	25,136	314	–
As at 31.12.2011	2,775,973	1,959,511	2,400,000	281,756	342,608	830,763	183,382	854,115	9,628,108

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

(b) Company (cont'd)	Freehold land	Buildings	Leasehold land and buildings	Fittings	Motor vehicles	Renovation	Office equipment, furniture and fittings	Computers	Total
	$	$	$	$	$	$	$	$	$
Accumulated depreciation									
As at 1.1.2010	–	267,120	518,571	281,866	186,675	378,469	106,273	811,021	2,549,995
Charge for the year	–	39,192	85,519	2,707	29,553	75,867	9,967	11,093	253,898
Write off	–	–	–	–	–	–	(221)	–	(221)
As at 31.12.2010 and 1.1.2011	–	306,312	604,090	284,573	216,228	454,336	116,019	822,114	2,803,672
Charge for the year	–	39,191	85,521	3,180	31,336	80,034	9,385	12,917	261,564
Disposal	–	–	–	–	–	–	(529)	–	(529)
Write off	–	–	–	–	–	–	(79)	–	(79)
Reclassification	–	–	–	(7,004)	–	–	6,971	33	–
As at 31.12.2011	–	345,503	689,611	280,749	247,564	534,370	131,767	835,064	3,064,628
Net book value									
As at 31.12.2010	2,775,973	1,653,199	1,795,910	22,633	126,380	349,327	40,150	22,987	6,786,559
As at 31.12.2011	2,775,973	1,614,008	1,710,389	1,007	95,044	296,393	51,615	19,051	6,563,480

4. Fixed assets (cont'd)

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

(a) Freehold land, buildings and leasehold land and buildings of the Company with net book values amounting to $2,775,973 (2010: $2,775,973), $1,614,008 (2010: $1,653,199) and $1,710,389 (2010: $1,795,910) respectively;

(b) Freehold land and buildings of subsidiary companies with net book values amounting to $779,017 (2010: $779,017) and $745,799 (2010: $781,663) respectively; and

(c) Leasehold land and buildings of subsidiary companies with net book value amounting to $141,843 (2010: $149,578).

During the financial year, the Group acquired fixed assets with an aggregate cost of $Nil (2010: $93,600) by means of finance leases. The cash outflow on acquisition of fixed assets amounted to $194,137 (2010: $344,410).

Net book values of fixed assets under finance leases are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
Motor vehicles	80,866	107,822	80,866	107,822

5. Investments in subsidiary companies

(a) Subsidiary companies comprise:

	Company	
	2011	**2010**
	$	$
Unquoted equity shares, at cost	3,338,721	6,580,732
Add: Addition	–	386,002
Less: Subsidiary companies disposed	–	(3,628,013)
	3,338,721	3,338,721

5. Investments in subsidiary companies (cont'd)

(b) The Company and the Group had the following subsidiary companies as at 31 December 2011:

Name of subsidiary company	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment	
			2011	2010	2011	2010
Held by the Company			%	%	$	$
Far East Refrigeration (M) Sdn. Bhd. #	Investment holding	Malaysia	100	100	2,483,549	2,483,549
Far East Refrigeration Limited #	Trading of refrigeration and air-conditioning parts	Hong Kong	100	100	615,200	615,200
RSP Systems Pte Ltd @	Supply and solutions provider of refrigeration and air-conditioning monitoring and energy management systems	Singapore	57.1	57.1	39,970	39,970
Edenkool Pte Ltd @	Trading of refrigeration and air-conditioning parts	Singapore	100	100	200,000	200,000
Green Point (Singapore) Pte Ltd @	Repair and maintenance for refrigeration and air-conditioning compressors	Singapore	100	100	2	2

5. Investments in subsidiary companies (cont'd)

Name of subsidiary company	Principal activities	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment	
			2011	2010	2011	2010
Held by subsidiary company			%	%	$	$
Far East Maju Engineering Works Sdn. Bhd. #	Manufacturing and trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100	–	–
Far East Enterprises (K.L.) Sdn. Bhd. #	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100	–	–
Far East Enterprises (Penang) Sdn. Bhd. #	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	93.88	93.88	–	–
FE & B Engineering (M) Sdn. Bhd. #	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100	–	–
Far East Refrigeration (Kuching) Sdn. Bhd. #	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100	–	–
Far East Enterprises (J.B.) Sdn. Bhd. # ^	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100	–	–
Safety Enterprises Sdn. Bhd. #	Trading of electrical, refrigeration and air-conditioning equipment and parts	Malaysia	100	100	–	–
					3,338,721	3,338,721

\# Audited by a member firm of Ernst & Young Global.
@ Audited by Wong, Lee and Associates.
^ This subsidiary ceased trading activities in the financial year 31 December 2007.

6. Unquoted investments

(a) Available-for-sale financial assets

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Unquoted equity shares, at cost	95,865	95,865	–	–
Translation difference	(6,673)	(6,897)	–	–
	89,192	88,968	–	–

(b) The Group and the Company had the following unquoted investment as at 31 December 2011:

Name of company	Country of incorporation and place of business	Effective equity held by the Group		Cost of investment	
		2011	2010	2011	2010
		%	%	$	$
Held by subsidiary companies					
Guangzhou Fayi Trading Company Limited	People's Republic of China	30.00	30.00	95,865	95,865
Translation difference				(6,673)	(6,897)
				89,192	88,968

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

The Group's interest in Guangzhou Fayi Trading Company Limited is held in trust for the Group by the majority shareholder of the investee. Notwithstanding that the Group has an effective shareholding of 30% in Guangzhou Fayi Trading Company Limited the investment is not classified as associated company as the Group does not have significant influence in the operating and financing policies of the company.

7. Deferred taxation

Deferred tax assets arise as a result of:

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Provisions	240,599	174,014	60,242	–
Deferred tax liabilities arise as a result of:				
Excess of net book value over tax written down value of fixed assets	152,080	152,307	62,299	74,029

7. Deferred taxation (cont'd)

Presented after appropriate offsetting as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
Deferred tax assets	162,944	174,014	–	–
Deferred tax liabilities	(74,425)	(152,307)	(2,057)	(74,029)
	88,519	21,707	(2,057)	(74,029)

8. Inventories

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
<u>Balance sheet</u>				
Finished goods	9,438,246	6,065,458	7,078,329	4,511,028
Finished goods-in-transit	355,049	721,201	265,684	705,808
Raw materials	1,119,012	995,780	–	–
Work-in-progress	157,239	417,115	75,159	6,035
	11,069,546	8,199,554	7,419,172	5,222,871
<u>Profit and loss</u>				
Inventories recognised as an expense in cost of sales	22,038,516	20,593,610	18,291,625	16,728,082
Inclusive of the following charge:				
- Inventories written back	(315,344)	(1,154,215)	(361,164)	(818,155)

The management of the Group and Company reviews an aging analysis of inventories to identify obsolete and slow-moving inventory items at each balance sheet date. In 2011, there was a write-back of allowance for obsolete and slow-moving inventory items amounting to $315,344 (2010: $1,154,215) for the Group and $361,164 (2010: $818,155) for the Company respectively as a result of the sale of items previously provided for.

9. Trade debtors

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
Third party trade debtors	8,956,921	7,387,906	6,208,757	4,667,935
Allowance for doubtful debts	(699,674)	(741,363)	(575,359)	(629,560)
	8,257,247	6,646,543	5,633,398	4,038,375

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

9. Trade debtors (cont'd)

Debtors that are past due but not impaired

The Group has trade debtors amounting to $4,785,811 (2010: $3,836,260) that are past due at the balance sheet date but not impaired. These debtors are unsecured and the analysis of their aging at the balance sheet date is as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
Trade debtors past due:				
Less than 30 days	2,007,056	2,101,876	1,190,194	1,311,981
30 to 60 days	754,378	514,080	464,929	204,060
61 to 90 days	292,467	726,668	177,162	570,208
91 to 120 days	61,771	87,527	1,437	8,872
More than 120 days	1,670,139	406,109	1,287,775	8,321
	4,785,811	3,836,260	3,121,497	2,103,442

Debtors that are impaired

The Group's trade debtors that are impaired as at 31 December 2011 amounted to $699,674 (2010: $741,363). The movements in allowance for doubtful debts used to record the impairment during the financial year are as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
At beginning of year	741,363	1,039,402	629,560	686,796
Allowance for the year	15,724	33,367	524	–
Written off against allowance	–	(243,101)	–	–
Written-back	(55,711)	(66,996)	(54,725)	(57,236)
Translation difference	(1,702)	(21,309)	–	–
At end of year	699,674	741,363	575,359	629,560

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

Allowance for doubtful debts amounting to $55,711 (2010: $66,996) and $54,725 (2010: $57,236) for the Group and the Company respectively were written-back as these previously impaired amounts were recovered from trade debtors during the financial year.

9. Trade debtors (cont'd)

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
United States Dollar	1,399,744	237,783	1,349,149	222,862
Euro	135,020	15,346	135,020	15,346
Ringgit Malaysia	–	45,068	–	45,068
Renminbi	812	5,803	–	–

10. Other receivables

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
Sundry debtors, current	466,990	136,827	44,784	67,915
Amount due from staff, non-current	1,002	18,329	–	–
	467,992	155,156	44,784	67,915

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

Allowance for doubtful sundry debtors written back amounting to $Nil (2010: $8,914) as these previously impaired amounts were recovered from sundry debtors during the financial year.

11. Amount due from/(to) subsidiary/affiliated companies

These balances are unsecured, non-interest bearing and are expected to be repaid in cash within twelve months from the end of the financial year.

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
At beginning of year	86,720	136,711	86,720	136,711
Written-back	(19,071)	(49,991)	(19,071)	(49,991)
At end of year	67,649	86,720	67,649	86,720

During the financial year, the Group and Company wrote back $19,071 (2010: $49,991) of allowance for doubtful debt due from an affiliated company as these previously impaired amounts were recovered during the financial year.

11. Amount due from/(to) subsidiary/affiliated companies (cont'd)

The Company has balance due to subsidiary (non-trade) of $100,000 (2010: $100,000) which is interest bearing at 3.0% (2010: 3.0%) per annum, unsecured and repayable on demand. The balance is expected to be settled in cash.

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

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
United States Dollar	58,569	18,925	61,603	28,127
Hong Kong Dollar	–	–	527,269	548,098
Ringgit Malaysia	–	–	478,109	488,692
Euro	98,324	–	454,947	95,998
Renminbi	29,935	–	29,935	–

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

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
United States Dollar	755,503	255,143	1,468,799	747,426
Renminbi	3,486	–	–	–

12. Trade payables

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

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

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
United States Dollar	744,871	567,998	744,371	567,998
Euro	374,137	284,632	301,744	209,737
Japanese Yen	279,581	70,421	279,581	70,421
Renminbi	2,684	1,043	–	–

13. Gross amount due to customers for contract work-in-progress

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
Aggregate amount of costs incurred and recognised profits to date	–	3,657,000	–	3,657,000
Less: Progress billings	–	(4,250,000)	–	(4,250,000)
	–	(593,000)	–	(593,000)

14. Trust receipts, bills payable and bank overdrafts (secured)

Trust receipts, bills payable and bank overdrafts of the Company are secured by way of legal mortgage on the Company's freehold land, buildings, and leasehold land and buildings with net book values amounting to $2,775,973, $1,614,008 and $1,710,389 (2010: $2,775,973, $1,653,199 and $1,795,910) respectively and joint and several guarantees by certain directors of the Company.

Trust receipts, bills payable and bank overdrafts of the subsidiary companies are secured by way of legal mortgage on the subsidiary companies' freehold land, buildings, and leasehold land and buildings with net book values amounting to $779,017, $745,799 and $141,843 (2010: $779,017, $781,663 and $149,578) respectively, and joint and several guarantees by certain directors of the Group.

Trust receipts and bank overdrafts of certain subsidiary companies are also secured by a debenture over the fixed and floating assets of certain subsidiary companies.

The trust receipts and bills payable bear interest at 0.5% to 1.0% (2010: 0.50% to 1.25%) per annum above the bank's prime rates and from 2.5% to 3.0% (2010: 2.0% to 3.0%) per annum above the bank's cost of funds. As at 31 December 2011, the effective interest rates range from 1.29% to 4.96% (2010: 1.4% to 4.4%) per annum.

The bank overdrafts bear interest ranging from 0% to 0.75% (2010: 0.25% to 2.00%) per annum above the banks' prime rates. As at 31 December 2011, the effective interest rates range from 5.00% to 5.25% (2010: 5.00% to 6.30%) per annum.

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
Euro	2,097,014	1,899,907	2,097,014	1,748,175
United States Dollar	959,374	713,157	506,586	378,104
Japanese Yen	232,002	–	232,002	–

15. Accruals and other liabilities

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Accrued operating expenses	1,317,353	1,616,579	935,130	1,248,831
Deposits received	185,150	132,849	167,765	38,160
	1,502,503	1,749,428	1,102,895	1,286,991

16. Provision for warranty

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

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
At beginning of year	50,000	–	50,000	–
Arose during the year	340,717	50,000	340,653	50,000
Utilised	(36,352)	–	(36,288)	–
At end of year	354,365	50,000	354,365	50,000

17. Finance lease obligations

	Group			Company		
	Minimum lease payments	Interest	Present value of principal	Minimum lease payments	Interest	Present value of principal
	$	$	$	$	$	$
2011						
Not later than 1 year	20,784	2,092	18,692	20,784	2,092	18,692
1 year to 5 years	41,544	1,757	39,787	41,544	1,757	39,787
	62,328	3,849	58,479	62,328	3,849	58,479
2010						
Not later than 1 year	20,784	2,857	17,927	20,784	2,857	17,927
1 year to 5 years	62,328	3,848	58,480	62,328	3,848	58,480
	83,112	6,705	76,407	83,112	6,705	76,407

During the financial year ended 31 December 2010, the Group and the Company entered into a finance lease agreement to purchase a motor vehicle. The lease period is 5 years and the lease carry an option to purchase the vehicle at the end of the lease term. The finance lease agreement does not contain restrictions concerning dividends, additional debt or further leasing. As at 31 December 2011, the effective interest rate was 4.19% (2010: 4.19%) per annum for the Group and the Company.

18. Term loans

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Secured term loans				
(a) Commercial property loan bears interest at 3.25% per annum for the first year of the loan with effect from 30 June 2003; bears interest at 3.5% per annum for the second year, bears interest at the bank's prime lending rates for the third to fifth year, bears interest at 3.75% per annum for the sixth year, bears interest at 4.5% per annum for the seventh year, and thereafter bears interest at 0.75% per annum over the bank's commercial financing rate. The term loan is repayable in 300 monthly instalments commencing 1 October 2003. The loan was fully repaid during the financial year.	–	1,515,390	–	1,515,390
(b) Short term loan bears interest at 2.94% per annum with effect from 22 October 2010. The loan was fully repaid during the financial year.	–	100,571	–	100,571
(c) Term loan bears interest at 3.375% per annum for the first year of the loan with effect from March 2009; and thereafter at 1.5% per annum above the 12 months Singapore Interbank Offered Rate. The term loan is repayable in 60 monthly installments commencing April 2009.	279,948	399,777	279,948	399,777
(d) Bridging loan bears interest fixed at 5% per annum with effect from May 2009. The loan is repayable in 36 monthly instalments commencing June 2009. The loan was fully repaid during the financial year.	–	174,393	–	174,393
	279,948	2,190,131	279,948	2,190,131
Repayable within 12 months	122,549	447,641	122,549	447,641
Repayable after 12 months	157,399	1,742,490	157,399	1,742,490
	279,948	2,190,131	279,948	2,190,131

(a) The term loan is secured by legal mortgages over the Company's freehold land and buildings with a net book value of $2,775,973 (2010: $2,775,973) and $1,614,008 (2010: $1,653,199) respectively, and joint and several guarantees by certain directors.

(b) The term loan is secured by joint and several guarantees by certain directors.

(c) The term loan is secured by a first legal charge over the Company's leasehold land and building with a net book value of $1,710,389 (2010: $1,795,910) and joint and several guarantees by certain directors.

(d) The bridging loan is secured by joint and several guarantees by certain directors.

As at 31 December 2011, the effective interest rate was 2.10% (2010: 2.35% to 5.25%) per annum for the Group and the Company.

19. Loans from shareholders and directors

Loans from shareholders and directors are unsecured, interest-free and are to be settled in cash. As at 31 December 2011, the Group expects to make repayment of $480,000 (2010: $550,000) in the next financial year, based on agreed upon repayment terms with shareholders and directors.

20. Share capital

	Group and Company			
	2011		2010	
	No. of shares	$	No. of shares	$
Issued and fully paid ordinary shares				
At beginning of year	80,888	8,134,740	80,888	8,134,740
Issuance of shares to private investors (a)	8,312	1,187,452	–	–
	89,200	9,322,192	80,888	8,134,740
Sub-division of shares (b)	53,520,000	–	80,888	–
Issuance of shares to public (c)	18,800,000	5,076,000	–	–
Share issuance expenses	–	(442,501)	–	–
	72,320,000	13,955,691	80,888	8,134,740

(a) On 17 March 2011, the Company issued 8,312 new ordinary shares to private investors for a cash consideration of $1,187,452.

(b) On 22 July 2011, the shareholders approved the sub-division of every one ordinary share into 600 ordinary shares at an extraordinary meeting.

(c) On 8 August 2011, 18,800,000 new ordinary shares were issued pursuant to the Company's listing on the Catalist of the SGX-ST. These new shares rank *pari passu* in all respects with the existing ordinary shares in the capital of the Company

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

21. Translation reserve

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

22. Turnover

Turnover represents the invoiced value of goods sold net of returns and allowances, sales tax and goods and services tax. Significant intra-group transactions have been excluded from Group turnover.

	Group	
	2011	2010
	$	$
Sale of goods	31,257,103	28,503,867
Project sales and installation works	2,431,723	4,069,081
Project maintenance service	64,433	43,190
	33,753,259	32,616,138

23. Other operating income

	Group	
	2011	2010
	$	$
Commission income	–	135,279
Dividend income from unquoted investments	352,576	–
Insurance claim	76,535	–
Management fee income	37,796	–
Rental income	172,454	184,079
Royalty income	76,644	–
Gain on disposal of investment properties, net	–	1,062,245
Gain on disposal of fixed assets, net	–	7,881
Grant income from jobs credit scheme	–	17,310
Foreign currency gain, net	53,650	–
Others	51,313	45,941
	820,968	1,452,735

24. Other operating expenses

	Group	
	2011	2010
	$	$
Share issuance expenses	899,553	–
Foreign exchange loss, net	–	203,960
Loss on disposal of fixed assets, net	14,840	–
Others	13,458	21,165
	927,851	225,125

25. Profit from operations

Other than as disclosed in Notes 23 and 24, profit from operations is determined after charging/(crediting) the following:

	Group	
	2011	2010
	$	$
Sundry debts written off	20,512	12,273
Depreciation of fixed assets	398,137	432,741
Depreciation of investment properties	–	24,999
Audit fees		
- auditors of the Company	78,000	58,000
- others auditors	59,181	49,745
Non-audit fees		
- auditors of the Company	199,400[(1)]	6,700
- others auditors	16,173	14,957
Directors' fees		
- directors of the Company	217,500	121,500
- directors of subsidiary companies	53,103	53,911
Directors' remuneration		
- directors of the Company	785,225	585,596
- directors of subsidiary companies	532,294	348,400
Allowance for doubtful trade debts written back	(55,711)	(66,996)
Allowance for doubtful trade debts	15,724	33,367
Allowance for doubtful trade debts due from an affiliated company written back	(19,071)	(49,991)
Allowance for doubtful sundry debts written back	–	(8,914)
Warranty expenses	340,717	50,000
Inventories written back	(315,344)	(1,154,215)
Fixed assets written off	24,377	342
Net fair value loss on derivatives	6,400	203
Personnel expenses (Note 26)	4,570,878	3,951,323

(1) This amount excludes $67,600 of non-audit fees in relation to share issuance expenses recognised as a deduction in equity in the statement of changes in equity.

26. Personnel expenses

	Group 2011	Group 2010
	$	$
Wages and salaries *	4,221,671	3,615,477
Central Provident Fund contributions *	338,842	326,252
Other social expenses, net	10,365	9,594
	4,570,878	3,951,323

* Personnel expenses include amounts disclosed as directors' remuneration in Note 25.

27. Financial expenses

	Group 2011	Group 2010
	$	$
Interest expense		
- finance lease obligations	2,857	3,587
- bank overdrafts	6,552	8,838
- term loans	106,695	127,808
- trust receipts	125,317	160,963
- others	451	463
	241,872	301,659

28. Tax expense

	Group 2011	Group 2010
	$	$
Current tax		
- current year	841,685	864,125
- over provision in respect of prior years	(47,609)	(2,984)
Deferred tax		
- current year	(61,608)	17,755
- (over)/under provision in respect of prior years	(7,201)	17,704
	725,267	896,600

As at 31 December 2011, the Group had unutilised tax losses of approximately $665,000 (2010: $584,000) available for offset against future taxable profits, subject to agreement of the relevant income tax authorities and compliance with certain provisions of the tax legislation of the respective countries in which the subsidiary companies operate.

28. Tax expense (cont'd)

The reconciliation between the tax expense and the product of accounting profit multiplied by the applicable tax rate for the years ended 31 December 2011 and 2010 is as follows:

	Group	
	2011	**2010**
	$	$
Accounting profit	3,259,087	5,449,412
Tax at the applicable rate of 17% (2010: 17%)	554,045	926,400
Tax effect of expenses not deductible in determining taxable profit, net	226,721	118,984
Tax effect arising from differences in tax rates	124,869	(119,524)
(Over)/under provision in respect of prior years	(54,810)	14,720
Deferred tax asset not recognised	–	54,545
Tax exemption	(98,488)	(49,081)
Effect of utilisation of reinvestment allowance	(7,765)	(7,115)
Utilisation of deferred tax asset previously not recognised	–	(57,066)
Others	(19,305)	14,737
Tax expense	725,267	896,600

29. Earnings per share

Basic earnings per share is calculated by dividing profit for the year that is attributable to ordinary equity holders of the Company by the weighted average number of ordinary shares outstanding during the year.

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

The following table reflects the profit for the year and share data used in the computation of basic and diluted earnings per share for the financial years ended 31 December 2010 and 2011:

	Group	
	2011	**2010**
	$	$
Profit for the year attributable to ordinary equity holders of the Company used in computation of basic and diluted earnings per share ($)	2,506,142	4,506,334
Weighted average number of ordinary shares	60,522,133	48,532,800[1]

(1) For comparative purposes, earnings per share for the respective financial years have been computed on the profit for the year attributable to ordinary equity holders divided by the number of ordinary shares adjusted for the sub-division for every one ordinary share into 600 ordinary shares approved by the shareholders at an extraordinary meeting held on 22 July 2011.

30. Dividends

	Group and Company	
	2011	2010
	$	$
Declared during the financial year:		
Interim exempt (one-tier) dividend for 2011: $24.73 (2010: $24.73) per share	2,000,000	2,000,000

Proposed but not recognised as liability as at 31 December.

	Group and Company	
	2011	2010
	$	$
Final exempt (one-tier) dividend for 2011: 1.05 cents (2010: Nil) per share, subject to shareholders' approval at AGM	759,360	–

There are no income tax consequences (2010: Nil) attached to the dividends to the shareholders proposed by the Company but not recognised as a liability in the financial statements.

31. Cash and cash equivalents

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Cash and bank balances	2,338,711	2,350,114	648,592	610,785
Bank overdrafts	(156,179)	(57,374)	(1,884)	(35,007)
Fixed deposits	316,267	1,399,779	6,197	6,169
Cash and cash equivalents	2,498,799	3,692,519	652,905	581,947
Fixed deposits pledged to bank	350,700	–	–	–
	2,849,499	3,692,519	652,905	581,947

Bank overdraft of $154,295 in a subsidiary was secured by a pledge of the subsidiary's fixed deposit of $350,700 as at 31 December 2011.

As at 31 December 2011, fixed deposits earn interest at 0.1% to 1.7% (2010: 0.15% to 2.75%) per annum.

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

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
United States Dollar	642,800	597,483	297,337	251,155
Euro	26,801	64,933	26,207	53,305
Japanese Yen	118,328	73,763	118,328	35,466
Renminbi	–	3,132	–	–
Singapore Dollar	60,005	5	–	–

32. Related party information

In addition to the related party information disclosed elsewhere in the financial statements, significant transactions with related parties, on terms agreed between the parties, were as follows:

(a) *Sales of goods and services*

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
Income				
Sale of goods to subsidiary companies	–	–	5,402,906	5,467,900
Sale of goods to affiliated companies	307,555	233,760	301,519	207,943
Management fee income from subsidiary companies	–	–	68,088	56,028
Management fee income from affiliated companies	37,796	–	37,796	–
Rental income from a subsidiary company	–	–	7,200	7,200
Royalty fee income from an affiliated company	76,644	–	76,644	–
Commission income from affiliated companies	–	135,279	–	135,279
Dividend received from a subsidiary company	–	–	1,688,135	318,592
Expenses				
Purchases from subsidiary companies	–	–	2,987,595	2,019,620
Purchases from affiliated companies	1,793,890	792,804	1,719,608	735,087
Commission paid to subsidiary companies	–	–	2,083	13,354
Rental paid to a related company	19,320	21,192	–	–
Interest expense paid to a subsidiary company	–	–	3,000	3,000

32. Related party information (cont'd)

(b) *Compensation of key management personnel*

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Executive Directors:				
- Short-term employee benefits	1,279,105	889,921	764,900	558,884
- Central Provident Fund Contributions	38,414	44,075	20,325	26,712
Executive Officers:				
- Short-term employee benefits	1,063,673 (1)	–	520,987 (1)	–
- Central Provident Fund contributions	69,107 (1)	–	55,648 (1)	–
Total compensation paid to key management personnel	2,450,299	933,996	1,361,860	585,596

Compensation paid to Executive Directors relates to Directors' remuneration in Note 25.

(1) For the financial year ended 31 December 2011, compensation paid to Executive Officers is included in the compensation of key management personnel.

33. Contingent liabilities and commitments

(a) *Contingent liability*

The Company issued corporate guarantee to a bank for securing banking facility of subsidiary.

(b) *Lease commitments*

As a lessee

As at 31 December 2011, the Group and Company have aggregate lease commitments in respect of stores and offices of $1,189,000 (2010: $1,389,000) and $1,091,000 (2010: $1,143,000) respectively payable as follows:

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Not later than one year	132,000	208,000	52,000	52,000
One year through five years	226,000	298,000	208,000	208,000
After five years	831,000	883,000	831,000	883,000
	1,189,000	1,389,000	1,091,000	1,143,000

33. Contingent liabilities and commitments (cont'd)

(b) *Lease commitments (cont'd)*

As a lessee (cont'd)

Most leases contain renewable options. Lease terms do not contain restrictions on the Group's and the Company's activities concerning dividends, additional debt or further leasing.

Minimum lease payments recognised as an expense in the profit and loss account of the Group and the Company for the financial year ended 31 December 2011 amounted to $235,427 (2010: $268,192) and $71,279 (2010: $63,406) respectively.

As a lessor

The Group and the Company lease out freehold and leasehold buildings under operating lease arrangements, with leases negotiated up to a term of 3 years with options to renew upon expiry of lease periods. The terms of the lease generally also require the tenant to pay a security deposit.

As at 31 December 2011, the Group and the Company had aggregate future minimum lease receivables under non-cancellable operating leases as follows:

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
Not later than one year	259,000	51,000	259,000	57,000
One year through five years	247,000	–	247,000	–
	506,000	51,000	506,000	57,000

(c) *Forward contracts commitments*

The Company has no outstanding forward contracts as at 31 December 2011.

A subsidiary of the Group has outstanding forward contracts as at 31 December 2011 to purchase EUR 42,919 (2010: JPY 2,000,000 and EUR 100,000) for a consideration of HK$471,424 (2010: HKD 191,200 and HKD 1,036,500) respectively within three months (2010: five months) from the end of the financial year.

These forward contracts are secured by way of legal mortgage on the subsidiary's leasehold land and building which have been fully depreciated as at 31 December 2011 and 2010.

The net fair value of these derivative contracts amounted to a liability of approximately $6,638 (2010: $203) for the Group.

34. Financial risk management objectives and policies

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

The Group also enters into derivative transactions, including principally foreign currency forward contracts. The purpose is to manage the foreign exchange currency risk arising from the Group's operations. It is, and has been throughout the year under review, the Group's policy is that no trading in derivative financial instruments shall be undertaken.

The main risks arising from the Group's financial instruments are interest rate risk, liquidity risk, foreign exchange risk and credit risk. The Board reviews and agrees policies for managing each of these risks and they are summarised below.

There has been no change to the Group's exposure to these financial risks or the manner in which it manages and measures the risks.

Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises primarily from their loans and borrowings.

Information relating to the Group's interest rate exposure is also disclosed in the notes on the Group's borrowings.

Sensitivity analysis for interest rate risk

At the balance sheet date, if SGD interest rate had been 50 (2010: 50) basis points lower/higher with all other variables held constant, the Group's profit net of tax would have been $20,000 (2010: $28,000) higher/lower, arising mainly as a result of lower/higher interest expense on floating rate loans and borrowings. The analysis is performed on the same basis for 2010.

Liquidity risk

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

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

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

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

Liquidity risk (cont'd)

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

	2011			
	1 year or less	**1 to 5 years**	**More than 5 years**	**Total**
Group	$	$	$	$
Financial assets				
Trade debtors	8,257,247	–	–	8,257,247
Other receivables	466,990	1,002	–	467,992
Deposits	88,940	–	–	88,940
Due from affiliated companies	291,293	–	–	291,293
Fixed deposits pledged to bank	350,700	–	–	350,700
Fixed deposits	316,267	–	–	316,267
Cash and bank balances	2,338,711	–	–	2,338,711
Total undiscounted financial assets	12,110,148	1,002	–	12,111,150
Financial liabilities				
Trade payables	1,841,643	–	–	1,841,643
Trust receipts and bills payable (secured)	3,597,668	–	–	3,597,668
Other creditors	301,516	–	–	301,516
Accruals and other liabilities	1,502,503	–	–	1,502,503
Dividend payable	1,177,164	–	–	1,177,164
Due to affiliated companies	871,838	–	–	871,838
Loans from shareholders and directors	480,000	479,116	–	959,116
Finance lease obligations	20,784	41,544	–	62,328
Term loans	127,236	159,606	–	286,842
Derivative financial instruments	6,638	–	–	6,638
Bank overdrafts (secured)	156,179	–	–	156,179
Total undiscounted financial liabilities	10,083,169	680,266	–	10,763,435
Total net undiscounted financial assets/(liabilities)	2,026,979	(679,264)	–	1,347,715

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

Liquidity risk (cont'd)

	2011			
	1 year or less	**1 to 5 years**	**More than 5 years**	**Total**
Company	$	$	$	$
Financial assets				
Trade debtors	5,633,398	–	–	5,633,398
Other receivables	44,784	–	–	44,784
Deposits	27,663	–	–	27,663
Due from subsidiary companies	2,338,004	–	–	2,338,004
Due from affiliated companies	291,293	–	–	291,293
Fixed deposits	6,197	–	–	6,197
Cash and bank balances	648,593	–	–	648,593
Total undiscounted financial assets	8,989,932	–	–	8,989,932
Financial liabilities				
Trade payables	1,534,777	–	–	1,534,777
Trust receipts and bills payable (secured)	2,835,602	–	–	2,835,602
Other creditors	250,782	–	–	250,782
Accruals and other liabilities	1,102,895	–	–	1,102,895
Dividend payable	1,177,164	–	–	1,177,164
Due to subsidiary companies	1,243,918	–	–	1,243,918
Due to affiliated companies	697,426	–	–	697,426
Loans from shareholders and directors	480,000	479,116	–	959,116
Finance lease obligations	20,784	41,544		62,328
Term loans	127,236	159,606	–	286,842
Bank overdrafts (secured)	1,884	–	–	1,884
Total undiscounted financial liabilities	9,472,468	680,266	–	10,152,734
Total net undiscounted financial liabilities	(482,536)	(680,266)	–	(1,162,802)

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

Liquidity risk (cont'd)

	2010			
	1 year or less	1 to 5 years	More than 5 years	Total
Group	$	$	$	$
Financial assets				
Trade debtors	6,646,543	–	–	6,646,543
Other receivables	136,827	18,329	–	155,156
Deposits	101,384	–	–	101,384
Due from affiliated companies	217,647	–	–	217,647
Fixed deposits	1,399,779			1,399,779
Cash and bank balances	2,350,114	–	–	2,350,114
Total undiscounted financial assets	10,852,294	18,329	–	10,870,623
Financial liabilities				
Trade payables	1,495,044	–	–	1,495,044
Trust receipts and bills payable (secured)	3,423,536	–	–	3,423,536
Other creditors	767,512	–	–	767,512
Accruals and other liabilities	1,749,428	–	–	1,749,428
Dividend payable	1,636,087	–	–	1,636,087
Due to affiliated companies	366,101	–	–	366,101
Loans from shareholders and directors	550,000	1,032,397	–	1,582,397
Finance lease obligations	20,784	62,328	–	83,112
Term loans	536,710	581,357	1,908,164	3,026,231
Derivative financial instruments	203	–	–	203
Bank overdrafts (secured)	57,374	–	–	57,374
Total undiscounted financial liabilities	10,602,779	1,676,082	1,908,164	14,187,025
Total net undiscounted financial assets/(liabilities)	249,515	(1,657,753)	(1,908,164)	(3,316,402)

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

Liquidity risk (cont'd)

	2010			
	1 year or less	1 to 5 years	More than 5 years	Total
Company	$	$	$	$
Financial assets				
Trade debtors	4,038,375	–	–	4,038,375
Other receivables	67,915	–	–	67,915
Deposits	14,796	–	–	14,796
Due from subsidiary companies	2,211,688	–	–	2,211,688
Due from affiliated companies	198,721	–	–	198,721
Fixed deposits	6,169	–	–	6,169
Cash and bank balances	610,785	–	–	610,785
Total undiscounted financial assets	7,148,449	–	–	7,148,449
Financial liabilities				
Trade payables	1,152,420	–	–	1,152,420
Trust receipts and bills payable (secured)	2,601,654	–	–	2,601,654
Other creditors	721,834	–	–	721,834
Accruals and other liabilities	1,286,991	–	–	1,286,991
Dividend payable	1,636,045	–	–	1,636,045
Due to subsidiary companies	1,036,877	–	–	1,036,877
Due to affiliated companies	243,138	–	–	243,138
Loans from shareholders and directors	550,000	1,032,397	–	1,582,397
Finance lease obligations	20,784	62,328	–	83,112
Term loans	536,710	581,357	1,908,164	3,026,231
Bank overdrafts (secured)	35,007	–	–	35,007
Total undiscounted financial liabilities	9,821,460	1,676,082	1,908,164	13,405,706
Total net undiscounted financial liabilities	(2,673,011)	(1,676,082)	(1,908,164)	(6,257,257)

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

Foreign exchange risk

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

The Group uses foreign currency denominated assets as a natural hedge against its foreign currency denominated liabilities. The Group also enters into forward foreign exchange contracts to hedge its foreign currency risk. It is the Group's policy not to trade in derivative contracts.

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

Sensitivity analysis for foreign currency risk

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

		Profit before tax	
		2011	**2010**
		$	$
USD/SGD	- strengthened 5% (2010: 5%)	–17,000	–35,000
	- weakened 5% (2010: 5%)	+17,000	+35,000
EUR/SGD	- strengthened 5% (2010: 5%)	–97,000	–87,000
	- weakened 5% (2010: 5%)	+97,000	+87,000
RMB/SGD	- strengthened 5% (2010: 5%)	+20,000	–
	- weakened 5% (2010: 5%)	–20,000	–
JPY/SGD	- strengthened 5% (2010: 5%)	–20,000	–2,000
	- weakened 5% (2010: 5%)	+20,000	+2,000

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

Credit risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group's exposure to credit risk arises primarily from trade receivables. For other financial assets (including cash and cash equivalents and derivatives), the Group minimises credit risk by dealing with high credit rating counterparties.

The Group's objective is to seek continual revenue growth while minimising losses incurred due to increased credit risk exposure.

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

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

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

Credit risk concentration profile

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

	Group			
	2011		2010	
	$	% of total	$	% of total
Singapore	3,784,307	46%	3,435,333	52%
Malaysia	1,802,872	22%	1,691,946	25%
Indonesia	1,138,321	14%	527,737	8%
Hong Kong/Macau/People's Republic of China	679,509	8%	759,019	11%
Indo-China*	87,950	1%	25,239	0%
Other countries	764,288	9%	207,269	4%
	8,257,247	100%	6,646,543	100%

* Relates to Vietnam, Myanmar and Cambodia.

At the balance sheet date, approximately 37% (2010: 54%) of the Group's trade debtors were due from 5 major customers.

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

Credit risk (cont'd)

As at 31 December 2011, the Company has significant concentration of credit in the amounts due from subsidiary companies and affiliated companies amounting to $2,629,297 (2010: $2,410,409).

Financial assets that are neither past due nor impaired

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

Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 9 (Trade debtors), Note 10 (Other receivables) and Note 11 (Amount due from/(to) subsidiary/affiliated companies).

35. Fair value of financial instruments

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
Financial assets				
Available for sale financial assets				
Unquoted equity investments	89,192	88,968	–	–
Loans and receivables				
Trade debtors	8,257,247	6,646,543	5,633,398	4,038,375
Other receivables	467,992	155,156	44,784	67,915
Deposits	88,940	101,384	27,663	14,796
Due from subsidiary companies	–	–	2,338,004	2,211,688
Due from affiliated companies	291,293	217,647	291,293	198,721
Fixed deposits pledged to bank	350,700	–	–	–
Fixed deposits	316,267	1,399,779	6,197	6,169
Cash and bank balances	2,338,711	2,350,114	648,593	610,785
	12,111,150	10,870,623	8,989,932	7,148,449

35. Fair value of financial instruments (cont'd)

	Group		Company	
	2011	2010	2011	2010
	$	$	$	$
Financial liabilities				
Financial liabilities at fair value				
Derivative financial instruments	6,638	203	–	–
Financial liabilities carried at amortised cost				
Trade payables	1,841,643	1,495,044	1,534,777	1,152,420
Trust receipts and bills payable	3,597,668	3,423,536	2,835,602	2,601,654
Other creditors	301,516	767,512	250,782	721,834
Accruals and other liabilities	1,502,503	1,749,428	1,102,895	1,286,991
Dividend payable	1,177,164	1,636,087	1,177,164	1,636,045
Due to subsidiary companies	–	–	1,243,918	1,036,877
Due to affiliated companies	871,838	366,101	697,426	243,138
Loans from shareholders and directors	959,116	1,582,397	959,116	1,582,397
Finance lease obligations	58,479	76,407	58,479	76,407
Term loans	279,948	2,190,131	279,948	2,190,131
Bank overdrafts	156,179	57,374	1,884	35,007
	10,746,054	13,344,017	10,141,991	12,562,901

The following methods and assumptions are used to estimate the fair value of each class of financial instrument:

(a) *Fair value of financial instruments that are carried at fair value*

The following table shows an analysis of financial instruments carried at fair value by level of fair value hierarchy:

	Group 2011 $			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant other observable inputs** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
Financial liabilities:				
Derivatives (Note 33)				
- Forward currency contracts	–	(6,638)	–	(6,638)

35. Fair value of financial instruments (cont'd)

(a) *Fair value of financial instruments that are carried at fair value (cont'd)*

	Group			
	2010			
	$			
	Quoted prices in active markets for identical instruments (Level 1)	**Significant other observable inputs** (Level 2)	**Significant unobservable inputs** (Level 3)	**Total**
Financial liabilities:				
Derivatives (Note 33)				
- Forward currency contracts	–	(203)	–	(203)

Fair value hierarchy

The Group classifies fair value measurement using a fair value hierarchy that reflects the significance of the inputs used in making the measurements. The fair value hierarchy has the following levels:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices), and
- Level 3 – Inputs for the asset or liability that are not based on observable market data (unobservable inputs)

There have been no transfers between Level 1 and Level 2 during the financial years ended 2011 and 2010.

Derivatives (Note 33): Forward currency contracts are valued by financial institutions using a valuation technique with market observable inputs.

35. Fair value of financial instruments (cont'd)

(b) *Financial instruments whose carrying amount approximates fair value*

Trade debtors, other receivables, deposits, fixed deposits, cash and bank balances, trade payables, trust receipts and bill payables, other creditors, accruals and other liabilities, dividend payable, loans from shareholders and directors, term loans, bank overdrafts and amount due from/(to) subsidiary and affiliated companies

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

Finance lease obligations

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

(c) *Financial instruments carried at other than fair value*

Unquoted equity investments

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

36. Capital management

The primary objective of the Group's capital structure is to maintain an efficient mix of debt and equity in order to achieve a low cost of capital, while taking into account the desirability of retaining financial flexibility to pursue business opportunities and adequate access to liquidity to mitigate the effect of unforeseen events on cash flows.

The directors regularly review the Group's capital structure and make adequate adjustments to reflect economic conditions, business strategies and future commitments. No changes were made to the objectives, policies and processes during the years ended 31 December 2010 and 2011.

36. Capital management (cont'd)

The Group and the Company are required to comply with certain financial covenants as imposed by certain financial institutions with respect to bank facilities that were granted. The most restrictive covenant requires the Company to maintain a gearing ratio covering borrowings from financial institutions of not more than 3 times against net worth and a net worth of not less than $8.5 million at all times. The Group and the Company continuously monitor its compliance with these covenants. As at 31 December 2010 and 2011, the Group and the Company have complied with these covenants.

	Group		Company	
	2011	**2010**	**2011**	**2010**
	$	$	$	$
Trust receipts and bills payable (secured)	3,597,668	3,423,536	2,835,602	2,601,654
Finance lease obligations	58,479	76,407	58,479	76,407
Term loans	279,948	2,190,131	279,948	2,190,131
Bank overdrafts (secured)	156,179	57,374	1,884	35,007
Net debt	4,092,274	5,747,448	3,175,913	4,903,199
Share capital and reserves attributable to equity holders of the Company	19,412,918	13,217,732	15,966,359	9,938,094
Total capital	19,412,918	13,217,732	15,966,359	9,938,094
Gearing ratio	0.21	0.43	0.20	0.49

37. Segment information

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

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

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

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

37. Segment information (cont'd)

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

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

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

Group	Residential and commercial (air-conditioning)	Commercial and light industrial (refrigeration)	Oil, marine and gas cooling (refrigeration and air-conditioning)	Total
	$	$	$	$
2011				
Revenue	7,648,776	24,029,787	2,074,696	33,753,259
Cost of sales	(5,305,600)	(16,643,171)	(1,188,258)	(23,137,029)
Gross profit	2,343,176	7,386,616	886,438	10,616,230
2010				
Revenue	6,194,465	23,732,437	2,689,236	32,616,138
Cost of sales	(4,546,391)	(15,742,026)	(1,608,736)	(21,897,153)
Gross profit	1,648,074	7,990,411	1,080,500	10,718,985

Geographical information

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

	Group	
	2011	**2010**
	$	$
Revenue		
Singapore	12,240,154	13,755,693
Malaysia	9,243,041	8,872,299
Indonesia	4,800,168	3,810,232
Hong Kong/Macau/People's Republic of China	3,154,443	3,382,777
Indo-China*	1,173,108	922,370
Others	3,142,345	1,872,767
	33,753,259	32,616,138

* Relates to Vietnam, Myanmar and Cambodia.

37. Segment information (cont'd)

Geographical information (cont'd)

	Group	
	2011	2010
	$	$
Non-current assets		
Singapore	5,013,753	5,166,439
Malaysia	2,174,572	2,325,051
Hong Kong	24,010	44,984
	7,212,335	7,536,474

Non-current assets information presented above consist of fixed assets and other receivables as presented in the consolidated balance sheet.

Information about a major customer

Revenue from one major customer amounted to $1,018,000 (2010: $3,400,000), arising from project sales and installation works in the residential and commercial cooling segment.

38. Authorisation of financial statement

The financial statements for the year ended 31 December 2011 were authorised for issue in accordance with a directors' resolution dated on 28 March 2012.

Statistics of Shareholdings

As At 15 March 2012

SHARE CAPITAL

Issued and fully-paid capital	S$13,955,691
Number of Shares	72,320,000
Class of Shares	Ordinary shares
Voting rights	One vote per ordinary share

The Company does not hold any treasury shares.

At any general meeting of the Company, every shareholder, who is entitled to attend and vote, present in person or by proxy or represented by attorney, shall on vote in a show of hands, and in case of a poll, shall have one vote for every share held or repersented.

DISTRIBUTION OF SHAREHOLDINGS

(As per Register of Members and Depository Register)

SIZE OF SHAREHOLDINGS	NO. OF SHAREHOLDERS	%	NO. OF SHARES	%
1 - 999	0	0.00	0	0.00
1,000 - 10,000	70	42.42	314,000	0.43
10,001 - 1,000,000	89	53.94	14,085,800	19.48
1,000,001 AND ABOVE	6	3.64	57,920,200	80.09
TOTAL	**165**	**100.00**	**72,320,000**	**100.00**

TWENTY LARGEST SHAREHOLDERS

(As per Register of Members and Depository Register)

NO.	NAME	NO. OF SHARES	%
1	UNIVERSAL PTE. LTD.	42,570,000	58.86
2	CHEUNG WAI SUM	4,200,000	5.81
3	LENG CHEE KEONG	3,700,200	5.12
4	LIM BOON HOCK BERNARD	3,000,000	4.15
5	LIM CHYE HUAT @ BOBBY LIM CHYE HUAT	2,950,000	4.08
6	KUAH KOK KIM	1,500,000	2.07
7	PHILLIP SECURITIES PTE LTD	859,000	1.19
8	ESTATE OF CHAN TUCK KWYE, DECEASED	823,800	1.14
9	YAP KOK KIONG	800,000	1.11
10	ESTATE OF NG TAT KEONG, DECEASED	711,600	0.98
11	CITIBANK NOMINEES SINGAPORE PTE LTD	700,000	0.97
12	UOB KAY HIAN PTE LTD	680,000	0.94
13	LOH MUN YEW	654,600	0.91
14	FUCO RUDYANTO CHANDRA	600,000	0.83
15	LEE WEN-CHANG	600,000	0.83
16	TEOH HAI PIN	500,000	0.69
17	LIM KENG ANN	499,800	0.69
18	ALLAN WARD	470,000	0.65
19	LOH AH PENG @ LOH EE MING	425,000	0.59
20	CHUNG KONG POH	420,000	0.58
	TOTAL	**66,664,000**	**92.19**

Statistics of Shareholdings
As At 15 March 2012

SUBSTANTIAL SHAREHOLDERS
(As per Register of Substantial Shareholders)

Substantial Shareholders	No. of shares in which the substantial shareholder has direct interests	%	No. of shares in which the substantial shareholder has deemed interests	%
Loh Ah Peng @ Loh Ee Ming [(1), (2)]	425,000	0.59	42,570,000	58.86
Loh Mun Yew [(1), (3)]	654,600	0.91	42,570,000	58.86
Universal Pte. Ltd.[(4)]	42,570,000	58.86	-	-
Cheung Wai Sum [(5)]	4,200,000	5.81	-	-
Loh Pui Lai [(1), (5)]	-	-	4,200,000	5.81
Leng Chee Keong	3,700,200	5.12	-	-

(1) Loh Ah Peng @ Loh Ee Ming (our Non-executive Chairman) is the father of Loh Mun Yew (our CEO and Executive Director) and Loh Pui Lai (our Non-executive Director), and father-in-law of Cheung Wai Sum (a Pre-IPO Investor). Loh Mun Yew and Loh Pui Lai are sibilings, Loh Pui Lai is the wife of Cheung Wai Sum.

(2) Loh Ah Peng @ Loh Ee Meng is deemed to have an interest in the 42,570,000 shares, held by Universal Pte. Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

(3) Loh Mun Yew is deemed to have an interest in the 42,570,000 shares, held by Universal Pte. Ltd by virtue of Section 7 of the Companies Act, Cap. 50.

(4) Universal Pte. Ltd. is an investment holding company incorporated in Singapore and the shareholders are Loh Ah Peng @ Loh Ee Ming, Loh Mun Yew, Loh Pui Lai, Lum Soo Mooi (spouse of Loh Ah Peng @ Loh Ee Ming) and Loh Pui Pui (daughter of Loh Ah Peng @ Loh Ee Ming and Lum Soo Mooi, and sibling of Loh Mun Yew and Loh Pui Lai) with shareholding interests of 40.68%, 27.42%, 10.68%, 10.33% and 10.89% respectively. The directors of Universal Pte. Ltd. are Loh Ah Peng @ Loh Ee Ming, Loh Mun Yew, Loh Pui Pui and Lum Soo Mooi.

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

SHAREHOLDINGS HELD IN THE HANDS OF PUBLIC

Based on the information available to the Company as of 15 March 2012, approximately 28.71% of the issued ordinary shares of the Company are held by the public and therefore Rule 723 of the Listing Manual Section B: Rules of Catalist of the SGX-ST is complied with.

Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the Annual General Meeting of the Company will be held at 112 Lavender Street #04-00 Far East Refrigeration Building Singapore 338728 on Friday, 27 April 2012 at 9.30 a.m. for the following purposes:

ORDINARY BUSINESS

1. To receive and adopt the audited accounts for the financial year ended 31 December 2011, together with the Reports of the Directors and the Auditors and the Statement of Directors. **(Resolution 1)**

2. To declare a one-tier tax exempt final dividend of 1.05 cents per ordinary share for the financial year ended 31 December 2011. **(Resolution 2)**

3. To re-elect the following Directors retiring pursuant to Article 104 and Article 114 of the Company's Articles of Association and who, being eligible, offers themselves for re-election.

(a)	Mr Loh Mun Yew	(Article 104)	**(Resolution 3)**
(b)	Mr Hew Koon Chan	(Article 114)	**(Resolution 4)**
(c)	Mr Mak Yen-Chen Andrew	(Article 114)	**(Resolution 5)**
(d)	Mr Tan Hwee Kiong	(Article 114)	**(Resolution 6)**
(e)	Ms Loh Pui Lai	(Article 114)	**(Resolution 7)**

[See explanatory note (i) below]

4. To re-appoint Mr Loh Ah Peng @ Loh Ee Ming, as a Director of the Company pursuant to Section 153(6) of the Companies Act, Cap. 50 of Singapore ("Companies Act"), to hold office as a Director from the date of this Annual General Meeting until the next Annual General Meeting. **(Resolution 8)**
[See explanatory note (ii) below]

5. To approve the payment of Directors' fees of S$217,500 for the financial year ended 31 December 2011. **(Resolution 9)**

6. To approve the payment of Directors' fees of $205,000 for the financial year ending 31 December 2012, to be paid half-yearly in arrears. **(Resolution 10)**

7. To re-appoint Messrs Ernst & Young LLP as the Company's auditors and to authorise the Directors to fix their remuneration. **(Resolution 11)**

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

SPECIAL BUSINESS

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

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

(A) (i) allot and issue shares in the capital of the Company whether by way of rights, bonus or otherwise; and/or

(ii) make or grant offers, agreements or options (collectively, "Instruments") that might or would require shares to be issued, including but not limited to the creation and issue of (as well as adjustments to) warrants, debentures or other instruments convertible into shares, at any time and upon such terms and conditions and for such purposes and to such persons as the Directors may in their absolute discretion deem fit; and

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

provided that:-

(1) the aggregate number of shares to be issued pursuant to this authority (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 50% (or 100%, in the event of a *pro-rata* renounceable rights issue) of the issued share capital of the Company (as calculated in accordance with sub-paragraph (2) below), of which the aggregate number of shares to be issued other than on a *pro-rata* basis to the existing shareholders of the Company (including shares to be issued in pursuance of Instruments made or granted pursuant to this authority) does not exceed 20% of the issued share capital of the Company (as calculated in accordance with subparagraph (2) below);

(2) (subject to such manner of calculation as may be prescribed by the SGX-ST) for the purpose of determining the aggregate number of shares that may be issued under subparagraph (1) above, the percentage of issued share capital shall be based on the issued share capital of the Company at the time this authority is given, after adjusting for:-

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

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

(3) in exercising the authority conferred by this authority, the Directors shall comply with the provisions of the Catalist Rules for the time being in force (unless such compliance has been waived by the SGX-ST) and the Articles of Association for the time being of the Company; and

(4) (unless revoked or varied by the Company in general meeting) this authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the date by which the next Annual General Meeting of the Company is required by law and the Catalist Rules to be held, whichever is the earlier." [See explanatory note (iii) below] **(Resolution 12)**

10. Renewal of Shareholders' Mandate for Interested Person Transactions.

"That approval be and is hereby given for the purpose of Chapter 9 of the Catalist Rules for the Company and its subsidiaries to enter into any of the transactions falling within the types of interested person transactions as set out in the Appendix to the Annual Report 2011 (the "Appendix") with the interested persons described in the Appendix, provided that such transactions are transacted on normal commercial terms and will not be prejudicial to the interests of the Company and the minority shareholders of the Company and in accordance with the guidelines and procedures as set out in the Appendix and that such approval (the "Shareholders' Mandate") shall, unless revoked or varied by the Company in general meeting, continue in force until the conclusion of the next Annual General Meeting of the Company; and the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary to give effect to the Shareholders' Mandate."
[See explanatory note (iv) below] **(Resolution 13)**

BY ORDER OF THE BOARD

Chia Foon Yeow
Company Secretary
Singapore
11 April 2012

Notice of Annual General Meeting

Explanatory Notes:

(i) Mr Hew Koon Chan will, upon re-election, remain as Chairman of the Audit Committee and a member of the the Nominating Committee and the Remuneration Committee. The Board considers Mr Hew Koon Chan to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Mr Mak Yen-Chen Andrew will, upon re-election, remain as the Chairman of the Nominating Committee and a member of the Audit Committee and the Remuneration Committee. The Board considers Mr Mak Yen-Chen Andrew to be independent for the purpose of Rule 704(7) of the Catalist Rules.

Mr Tan Hwee Kiong will, upon re-election, remain as the Chairman of the Remuneration Committee and a member of the Audit Committee and the Nominating Committee. The Board considers Mr Tan Hwee Kiong to be independent for the purpose of Rule 704(7) of the Catalist Rules.

(ii) Mr Loh Ah Peng @ Loh Ee Ming is of age 78. By virtue of Section 153(6) of the Companies Act, a person of or over the age of 70 years may, by an ordinary resolution passed at an annual general meeting of a company, be re-appointed as a director of the company to hold office until the next annual general meeting of the company.

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

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

The Ordinary Resolution 12, if passed, will empower the Directors of the Company from the date of this Meeting until the date of the next Annual General Meeting of the Company, or the date by which the next Annual General Meeting of the Company is required by law to be held or such authority is varied or revoked by the Company in a general meeting, whichever is the earlier, to allot and issue shares in the capital of the Company and/or the Instruments (as defined above). The aggregate number of shares (including shares to be made in pursuance of Instruments made or granted pursuant to this Resolution) which the Directors may allot and issue, shall not exceed 100% of the total number of issued shares (excluding treasury shares) in the capital of the Company, of which the total number of shares and convertible securities other than on a pro-rata basis to existing shareholders, shall not exceed 50% of the total number of issued shares (excluding treasury shares) in the capital of the Company.

(iv) Ordinary Resolution 13 above is to renew the shareholders' mandate for transactions with interested persons and if passed, will empower the Directors of the Company to do all acts necessary to give effect to the Resolution. This authority will, unless previously revoked or varied at a general meeting, expire at the conclusion of the next Annual General Meeting.

Notes:

(1) A member of the Company entitled to attend and vote at the Annual General Meeting may appoint not more than two proxies to attend and vote instead of him.

(2) Where a member appoints two proxies, he shall specify the proportion of his shareholding to be represented by each proxy in the instrument appointing the proxies. A proxy need not be a member of the Company.

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

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

Notice of Annual General Meeting

This notice has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Canaccord Genuity Singapore Pte. Ltd. (formerly known as Collins Stewart Pte. Limited) for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "SGX-ST"). Canaccord Genuity Singapore Pte. Ltd. has not independently verified the contents of this notice.

This notice has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this notice, including the correctness of any of the statements or opinions made or reports contained in this notice.

The contact person for the Sponsor is Ms Alice Ng, Director, Corporate Finance, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 68546160

Appendix

11 April 2012

This Appendix is circulated to Shareholders of Far East Group Limited (the "**Company**") together with the Company's Annual Report. Its purpose is to explain to Shareholders the rationale and provide information to Shareholders for the proposed renewal of the Shareholders' Mandate (as defined in this Appendix) to be tabled at the Annual General Meeting of the Company to be held on Friday, 27 April 2012 at 9:30 a.m. at 112 Lavender Street #04-00 Far East Refrigeration Building Singapore 338728.

The Notice of Annual General Meeting is enclosed with the Annual Report.

If you are in any doubt as to the contents herein or as to any action you should take, you should consult your broker, bank manager, accountant or other professional adviser immediately.

If you have sold or transferred all your issued and fully paid ordinary shares in the capital of the Company, you should immediately forward this Appendix, together with the Company's Annual Report, the Notice of Annual General Meeting and the accompanying Proxy Form, to the purchaser or transferee or to the bank, stockbroker or agent through whom the sale or transfer was effected for onward transmission to the purchaser or transferee.

*This Appendix has been prepared by the Company and its contents have been reviewed by the Company's Sponsor, Canaccord Genuity Singapore Pte. Ltd. (formerly known as Collins Stewart Pte. Limited) for compliance with the relevant rules of the Singapore Exchange Securities Trading Limited (the "**SGX-ST**"). Canaccord Genuity Singapore Pte. Ltd. has not independently verified the contents of this Appendix.*

This Appendix has not been examined or approved by the SGX-ST and the SGX-ST assumes no responsibility for the contents of this Appendix, including the correctness of any of the statements or opinions made or reports contained in this Appendix.

The contact person for the Sponsor is Ms Alice Ng, Director, Corporate Finance, Canaccord Genuity Singapore Pte. Ltd. at 77 Robinson Road #21-02 Singapore 068896, telephone (65) 68546160

Far East Group Limited
(Company Registration No.:196400096C)
(Incorporated in the Republic of Singapore on 18 March 1964)

APPENDIX

IN RELATON TO

THE PROPOSED RENEWAL OF THE SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

Appendix

DEFINITIONS

In this Appendix, the following definitions apply throughout unless otherwise stated:

The Group Companies

"Company" or "Far East Group"	:	Far East Group Limited
"Group"	:	The Company and its subsidiaries

Other Companies and Organisations

"ERM"	:	Eden Refrigeration Manufacturing (Jiangsu) Co., Ltd. (逸腾远东制冷(江苏)有限公司)
"SER"	:	Shanghai Eden Refrigeration Co., Ltd. (上海逸腾制冷设备有限公司)
"SERM"	:	Shanghai Eden Refrigeration Manufacturing Co., Ltd. (上海爱腾冷冻机械有限公司)
"UPL"	:	Universal Pte. Ltd.

General

"Act" or "Companies Act" : Companies Act, Cap. 50 of Singapore

"AGM" : The annual general meeting of the Company to be convened on 27 April 2012, notice of which is set out in the Annual Report despatched together with this Appendix

"Associate" :

(a) in relation to any Director, Chief Executive Officer, Substantial Shareholder or Controlling Shareholder (being an individual) means:-

(i) his immediate family;

(ii) the trustees of any trust of which he or his immediate family is a beneficiary or, in the case of a discretionary trust, is a discretionary object; and

(iii) any company in which he and his immediate family together (directly or indirectly) have an interest of 30% or more

(b) in relation to a Substantial Shareholder or a Controlling Shareholder (being a company) means any other company which is its subsidiary or holding company or is a subsidiary of such holding company or one in the equity of which it and/or such other company or companies taken together (directly or indirectly) have an interest of 30% or more

"Audit Committee" : The audit committee of the Company

"Catalist Rules" : Any or all of the rules in the SGX-ST Listing Manual Section B: Rules of the Catalist, as the case may be

Appendix

"CEO"	:	Chief Executive Officer
"Controlling Shareholder"	:	A person who:- (a) holds directly or indirectly 15% or more of the nominal amount of all voting shares in the company. The Exchange may determine that a person who satisfies this paragraph is not a controlling shareholder; or (b) in fact exercises control over the Company
"Directors"	:	The directors of the Company
"Interested Person"	:	(a) A Director, Chief Executive Officer, or Controlling Shareholder of the Company; or (b) an Associate of any such Director, Chief Executive Officer or Controlling Shareholder of the Company
"Interested Person Transactions"	:	Transactions proposed to be entered into between the Far East Group and any Interested Person(s), as elaborated in section 2.2 of this Appendix
"Latest Practicable Date"	:	15 March 2012, being the latest practicable date prior to the printing of this Appendix
"Maju Facility"		The Group's manufacturing facility located at Lot 1998/D Jalan Perusahaan 3, Taman Industri Selesa Jaya, 43300 Balakong, Seri Kembangan, Selangor Darul Ehsan, Malaysia
"Mandated Interested Persons"	:	SER, SERM and ERM
"PRC"	:	The People's Republic of China, excluding Taiwan, the Macau Special Administrative Region of the People's Republic of China and the Hong Kong Special Administrative Region of the People's Republic of China, for the purpose of this Appendix and for geographical reference only
"Securities Account"	:	The securities account maintained by a Depositor with the Central Depository (Pte) Ltd but does not include a securities sub-account
"Shares"	:	Ordinary shares in the capital of the Company
"Shareholders"	:	Registered holders of Shares, except where the registered holder is the Central Depository (Pte) Ltd, the term "Shareholders" shall, in relation to such Shares mean the Depositors whose Securities Accounts are credited with Shares
"Shareholders' Mandate"		The general mandate approved by the Shareholders for the Group to enter into transactions with the Mandated Interested Person in compliance with Chapter 9 of the Catalist Rules, as further described in this Appendix
"Substantial Shareholder"		A person who has an interest in the voting shares of the Company, the total votes attached to which is not less than 5% of the total votes attached to all the voting shares in the Company

Appendix

Currencies, Units and Others

"RMB" or "Renminbi"	:	The lawful currency of the PRC
"%" or "per cent."	:	Per centum or percentage

The terms "Depositor", "Depository Agent" and "Depository Register" shall have the meanings ascribed to them respectively in Section 130A of the Companies Act.

Words importing the singular shall, where applicable, include the plural and *vice versa* and words importing the masculine gender shall, where applicable, include the feminine and neuter genders and *vice versa*. References to persons shall include corporations.

Any reference in this Appendix to any enactment is a reference to that enactment as for the time being amended or re-enacted. Any word defined under the Companies Act, any statutory modification thereof or the Catalist Rules and used in this Appendix shall, where applicable, have the meaning assigned to it under the Companies Act, such statutory modification or the Catalist Rules, as the case may be.

Appendix

1. INTRODUCTION

The Company has, on 11 April 2012, issued a Notice of AGM to be held on 27 April 2012. The purpose of this Appendix is to provide Shareholders with the relevant information relating to, and to seek Shareholders' approval at the AGM for resolution 10 of the Notice of AGM to renew the Shareholders' Mandate that will enable the Group to enter into transactions including but not limited to the transactions set out in this Appendix with persons which are considered "interested persons" as defined in Chapter 9 of the Catalist Rules. It is likely that such transactions will occur with some degree of frequency and could arise at any time and from time to time.

Due to time-sensitive nature of commercial transactions, obtaining a Shareholders' Mandate will enable the Group, in the normal course of business, to enter into certain categories of interested person transactions with certain categories of interested persons (as set out below), provided that such interested person transactions are made on arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and the minority Shareholders.

Under Chapter 9 of the Catalist Rules, a listed company may seek a general mandate from its Shareholders for recurrent transactions of a revenue or trading nature or those necessary for its day-to-day operations, which may be carried out with the listed company's interested persons, but not for the purchase or sale of assets, undertakings or businesses.

Pursuant to Chapter 9 of the Catalist Rules, the Shareholders' Mandate, which was approved by the Shareholders on 22 July 2011, is effective until the earlier of (i) the first Annual General Meeting following the Company's admission to Catalist, or (ii) the first anniversary of the date of the Company's admission to Catalist. Accordingly, the Directors propose that the Shareholders' Mandate be renewed at the AGM to be held on 27 April 2012, to take effect until the next Annual General Meeting of the Company.

2. RENEWAL OF SHAREHOLDERS' MANDATE FOR INTERESTED PERSON TRANSACTIONS

2.1 Categories of Interested Persons

The Shareholders' Mandate will apply to the Group's transactions with the Mandated Interested Person, namely SER, SERM and ERM.

<u>SER</u>

SER, a company established in the PRC on 28 November 2002, is primarily engaged in the marketing and distribution of the "Eden" brand of heat exchangers and condensing units, as well as "Eliwell" brand of temperature controllers in the PRC. SER also exports the "Eden" brand of heat exchangers and condensing units exclusively to Far East Group. SER is wholly owned by UPL (the Controlling Shareholder of the Company) which is in turn owned by Loh Ah Peng @ Loh Ee Ming (the Non-executive Chairman of the Company), Loh Mun Yew (the CEO and Executive Director of the Company), Loh Pui Lai (the Non-executive Director of the Company), Lum Soo Mooi (spouse of Loh Ah Peng @ Loh Ee Ming) and Loh Pui Pui (daughter of Loh Ah Peng @ Loh Ee Ming and Lum Soo Mooi, and sibling of Loh Mun Yew and Loh Pui Lai) with shareholding interests of 40.68%, 27.42%, 10.68%, 10.33% and 10.89% respectively. The directors of SER are Loh Ah Peng @ Loh Ee Ming, Loh Mun Yew and Wong Thiam Hock (an unrelated third party). The legal representative of SER is Loh Mun Yew.

<u>SERM</u>

SERM, a company established in the PRC on 4 April 2007, is primarily engaged in the manufacturing of the "Eden" brand of heat exchangers and condensing units. The shareholders of SERM are SER, Cheung Wai Sum (a Pre-IPO Investor and spouse of Loh Pui Lai, the Non-executive Director of the Company) and Fuco Rudyanto Chandra (an unrelated third party), with shareholding interests of 80.0%, 5.0% and 15.0% respectively. The directors of SERM are Loh Mun Yew, Loh Pui Lai and Fuco Rudyanto Chandra. The legal representative of SERM is Loh Mun Yew.

ERM

ERM, a company established in the PRC on 1 June 2010, is primarily engaged in the manufacturing of the "Eden" brand of heat exchangers and condensing units. The shareholders of ERM are UPL, Cheung Wai Sum and Fuco Rudyanto Chandra, with shareholding interests of 80.0%, 5.0% and 15.0% respectively. The directors of ERM are Loh Mun Yew, Loh Pui Lai and Fuco Rudyanto Chandra. The legal representative of ERM is Loh Mun Yew.

2.2 Categories of interested person transactions and the rationale and benefits derived from the interested person transactions

The transactions with the Mandated Interested Persons covered by the Shareholders' Mandate relate to the purchase and sale of products in the normal course of the business (of a revenue or trading nature or which are necessary for the day-to-day operations), comprising the following:-

(a) purchase of the "Eden" brand of products (comprising heat exchangers and condensing units) ("Relevant Products") from the Mandated Interested Persons (through SER); and

(b) sale of agency products for the assembly of condensing units to the Mandated Interested Persons.

Transactions with Interested Persons that do not fall within the ambit of the Shareholders' Mandate shall be subject to the relevant provisions of Chapter 9 and/or other applicable provisions of the Catalist Rules and/or the Companies Act, if any.

2.3 Rationale for and benefits of the Shareholders' Mandate

The Mandated Interested Persons are engaged primarily in the manufacture and distribution of the Relevant Products in the PRC pursuant to the intellectual properties licence agreement dated 27 June 2011 entered into between the Company and the Mandated Interested Persons for the use of trade marks and patents. Please refer to pages 99 to 101 and 125 to 131 of the Company's Offer Document dated 25 July 2011 for further details.

The Company purchases such products from the Mandated Interested Persons, in the ordinary course of business, for distribution in markets outside the PRC. The Maju Facility manufactures the "Eden" brand of heat exchangers but not condensing units. As such, the Mandated Interested Persons are the only suppliers of the Company's "Eden" brand of condensing units.

The Company also engages in sale of refrigeration and air-conditioning products to the Mandated Interested Persons for their assembly of heat exchangers and condensing units. The Directors believe that such sale transactions would, to a large extent, ensure that parts and components used in the manufacture of the heat exchangers and condensing units by the Mandated Interested Persons will meet the Company's technical and quality specifications.

The Shareholders' Mandate and the renewal of the Shareholders' Mandate on an annual basis will eliminate the need to convene general meetings from time to time to seek Shareholders' approval as and when potential transactions with the relevant Interested Persons arise, thereby eliminating the administrative time and expenses in convening such meetings, without compromising the corporate objectives and adversely affecting the business opportunities available to the Group.

The Shareholders' Mandate is intended to facilitate recurrent transactions of a revenue or trading nature or those necessary for day-to-day operations, provided that they are carried out on an arm's length basis and on normal commercial terms and are not prejudicial to the interests of the Company and its minority Shareholders.

Disclosure will be made in the Company's Annual Report of the aggregate value of interested person transactions conducted pursuant to the Shareholders' Mandate during the financial year and in the annual reports for subsequent years that the Shareholders' Mandate continues in force. In addition, the Company will announce the aggregate value of transactions conducted pursuant to the Shareholders' Mandate during the relevant financial period within the required time frame stipulated in the Catalist Rules.

2.4 Guidelines and Review Procedures under Shareholders' Mandate

The Group has implemented the following procedures to supplement existing internal control procedures to ensure that interested person transactions are undertaken on an arm's length basis and on normal commercial terms consistent with the Group's usual business practice and policies and are not more favourable to the Mandated Interested Person than those extended to or by unrelated parties:-

Purchases from the Mandated Interested Persons

(a) The Company's "Eden" brand of condensing units can only be purchased from the Mandated Interested Persons (through SER) whereas the Company's "Eden" brand of heat exchangers can be purchased from the Mandated Interested Persons and the Maju Facility. As such products are proprietary in nature, the Company's Executive Directors believe that it would not be able to obtain comparable quotations from independent third parties for the same or similar products.

(b) When there is a need to make a purchase (whether upon the receipt of an enquiry from the Company's customers or to stock up the inventory), the Company will check with the Maju Facility and the Mandated Interested Persons on their ability to fulfil the Company's requirements taking into consideration pricing, delivery schedule and payment terms. The Company will give priority to purchasing from the Maju Facility if it is able to fulfil orders based on the Company's price and delivery schedule requirements. In the event such orders are unable to be fulfilled by the Maju Facility, the Company will purchase from the Mandated Interested Persons.

(c) Purchases from the Mandated Interested Persons shall be based on a price list which has been evaluated and pre-approved by an Executive Officer who does not have an interest in such transaction at the start of each financial year (the "Pre-approved Price List"). Any revisions of the Pre-approved Price List during the year shall be subject to re-evaluation and approval by an Executive Director who does not have an interest in such transaction. The Pre-approved Price List shall be compared to the prices for similar products quoted by the Maju Facility. Prior to purchasing from the Mandated Interested Persons, the Company will ensure that the prices are comparable or lower than those of the Maju Facility.

(d) In assessing the price for purchases from the Mandated Interested Person, references shall also be made to the prices of the same or reasonably similar products sold to independent third parties, contemporaneously in time, by the Mandated Interested Persons. The Mandated Interested Persons shall provide the Group with two recent invoices for the same or reasonably similar products sold to independent third parties for comparison. In general, the prices and terms extended to the Group by the Mandated Interested Persons shall be no less favourable than to their respective third party customers.

In determining whether the price and terms offered by the Mandated Interested Persons are fair and reasonable, factors such as, but not limited to, delivery schedules, specification requirements, quality, payment terms, track record, preferential rates, discounts and/or rebates offered for bulk purchases will be taken into consideration.

(e) All purchases from the Mandated Interested Persons shall be recorded in an interested person transaction register ("IPT Register") setting out details of the transactions, relevant evaluations in paragraph (d) above and approvals.

Sales to the Mandated Interested Persons

(a) When selling products to the Mandated Interested Persons, the price and terms of two other successful transactions of a similar nature with independent third party customers will be used for comparison, taking into consideration the credit worthiness and repayment history of the customers and sales volume.

(b) The sale price to the Mandated Interested Persons shall not be lower than the lowest sale price of the two other comparable successful transactions with independent third party customers.

In reviewing the prices and terms offered to the Mandated Interested Persons, all pertinent factors, but not limited to, delivery schedules and requirements, specifications requirements, payment terms, will be taken into consideration.

(c) All sales transactions with the Mandated Interested Persons shall be recorded in the IPT Register, setting out details of the transactions, relevant evaluations in paragraph (b) above and approvals.

In addition, to supplement internal control procedures to ensure that all interested person transactions covered by the Shareholders' Mandate will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the following limits for transactions with the Mandated Interested Persons shall be applied:-

(i) where an individual transaction is below US$200,000, such transaction shall be subject to the review and prior approval by an Executive Director who does not have an interest in such transaction; and

(ii) where an individual transaction is equal to or in excess of US$200,000, such transaction shall be subject to the review and prior approval by the Audit Committee.

The Audit Committee shall review the IPT Register on a half-yearly basis, to ensure that all transactions with the Mandated Interested Persons are carried out in accordance with the guidelines and procedures set out above.

The Audit Committee shall review from time to time such guidelines and procedures to determine if they continue to be adequate and/or commercially practicable in ensuring that transactions between the Mandated Interested Persons and the Group are conducted on normal commercial terms, and are not prejudicial to the interests of the Company and its minority Shareholders.

The Audit Committee may also engage external parties to carry out such periodic reviews if deemed necessary or appropriate. Further, if during these periodic reviews, the Audit Committee is of the view that the above guidelines and procedures are inappropriate and not sufficient to ensure that transactions with Mandated Interested Persons will be conducted on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will revert to the Shareholders for a fresh mandate based on new guidelines and procedures. During the period prior to obtaining a fresh mandate from Shareholders, all transactions with the Mandated Interested Persons shall be subject to the review and prior approval by the Audit Committee.

3. AUDIT COMMITTEE'S STATEMENT

(i) The Audit Committee (currently comprising Mr Hew Koon Chan, Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong) has reviewed the terms of the Shareholders' Mandate and confirms that the method and procedures for determining the transaction prices under the Shareholders' Mandate have not changed since the last Shareholders' approval which took place on 22 July 2011 and that such methods and procedures are sufficient to ensure that the transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders. Hence, an independent financial advisor's opinion is not required for the renewal of this Shareholders' Mandate.

(ii) If, during the periodic reviews by the Audit Committee, the Audit Committee is of the view that the established guidelines and procedures are inappropriate and not sufficient to ensure that the interested person transactions will be carried out on normal commercial terms and will not be prejudicial to the interests of the Company and its minority Shareholders, the Company will seek a fresh mandate from Shareholders based on new guidelines and procedures for transactions with interested persons.

4. VALIDITY PERIOD OF THE SHAREHOLDERS' MANDATE

If approved by the Shareholders at the AGM, the Shareholders' Mandate will take effect from the date of the AGM, and will unless revoked or varied by the Company in general meeting, continue in force until the next Annual General Meeting of the Company. Approval from the Shareholders will be sought for the renewal of the Shareholders' Mandate at each subsequent Annual General Meeting of the Company, subject to satisfactory review by the Audit Committee of its continued application to the transactions with the Mandated Interested Persons.

5. DIRECTORS' AND SUBSTANTIAL SHAREHOLDERS' INTERESTS

The interests of the Directors and Substantial Shareholders in Shares as at the Latest Practicable Date are set out below:-

	Direct Interest		Deemed Interest	
	Number of Shares	%	Number of Shares	%
Directors				
Loh Ah Peng @ Loh Ee Ming (1),(2)	425,000	0.59	42,570,000	58.86
Loh Mun Yew (1),(3)	654,600	0.91	42,570,000	58.86
Leng Chee Keong	3,700,200	5.12	-	-
Loh Pui Lai (1),(5)	-	-	4,200,000	5.81
Hew Koon Chan	-	-	-	-
Mak Yen-Chen Andrew	-	-	-	-
Tan Hwee Kiong	-	-	-	-
Substantial Shareholders (other than Directors)				
Universal Pte. Ltd. (4)	42,570,000	58.86	-	-
Cheung Wai Sum (5)	4,200,000	5.81		

Notes:-

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

(2) Loh Ah Peng @ Loh Ee Meng is deemed to have an interest in the 42,570,000 shares, held by Universal Pte. Ltd by virtue of Section 7 of the Companies Act, Cap 50.

(3) Loh Mun Yew is deemed to have an interest in the 42,570,000 shares, held by Universal Pte. Ltd by virtue of Section 7 of the Companies Act, Cap 50.

(4) Universal Pte. Ltd. is an investment holding company incorporated in Singapore and the shareholders are Loh Ah Peng @ Loh Ee Ming, Loh Mun Yew, Loh Pui Lai, Lum Soo Mooi (spouse of Loh Ah Peng @ Loh Ee Ming) and Loh Pui Pui (daughter of Loh Ah Peng @ Loh Ee Ming and Lum Soo Mooi, and sibling of Loh Mun Yew and Loh Pui Lai) with shareholding interests of 40.68%, 27.42%, 10.68%, 10.33% and 10.89% respectively. The directors of Universal Pte. Ltd. are Loh Ah Peng @ Loh Ee Ming, Loh Mun Yew, Loh Pui Pui and Lum Soo Mooi.

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

Save as disclosed above, none of the Directors and Substantial Shareholders has any interest, whether direct or indirect (other than through their shareholdings in the Company), as at the Latest Practicable Date.

6. ABSTENTION FROM VOTING

In accordance with the requirements of Chapter 9 of the Catalist Rules, UPL, Loh Mun Yew and Cheung Wai Sum will abstain, and have undertaken that their Associates will abstain, from voting on the resolutions for the renewal of the Shareholders' Mandate in respect of any Shares respectively held by them and their Associates.

In addition, Loh Ah Peng @ Loh Ee Ming, Loh Mun Yew, Loh Pui Lai and Cheung Wai Sum will also decline to accept nomination as proxy or otherwise from any Shareholder to vote on the resolutions for the renewal of the Shareholders' Mandate, unless give specific instructions by the Shareholder in the relevant proxy form as to how his votes are to be casted.

7. INDEPENDENT DIRECTORS' RECOMMENDATION

Having fully considered the rationale set out in this Appendix, the Directors who are considered independent for the purposes of the proposed renewal of the Shareholders' Mandate, namely Mr Hew Koon Chan, Mr Mak Yen-Chen Andrew and Mr Tan Hwee Kiong ("Independent Directors"), believe that the Shareholders' Mandate is in the interest of the Company and recommend that Shareholders vote in favour of the resolution to approve the same as set out in the Notice of AGM.

8. ANNUAL GENERAL MEETING

The AGM, notice of which is set out in the Annual Report of the Company, will be held on Friday, 27 April 2012 at 9:30 a.m. at 112 Lavender Street #04-00 Far East Refrigeration Building Singapore 338728 for the purpose of considering and, if thought fit, passing with or without any modifications, the Ordinary Resolution relating to the renewal of the Shareholders' Mandate at the AGM as set out in the Notice of AGM.

9. ACTION TO BE TAKEN BY SHAREHOLDERS

Shareholders who are unable to attend the AGM and who wish to appoint a proxy to attend on their behalf are requested to complete, sign and return the Proxy Form attached to the Annual Report in accordance with the instructions printed thereon as soon as possible and, in any event, so as to reach the registered office of the Company not less than 48 hours before the time fixed for the AGM. The completion and lodgement of the Proxy Form by a Shareholder will not prevent him from attending and voting at the AGM in person if he so wishes.

A Depositor shall not be regarded as a member of the Company entitled to attend the AGM and to speak and vote thereat unless his name appears on the Depository Register as at 48 hours before the AGM.

10. DIRECTORS' RESPONSIBILITY STATEMENT

The Directors collectively and individually accept full responsibility for the accuracy of the information given in this Appendix and confirm after making all reasonable enquiries that, to the best of their knowledge and belief, this Appendix constitutes full and true disclosure of all material facts about the proposed renewal of the Shareholders' Mandate. The Company and its subsidiaries, and the Directors are not aware of any facts the omission of which would make any statement in this Appendix misleading. Where information in this Appendix has been extracted from published or otherwise publicly available source or obtained from the named source, the sole responsibility of the Directors has been to ensure that such information has been accurately and correctly extracted from those sources and/or reproduced in this Appendix in its proper form and context.

11. DOCUMENTS AVAILABLE FOR INSPECTION

The Offer Document dated 25 July 2011 or copies thereof may be inspected at our registered office at 112 Lavender Street #04-00 Far East Refrigeration Building Singapore 338728, during normal business hours for a period of six months from date of this Appendix.

Yours faithfully
For and on behalf of the Board of Directors of
FAR EAST GROUP LIMITED

Loh Mun Yew
CEO and Executive Director

FAR EAST GROUP LIMITED
(Company Registration No. 196400096C)
(Incorporated in the Republic of Singapore)

Proxy Form
Annual General Meeting

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

I/We, ____ (Name)

of ____ (Address)

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

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and/or (delete as appropriate)

Name	Address	NRIC/Passport No.	Proportion of Shareholdings (%)

and my/our proxy/proxies to vote for me/us on my/our behalf, at the Annual General Meeting ("AGM") of the Company, to be held at 112 Lavender Strret #04-00 Far East Refrigeration Building Singapore 338728 on Friday, 27 April 2012 at 9.30 a.m., and at any adjournment thereof. I/We direct my/our proxy/proxies to vote for or against the Resolutions to be proposed at the AGM as indicated hereunder. If no specific directions as to voting is given, the proxy/proxies will vote or abstain from voting at his/her/their discretion, as he/she/they will on any other matter arising at the AGM.

No.	Resolutions relating to:	For*	Against*
	Ordinary Business		
1	Adoption of the audited accounts for the financial year ended 31 December 2011 and Reports of the Directors and Auditors and Statement of Directors		
2	Declaration of final dividend of 1.05 cents per ordinary share for the financial year ended 31 December 2011		
3	Re-election of Mr Loh Mun Yew as a Director		
4	Re-election of Mr Hew Koon Chan as a Director		
5	Re-election of Mr Mak Yen-Chen Andrew as a Director		
6	Re-election of Mr Tan Hwee Kiong as a Director		
7	Re-election of Ms Loh Pui Lai as a Director		
8	Re-appointment of Mr Loh Ah Peng @ Loh Ee Ming as a Director		
9	Approval of payment of Directors' fees amounting to S$217,500 for the financial year ended 31 December 2011		
10	Approval of payment of Directors' fees amounting to S$205,000 for the financial year ending 31 December 2012, to be paid half-yearly in arrears		
11	Re-appointment of Messrs Ernst & Young LLP as Auditors		
	Special Business		
12	Authority to allot and issue new shares		
13	Renewal of Shareholders' Mandate for Interested Person Transactions		

* Please indicate your vote "For" or "Against" with a tick (√) within the box provided.

Dated this day of , 2012.

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

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

Notes

1. A member entitled to attend and vote at the Meeting is entitled to appoint one or two proxies to attend and vote in his stead.

2. Where a member appoints more than one proxy, the proportion of the shareholding to be represented by each proxy shall be specified in this proxy form. If no proportion is specified, the Company shall be entitled to treat the first named proxy as representing the entire shareholding and any second named proxy as an alternate to the first named or at the Company's option to treat this proxy form as invalid.

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

4. Please insert the total number of shares held by you. If you have shares entered against your name in the Depository Register (as defined in Section 130A of the Companies Act, Cap. 50 of Singapore), you should insert that number of shares. If you have shares registered in your name in the Register of Members of the Company, you should insert that number of shares. If you have shares entered against your name in the Depository Register and registered in your name in the Register of Members, you should insert the aggregate number of shares. If no number is inserted, this proxy form will be deemed to relate to all the shares held by you.

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

6. This proxy form must be under the hand of the appointor or of his attorney duly authorised in writing. Where this proxy form is executed by a corporation, it must be executed either under its common seal or under the hand of its attorney or a duly authorised officer.

7. Where this proxy form is signed on behalf of the appointor by an attorney, the letter or power of attorney or a duly certified copy thereof must (failing previous registration with the Company) be duly stamped and deposited with this proxy form, failing which this proxy form shall be treated as invalid.

General

The Company shall be entitled to reject a Proxy Form which is incomplete, improperly completed, illegible or where the true intentions of the appointor are not ascertainable from the instructions of the appointor specified on the Proxy Form. In addition, in the case of shares entered in the Depository Register, the Company may reject a Proxy Form if the member, being the appointor, is not shown to have shares entered against his name in the Depository Register as at 48 hours before the time appointed for holding the Meeting, as certified by The Central Depository (Pte) Limited to the Company.

FAR EAST GROUP LIMITED ANNUAL REPORT 2011

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